TransUnion

April 13, 2017

The Honorable Michael Crapo
Chairman
Committee on Banking, Housing and
Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member
Committee on Banking, Housing and
Urban Affairs
United States Senate
Washington, DC 20510

Re: Request for proposals to foster economic growth

Dear Chairman Crapo and Ranking Member Brown:

Thank you for the Committee's March 20 Request for Proposals to Foster Economic Growth. On behalf of TransUnion, I welcome this opportunity to submit for your consideration a proposal intended to increase access to mainstream consumer credit through greater participation in the credit reporting system by entities that have long been considered non-traditional sources of information.

Congress has the opportunity, through an amendment to the Fair Credit Reporting Act, to remove barriers which may exist in state or local regulation that impede the willingness or ability of entities such as energy utilities, telecommunications services providers, residential property rental agents, providers of cable television services, etc., to participate as data furnishers in the nationwide credit reporting system. In December 2015, bipartisan, bicameral legislation was introduced by Senators Kirk and Manchin (S 2355), and by Representatives Fitzpatrick and Ellison (HR 4172), The Credit Access and Inclusion Act. We appreciate the willingness of the Committee to consider this issue in its review.

The economic impact of building more robust credit scores for millions of individuals and small business owners has been studied. A March 2015 study by PERC , "Research Consensus Confirms Benefits of Alternative Data" reported a consensus among researchers and practitioners on the economic benefits. (PERC is a non-profit research group with 10+ years of experience in identifying information-based solutions which increase financial inclusion.) In its abstract, PERC summarized this study:
Tens of millions of Americans, perhaps as many as 1 in 5 or even 1 in 4, have either no credit report, or have insufficient information to generate a traditional credit score. These "no file" and "thin file" persons collectively comprise the Credit Invisibles of America. Their efforts to meet their real credit needs are stymied by a lack of information about their likelihood of repayment, making it harder for them to build assets, which as recent work on inequality notes is crucial for moving up the economic ladder. Credit invisibility makes it hard for many Americans to start a small business or own a home. Actual credit market experience and over a decade of rigorous empirical research by NGOs and the private sector point to an effective solution—namely, that by expanding the set of data used for risk assessment, such as utilizing fully reported non-financial payment histories, Credit Invisibility is nearly stamped out and a significant portion of erstwhile Credit Invisibles qualify for affordable sources of mainstream credit. Unfortunately, nonfinancial payment data (such as utility and telecom payment histories) are undersupplied to consumer and commercial credit reports owing in part to public policy uncertainty.

The Consumer Financial Protect Bureau (CFPB) is looking into alternative data. In a February 16, 2017 press release announcing a Request for Information (RFI) on this matter, Director Richard Cordray was quoted:

"Alternative data from unconventional sources may help consumers who are stuck outside the system build a credit history to access mainstream credit sources," said CFPB Director Richard Cordray. "We want to learn more about whether this non-traditional approach can offer opportunities to millions of Americans who are credit invisible and how to minimize any risks in how this information is used."

The CFPB's statement, announcing its RFI, included these estimates: *"The Bureau estimates that 26 million Americans are credit invisible, meaning they have no credit history with a nationwide consumer reporting agency. Another 19 million consumers have a credit history that has gone stale, or is insufficient to produce a credit score under most scoring models."*

TransUnion has long recognized the value of alternative data for increasing availability of affordable credit. Through the use of alternative and non-traditional financial obligation data we have been able to score 60 million additional consumers and up to 95% of the previously unscorable applicant population. Our consumer scoring models allow consumers who previously had little or no access to reliable credit to qualify for lower cost loans on houses, cars, furniture and credit cards, further building their creditworthiness while still mitigating risk for creditors and reducing the potential for fraud. Consumers can now be rewarded for property/home ownership, bank accounts in good standing, and small installment loan payment history. Every month, millions of Americans make their rent payments on time, a fact largely unknown to lenders. TransUnion has been working with major property management companies to have them furnish this payment history to TransUnion, ensuring these individuals receive the benefit of responsibly paying their largest monthly financial obligation.

At TransUnion, we have supported research by PERC demonstrating the benefits of increased full-file reporting by non-traditional data furnishers. This is a well-researched concept, with bipartisan support, and existing legislative language. A broad increase in full-file reporting into the nationwide credit reporting system can benefit millions of American consumers and small businesses owners by increasing access to mainstream financing at lower borrowing costs.

We again thank the Committee for the opportunity to submit this proposal for consideration.

Kind regards,

Dennis Ambach
Vice President, Government Relations