



RESEARCH REPORT

Utility, Telecommunications, and Rental Data in Underwriting Credit

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Executive Summary

Proponents have been arguing for more than 20 years that utility, telecommunications, and rental payment history can improve credit underwriting models, thereby expanding access to credit and homeownership in communities that have not been well served by the financial system. Despite efforts to make such data more accessible, however, only 2 to 5 percent of consumers who make UTR payments are estimated to have UTR tradelines in their credit bureau files today.¹ And even where rental payments are reflected in credit reports, the most widely used credit scoring models do not account for the data. Indeed, the automated underwriting systems used to decide which mortgages meet the standards to be guaranteed by Fannie Mae, Freddie Mac, or the Federal Housing Administration rely on credit scoring models that do not consider applicants' rental payment history.

Over the past few years, policymakers, financial services companies, and other stakeholders have focused renewed attention on the potential of UTR payment history to improve access to credit. As described in more detail in the report, this interest has sparked the launch of several new initiatives:

- **Increased market activity.** New platforms have emerged to facilitate the transfer of UTR data to lenders. Some efforts are focused on collecting information directly from UTR companies, while others are obtaining consumers' permission to access bank account records that reflect their UTR payment history.
- **GSE initiatives.** Fannie Mae recently modified its automated underwriting system to consider positive rental payment history for first-time mortgage applicants who would otherwise fail to meet its criteria. Freddie Mac has begun offering incentives to encourage its multifamily housing borrowers to report on-time payments by their tenants. The two government-sponsored enterprises (GSEs), which securitize 60 percent of single-family mortgages in the US, are also nearing the end of a process of reviewing more modern scoring models for possible use that will account for rental payment history when it is reflected in consumers' credit reports.
- **State pilots.** California, Colorado, and the District of Columbia have taken legislative action to encourage or require government-subsidized landlords to provide optional reporting of rent payments to credit bureaus to help consumers bolster their credit records and build toward homeownership.
- **Standardization and technical assistance programs.** Representatives of the nation's largest credit bureaus have begun developing more consistent data standards for reporting rental

payments, and a national nonprofit organization has launched a technical assistance center to help affordable housing landlords report rental payments to credit bureaus.

At the same time, however, some stakeholders are voicing concerns that UTR payment history data could inadvertently increase financial challenges for families who are struggling to recover from the pandemic downturn. Some consumer advocates have historically opposed automatic “full-file” reporting, particularly of energy utility accounts, fearing that it would disproportionately penalize low- and moderate-income families who fall moderately behind on their bills in peak seasons. These concerns have deepened recently, given the unequal effects of the COVID-19 pandemic, the unevenness of relief programs for renters, and changes in tenant screening practices.

This report examines the history of efforts to tap UTR data for credit underwriting, empirical research on the effects of such data on the inclusiveness and predictiveness of credit scoring models, recent developments that are both accelerating and complicating UTR initiatives, and key market and policy issues that will determine whether such efforts can reach scale. It finds the following:

- **Publicly available research is limited, but studies and stakeholder interviews suggest that UTR data could improve predictiveness and access to credit for some consumers.** UTR payment history provides direct information about whether consumers have the financial capacity to take on additional expenses or, in the case of rent, substitute expenses. Payment history also reflects consumers’ general propensity to meet continuing obligations. Indeed, before the automation of mortgage underwriting increased dependency on credit reports, underwriters frequently considered first-time homebuyers’ rental payment history. Public studies on predictiveness are limited but suggest that the data may provide insights for some consumers that are not captured in traditional credit information.

Research suggests UTR data could be particularly helpful to the roughly 50 million consumers who may find it difficult to obtain mainstream credit because they lack sufficient credit history to be assessed by the most widely used credit scoring models. This unscorable population includes disproportionate numbers of Black and Hispanic consumers, low-income households, and young adults, as does the general population of renters. Studies suggest that a sizable number of unscorable consumers would be able to satisfy many lenders’ minimum credit score thresholds if their UTR payments were considered.

Public research on the effects of UTR data on consumers who are already scorable under widely used models is somewhat mixed. For some consumers, the data improve their scores or help them move from “thin-file” to “thick-file” status. There is evidence to suggest that these

effects may be larger for low-income populations, particularly if only on-time payment history is added. Other consumers are scored as presenting higher default risk based on the additional data. This latter effect is larger with full-file data, though it appears for a small fraction of consumers, even in studies focusing only on consideration of on-time UTR payments. Predicting the relative size and practical implications of these effects for already scorable populations is challenging because of limitations in available data. For instance, individual lenders may impose special conditions or higher prices on thin-file consumers because they consider such applicants to be higher risk. In such cases, adding more tradelines could improve access to credit for some consumers even if their numerical scores do not improve, but quantifying such benefits is challenging because policies vary across lenders.

- **The reluctance of UTR companies to report data has been a large historical barrier to greater use in credit underwriting. New ventures are attempting to reduce technology and process frictions, but their ability to expand remains to be seen.** Reporting of utility, telecom, and rent and collections items is relatively common, but despite pilot programs and other efforts, companies have remained reluctant to provide routine payment history to traditional credit bureaus for various reasons. For utilities, for example, regulatory and public relations concerns and fear of higher customer service volumes appear to have been particularly influential. Telecom companies may also be sensitive to customer service volumes, as well as to concerns that the data could be used to cross-market by their competitors. And resource and technology limitations are particularly severe for small landlords. Although there is some evidence that younger consumers may view payment reporting as an amenity that would cause them to choose one company over another, the cost-benefit analysis for reporting routine payments appears to be less persuasive to UTR companies than to lenders.

An increasingly diverse range of commercial ventures is working to reduce technology and process frictions for UTR data transfers. Activity is particularly high in the rental space, where at least 15 companies are working with landlords to facilitate payment reporting. Early efforts by property management software providers may have primarily reached real estate companies with large, higher-rent portfolios, but more recent efforts may be more accessible for smaller landlords with more moderate-rent properties. Other initiatives are using customer-permissioned channels to pull UTR payment history from bank account records and utility and telecom websites, rather than working to convince UTR companies to push the information to credit bureaus or lenders. But even though survey data suggest consumers are relatively comfortable sharing UTR data for credit underwriting, gauging the current scale and

impact of individual customer-permissioned initiatives is difficult, particularly for projects that were launched just before the pandemic.

Another challenge concerns adoption by lenders. With so many ventures and channels for UTR data in the current environment, consumers who are willing to authorize data access or take other steps to facilitate consideration of their UTR payment history may find that the individual lender to which they apply does not work with the relevant data intermediaries or use scoring models that will account for the data. Although lender interest in UTR data appears to be growing, individual companies will make different decisions about their willingness to invest resources in validating new data sources and adjusting processes depending on their interest in particular market segments, secondary market acceptance, regulatory factors, and other considerations.

- **As volumes increase, addressing issues concerning data quality, standardization, and modeling are becoming more important.** Most credit scoring models that will consider UTR data sources today treat them as the equivalent of a credit account. But practices are not entirely consistent as to whether they should be reported using formats for closed-end credit (e.g., an installment loan) or open-end credit (e.g., a charge card), nor on how to fill in various fields relating to loan terms and amounts. Discrepancies can sometimes affect the calculation of credit utilization rates, length of account history, and other factors that can affect credit scores. The processes for pulling bank account records and identifying UTR payments also have important implications for data accuracy and consistency. More broadly, bank account records do not contain all of the information that can typically be found in credit bureau records, as they reflect the amount the consumer paid and the date the payment was withdrawn from the account but do not reflect the amount or date owed. Identifying payments made via different channels can also be challenging.

Some stakeholders are reluctant to use customer-permissioned sources because of concerns about the quality and scope of the information, as well as broader risks of self-selection bias to the extent that only certain types of consumers are inclined to authorize data flows or that individual applicants might provide selective access that does not include accounts that they have struggled to pay. Other stakeholders believe that the benefits outweigh the risks, given the data's potential to fill in blind spots in existing systems and the fact that severe delinquencies are often reported through other channels. Stakeholders across this spectrum emphasize that gaining access to larger amounts of data for validation and modeling would be helpful.

Efforts to standardize rental data by the nation's largest credit bureaus are welcomed by a broad range of stakeholders, though the initiative does not yet focus on utility and telecom data. Stakeholders also emphasize that as greater volumes accrue, it will be important to determine what factors or patterns regarding UTR payments are most predictive of future credit defaults and to develop more nuanced models that incorporate those attributes. For instance, traditional credit reporting and scoring systems focus on delinquencies of 30 or more days as a baseline indicator of default risk, but different thresholds might be more meaningful for UTR payments, given differences in how consumers prioritize those particular payments and other factors.

- **Interest in using rental payment history is particularly strong among mortgage stakeholders who want to reduce severe racial disparities in homeownership rates.** In this context, the prospect of increasing the use of rental payment history is especially enticing because the data bear so directly on how consumers have prioritized and managed past housing expenses, because mortgage payments would replace rental payments, and because there is such strong business and policy interest in finding mechanisms to overcome historical discrimination and broader racial disparities. Lenders also have stronger incentives to invest in gathering detailed data for underwriting, given the size and length of mortgage loans and regulatory requirements. Automated pulls of bank account records to verify income, employment, and assets have already been expanding, and that architecture is now being used to support some UTR ventures.

At the same time, increasing access to rental payment history for first-time homebuyers who are already seeking mortgages—while a start—may not be sufficient to catalyze large and immediate changes in the market, in part because of the sheer number of parties involved in the housing finance ecosystem and the time it takes from approval to the widespread adoption of new scoring models and data sources. Accordingly, although momentum appears to be growing, it may take several years and substantial additional investments to realize the potential inclusion benefits from UTR data in addressing homeownership disparities.

For these and other reasons, some stakeholders argue that it also makes sense to prioritize the use of UTR data in other product markets, which could in turn bolster homeownership efforts over the long term by helping consumers build credit records with smaller-dollar products. For instance, credit cards can play a particularly important role in helping consumers build credit records and have been the focus of some historical efforts to utilize greater amounts of UTR

data. Stakeholders report that there is increased interest in such initiatives in recent months as industry is intensifying financial inclusion initiatives.

- **Federal policymakers could encourage UTR initiatives through a range of means, including addressing outstanding regulatory questions and using various housing levers to encourage greater data access and use.** As the channels for transferring and using UTR data diversify, questions are proliferating about how existing consumer protection laws apply to various participants in data transfers and about how to structure procedures to ensure informed consumer consent. The Consumer Financial Protection Bureau is in the early stages of a rulemaking that may address some of these questions at least at a general level, though it is not clear that it will focus on UTR data sources other than bank account data. Stakeholders say additional guidance about how new agency leaders are thinking about the role of nontraditional data in inclusion and fairness issues could also be useful.

Federal policymakers also have a range of housing levers that they could use to facilitate the transfer and use of UTR data, such as by providing financial incentives, subsidizing technical infrastructure, or adopting policy mandates to recipients of federal rental subsidies and federal mortgage guarantees. But use of these tools will require policymakers to make important decisions about such issues as whether to make particular initiatives conditional on consumer consent and whether to focus only on on-time payment history or full-file records.

Finally, empirical research by government agencies and private actors could be critical to inform policy choices, identify best practices, and help stakeholders adjust as conditions evolve. For example, additional analysis of the effects of UTR data on consumers with thin credit files and low credit scores would be helpful, particularly if such research can account for race and income levels. More nuanced evaluations of what specific patterns in UTR data are most predictive of credit defaults would also help to calibrate models for predictiveness, fairness, and inclusion.

- **But debates about more generalized use of UTR data are likely to become more complicated as current initiatives expand.** In the short term, many UTR initiatives are focusing on increasing the availability of positive payment history rather than full-file reporting. Several factors contribute to this trend; for instance, positive payment initiatives are more likely to attract consumer participation where necessary to initiate data flows and are less likely to generate significant consumer service calls or disputes for data sources. These initiatives also reduce the risk of exacerbating financial hardships on vulnerable families while data quality initiatives and pandemic recovery efforts are playing out.

Yet although there are benefits to relatively narrow programs, there are also costs. For instance, second-look pilot programs that use only UTR data to evaluate consumers who would otherwise be denied credit may exclude additional consumers who could benefit if the information was also used in risk-based pricing decisions. Depending on their structures, smaller programs also require spreading costs across fewer consumers and may increase concerns about self-selection and developing representative models across broader consumer populations.

These factors are likely to provide incentives to broaden programs over time. But expansion efforts may trigger greater resistance and concerns from some consumer advocates depending on how they are structured. Several factors complicate the long-term debate, including concerns that racial disparities could undermine the potential inclusion benefits of UTR data and that some consumers who are already scorable might experience score declines and higher prices if UTR data become widely used in credit underwriting and cause them to be scored as presenting higher default risk. The fact that traditional credit reports and scores are used for a wide variety of noncredit activities, including employment and tenant screening and underwriting of certain types of insurance, also complicates the task of projecting potential impacts on general populations if UTR data are added to consumers' general credit files. These considerations substantially increase the stakes for financially fragile populations.

Most stakeholders interviewed say they sense increased momentum around UTR initiatives, particularly for rental payment history. Many are hopeful that after 20 years of effort, such information will finally increase access to credit among historically underserved populations without compromising sound underwriting practices or sustainable mortgage finance. But the complex and dynamic nature of credit information systems underscores the importance of continuing research, engagement, and investments by a broader range of stakeholders as existing initiatives evolve. While historical experience and current challenges suggest that UTR data are not a panacea, with thoughtful development, it has the potential to benefit a considerable number of consumers.

1. Background

Consumer lending markets are heavily dependent on credit reports from three nationwide consumer reporting agencies (NCRAs)—Equifax, Experian, and TransUnion—that each maintain files on about 220 million US adults. Companies such as the Fair Isaac Corporation (FICO) and VantageScore have developed third-party credit scoring models that use selected data from NCRA reports to predict the likelihood that consumers will become delinquent or default on loans over the next 18 to 24 months. Before the pandemic, some sources estimate that these third-party credit scores were used in more than 90 percent of underwriting decisions for mortgages, credit cards, and auto loans (Carroll and Schiavone 2019; FinRegLab 2020a, 8–12).² Small business lenders also frequently use owners' personal credit history and scores in their underwriting processes (FinRegLab 2019) (box 1).³

BOX 1

Third-Party Credit Scores

So-called generic third-party credit scoring models use information from NCRA files to group consumers based on the likelihood they will become delinquent or default on any of their credit accounts in the next 18 to 24 months. The models are proprietary, but FICO reports that 35 percent of its scores depend on payment history, 30 percent depend on amounts owed, 15 percent depend on the length of credit history, and 10 percent each depend on new credit and credit mix. VantageScore models have shifted weights over time; the most recent 4.0 model weighs payment history at 41 percent, age and mix of credit history and utilization at 20 percent each, new credit at 11 percent, balance at 6 percent, and available credit at 2 percent (VantageScore 2017).⁴

The models also differ based on their minimum criteria to generate a score. FICO's general scoring models will not return scores for consumers unless they have a tradeline that a creditor has reported within the past six months and a tradeline with at least six months of history (FICO 2021, 3).⁵ In contrast, VantageScore models will return scores based on one month of history, on tradelines that have not had activity in the past two years, and for consumers who have only public records or debt collections information in their credit files (VantageScore 2013).⁶

VantageScore, a joint venture formed by the NCRAs, is widely used by consumer-focused credit score monitoring services and by an increasing number of lenders in credit card, auto, and personal loan markets (Carroll and Schiavone 2019, 2), but FICO is more broadly used overall. This is partly because mortgage markets rely heavily on historical versions of FICO for certain securitization functions, though Fannie Mae and Freddie Mac are in the process of reviewing more modern scoring models for possible use (box 11). There are also specialized third-party scores tailored to predict defaults on specific credit products.

Individual lenders vary both as to how heavily they rely on NCRA reports and third-party scores and as to the ways they factor the information into their credit approval and pricing decisions. Some lenders establish a minimum third-party score below which they will not consider lending but use attributes from the underlying credit reports and proprietary algorithms to evaluate applicants above that threshold. Other lenders use third-party scores as inputs to their proprietary models. Many lenders also use credit scores to engage in risk-based pricing, where they charge higher rates to relatively risky borrowers in anticipation of higher defaults (see the Broader Debates about Long-Term Use of UTR Data section in chapter 6). Lenders also use third-party scores to monitor portfolios, expedite securitization, and engage with investors.

Although scoring models can sort applicants by relative risk levels, the likelihood of delinquency or default presented by a particular score can change because of shifts in the individual consumer's circumstances, the credit behaviors of the larger population, or general economic conditions. Thus, a score is a rough ranking of a particular consumer relative to other consumers at a specific point in time (Demyanyk 2010).

The creation of a nationwide reporting infrastructure, use of third-party credit scores, and lenders' adoption of automated underwriting models have fueled a substantial expansion in US credit markets over the past several decades. In particular, the ability to access information that previously would have been available only to companies that had already extended credit to a particular applicant has been transformational. Studies suggest that these credit information improvements have tended to lower underwriting costs and default losses and increase competition for borrowers (Berger and Frame 2007, 5; Board of Governors of the Federal Reserve System 2007, S-2, S-3-S-4, O-4-O-6, 32-49; FinRegLab 2020a, 8-12; Fishelson-Holstine 2004; Gates, Perry, and Zorn 2002). These improvements have also tended to reduce reliance on subjective decisionmaking, which can be particularly vulnerable to conscious discrimination or unconscious bias. Fair lending concerns can also arise with predictive algorithms because of data flaws, modeling decisions, and other issues. But they facilitate more consistent treatment of multiple underwriting factors than judgmental systems (Board of Governors of the Federal Reserve System 2007, O-4, 3, 10-11; FinRegLab 2020a, 8-9, 14; 2020b, 21-22).

Yet while the US credit information system is considered to be one of the most robust in the world, it is still subject to significant gaps and creates its own dependencies. Because reporting to credit bureaus is voluntary and most information comes from particular categories of lenders, there is relatively little information about consumers or small businesses who do not already have and use those types of credit products. And even if it has negative effects on some consumers' ability to access credit, furnishers sometimes withhold particular data points from the credit bureaus because of competitive

concerns⁷ or choose to report only seriously delinquent accounts rather than both positive and negative payment history.⁸ More fundamentally, even for applicants with relatively robust and accurate credit files at the three NCRAs, their credit reports cannot provide a complete assessment of their finances because the reports do not provide direct information on income, reserves, or a complete picture of all recurring expenses (FinRegLab 2020a, 12).⁹

Lenders can fill these gaps by collecting information from individual applicants and other third-party sources. But gathering, verifying, and analyzing a detailed picture of applicants' financial situations can take substantial time and labor, and investors and secondary market actors often prefer relying on data and models that are easy to compare across portfolios. Thus, where underwriting information is not sufficiently easy to access, lenders may reject applicants not because they pose too much default risk but because operational obstacles complicate the risk assessment process. This has been a particular challenge in mortgage markets, where lenders often rely on automated underwriting systems that are provided by Fannie Mae, Freddie Mac, and the Federal Housing Administration rather than engaging in manual underwriting processes that could qualify more applicants with nontraditional credit records for federal guarantee programs (McDonald et al. 1997; Straka 2000).¹⁰

These dynamics are particularly likely to affect communities of color and low- and moderate-income borrowers. Research has identified three groups of applicants who have an especially difficult time accessing credit because of information barriers:

- **Applicants with thin files or no files.** More than 50 million US adults lack sufficient credit history with the NCRAs to be scored by the most widely used third-party models (Brevoort, Grimm, and Kambara 2015, 4–6; FICO 2021, 6). Black, Hispanic, recent immigrant, young, and low-income consumers are particularly likely to have thin files or no files (box 2). Studies indicate that nearly 30 percent of Black and Hispanic adults cannot be scored by certain models, compared with about 16 percent of white and Asian adults (Brevoort, Grimm, and Kambara 2015; FinRegLab 2020a, 12–13). And even where thin-file applicants have enough history to generate a score under one or more third-party models, they may be subject to special criteria or higher pricing because they are considered higher default or fraud risks (Brevoort, Grimm, and Kambara 2016).¹¹
- **Applicants with nonprime scores.** Lenders often group consumers with similar credit scores into bands or tiers to decide which cohorts to lend to and what prices to charge. Even if most consumers within a particular group are likely to repay their loans, lenders may reject them or may impose higher prices because losses for the group as a whole are likely to be relatively high

(FinRegLab 2020a, sections 2.1 and 2.2).¹² These dynamics are particularly likely to affect access to credit for consumers with nonprime scores. About 80 million US adults had nonprime scores before the pandemic, although the group has shrunk by more than 10 percent since because of temporary stimulus payments and other factors.¹³ Various studies have found that Black and Hispanic borrowers are substantially more likely to have nonprime scores than white and Asian borrowers (Board of Governors of the Federal Reserve System 2007, S-2, S-3-S-4, O-4-O-6, 32-49, 150-53).¹⁴ One study of consumers who became homebuyers between 2012 and 2018 found that average FICO Scores in the study population as of 2012 were 683 among white consumers, 605 among Black consumers, and 638 among Hispanic consumers (Dey and Brown 2020). The study concluded that the gap in credit scores and other financial factors explained between 66 percent and 79 percent of the gap between Black and white consumers in transitioning to a home purchased with a mortgage over the study period.

- **Small business owners.** Like young borrowers, start-up companies do not have credit histories. As a result, many owners rely on their personal scores and on consumer credit products to finance their businesses. This problem is most severe with start-ups, but other factors have made traditional lenders reluctant to provide business credit to companies that fall below certain sales or maturity thresholds. Businesses owned by racial and ethnic minorities, recent immigrants, and women tend to have particular challenges obtaining credit (FinRegLab 2019, sections 2.1 and 2.2). Citigroup recently estimated that if Black-white lending gaps had been eliminated 20 years ago, the increase in credit access to Black entrepreneurs could have added \$13 trillion in business revenue and potentially created 6.1 million jobs per year (Citigroup 2021, 2).

BOX 2

No-File, Thin-File, Invisible, and Unscorable Consumers

Stakeholders often use overlapping terminology to describe consumers whose access to credit may be limited because of sparse credit history:

- Approximately 25 million US adults are described as **no-file consumers** because they do not have credit files with Equifax, Experian, or TransUnion.
- Some consumers have some sort of NCRA credit file but cannot be scored under particular third-party scoring models because they do not have long enough or recent enough activity reflected (box 1). They are sometimes called **unscorable or unscored consumers**, though some sources use the term “thin file” instead.

- Other stakeholders use **thin-file consumers** to describe consumers who have less than a particular number of tradelines reflected in their history, even though they may have credit scores. Many sources use a threshold of two or three credit accounts, but some may use as many as five.
- A 2015 report by the Consumer Financial Protection Bureau (CFPB) that focused on consumers who were unscored by certain third-party models popularized the term “credit invisibles” (Brevoort, Grimm, and Kambara 2015). Although the report used that term to refer only to no-file consumers, some stakeholders have come to use it more broadly to refer to unscorable consumers.

Accounting for both consumers without credit files and consumers whose files do not meet its minimum criteria, FICO estimates that about 53 million consumers cannot be scored under its general models. VantageScore estimates that about 11 million US adults cannot be scored under its models (FICO 2021, 3; VantageScore 2021a). Millions of additional consumers may be scorable by one or both companies’ models but may be classified as “thin file” depending on what particular threshold is used to define that term.¹⁵

Thin-file consumers may be treated differently than consumers with thick files because they are deemed to be higher risk. For instance, some mortgage lenders reject applicants without at least three credit tradelines, even if they meet minimum credit score requirements (Brevoort, Grimm, and Kambara 2016; VantageScore 2015, 4).¹⁶ Credit card lenders may also be more reluctant to open accounts for thin-file consumers because of historical fraud losses involving applicants with sparse information. Scoring models may also use a different “scorecard” or sub-model for thin-file consumers. For more discussion, see the Overview of Research on Access section in chapter 3 and the Data Access Challenges section in chapter 6.

These examples contribute to broader concerns that disparities in credit reports and scores are driven in significant part by underlying disparities in income and assets, which have been affected by historical discrimination in employment, education, housing, and lending. These underlying disparities are substantial: Black and Hispanic households have about 60 percent and 74 percent of the median income white households do and have 13 percent and 19 percent of the median net worth white households do (Semega et al. 2020).¹⁷ In light of these gaps, it is not surprising that Black and Hispanic households are more likely than white households to experience payment delinquencies and bankruptcies, both of which negatively affect credit scores (Anyamele 2018; Dey and Brown 2020; Fisher 2019). Although Federal Reserve Board studies based on data from the early 2000s found that third-party credit scoring models had substantial predictive value across different demographic groups, researchers have struggled to disentangle the relationships between scores, income, and wealth because of data limitations (Albanesi, Giorgi, and Nosal 2017; Avery, Brevoort, and Canner 2012; Board

of Governors of the Federal Reserve System 2007, S-2, S-3-S-4, O-4-O-6, 32-49; Choi et al. 2021; VantageScore 2021b).¹⁸

Advocates and researchers have also questioned the extent to which racial scoring disparities may be driven by the lack of geographic access to banks and targeting by lenders who offer credit products with higher prices and riskier structures, particularly in the run-up to the 2008 financial crisis (Bayer, Ferreira, and Ross 2018; Hyra et al. 2013; Rice and Swesnik 2014; RJEEOP 2016; Rugh, Albright, and Massey 2015; VantageScore 2021b). For instance, researchers at the New York University Department of Sociology found that Black and Hispanic homebuyers were nearly 2.5 times more likely to receive subprime loans in the years before the crisis than white and Asian American borrowers, even though many qualified for less risky loans.¹⁹

Recent events have also deepened concerns about overreliance on traditional credit information and models. In particular, the economic turmoil caused by the COVID-19 pandemic has underscored the disadvantages of relying so heavily on information that is generally limited to only a subset of household expenditures and is reported on a lagged basis (see the Lenders' Quest for New Data Sources section in chapter 5). Protests and debates about systemic racism have also increased attention to the pandemic's uneven health and economic impacts and the ways the credit system may both reflect and exacerbate other financial and economic disparities (see the Increased Attention to Systemic Racial Barriers section in chapter 5). For instance, the gap in homeownership rates between Black households and white households reached more than 30 percentage points in 2019, and disparities appear to be increasing during the pandemic even though low interest rates have driven overall mortgage activity to record levels (Choi et al. 2019, 3, 8-10; Jones 2021) (box 3). Racial disparities in student and small business lending also raise broader concerns about wealth building and broader economic participation (Braga 2016; Braga et al. 2017; FinRegLab 2019).²⁰

BOX 3

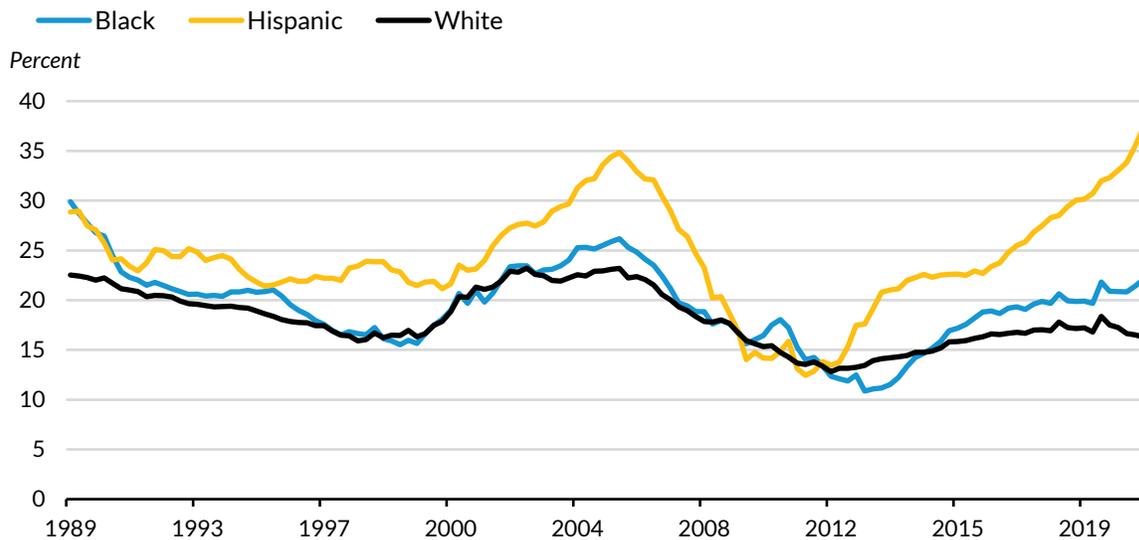
Homeownership and Racial Wealth Gaps

The homeownership gap between Black and white households has reached a 50-year high, exceeding rates from before the passage of federal fair housing and lending laws. Morgan Stanley has estimated that closing that gap would also add 800,000 jobs and \$400 billion in tax revenue to the nation's broader economy.²¹ But an additional 4.7 million Black renter households would need to become homeowners to equalize the rates (Choi et al. 2019; Jones 2021; Rothstein 2017).²² That would represent a significant increase over historical patterns. One study found that Black and Hispanic households were only one-half and two-thirds as likely as white households, respectively, to transition into home ownership between 2012 and 2018 (Dey and Brown 2020).

Moreover, because homes are most households' largest asset and are subsidized by the federal government in ways that do not apply to other wealth-building activities, the homeownership disparity has influenced broader racial wealth gaps.²³ The median wealth of Black and Hispanic households is one-eighth and one-fifth the median wealth of white households,²⁴ and the contribution of homeowners' equity to total wealth is higher for households of color.²⁵ One study has estimated that about 31 percent of the Black-white wealth gap and 28 percent of the Hispanic-white wealth gap would be closed if disparities in homeownership rates were eliminated, while such gaps would be reduced by 16 percent and 41 percent by equalizing wealth returns on homeownership (Sullivan et al., n.d.).²⁶ Other sources have questioned whether homeownership disparities are the primary driver of racial wealth gaps but agree that they have contributed to broader patterns (Darity et al. 2018; Markley et al. 2020; Price 2020).

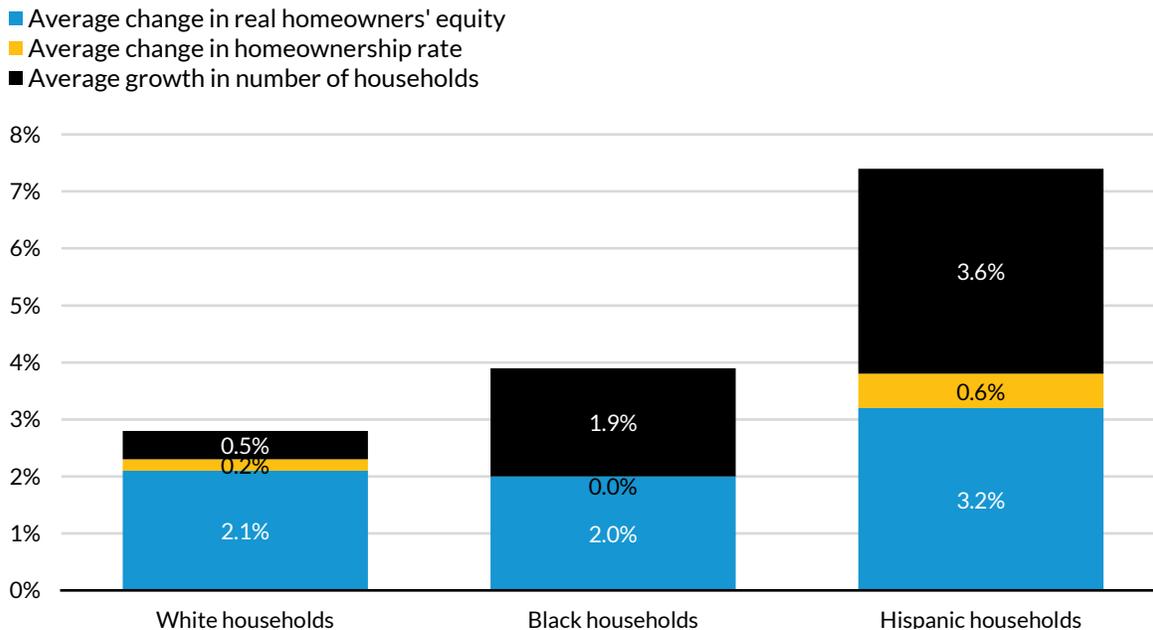
Disparities in economic and health effects from the COVID-19 pandemic have raised concerns that these disparities may worsen further.²⁷ Surveys suggest that uneven impacts from the pandemic and downturn are hitting potential Black homebuyers more strongly (Cultural Outreach 2021). Evidence also shows that current Black homeowners have been less likely to benefit from the unprecedented number of refinances in 2020 than other demographic groups. From January 2020 through October 2020, just 6 percent of Black borrowers refinanced, compared with nearly 12 percent of white borrowers, 14 percent of Asian borrowers, and 9 percent of Hispanic borrowers (Gerardi, Lambie-Hanson, and Willen 2021).

Homeowners' Equity as a Share of Total Household Wealth



Source: Federal Reserve Board's Distributional Financial Accounts.

Average Increase in Real Housing Wealth, 1994-2019



Source: Federal Reserve Bank of St. Louis.

These considerations have renewed interest among stakeholders in tapping new data sources to improve the predictiveness and fairness of credit decisionmaking for the long term. UTR data is one of

the primary points of focus in these new efforts, yet it also reflects the pandemic's effects on distressed households and may be shaped by disparities in the structure of government assistance programs for renters as compared with mortgage borrowers (see the Pandemic Effects on Renters and Historically Disadvantaged Populations section in chapter 5). These dynamics have added new complications to the market and policy issues that have affected past efforts to facilitate the use of UTR data in credit underwriting (see chapter 6).

2. The Intuitive Appeal of UTR Data for Credit Uses

UTR payment history was one of the first types of nontraditional or alternative data that credit industry stakeholders began exploring in the early 2000s to supplement the traditional credit information system. Proponents noted that information about severely delinquent UTR accounts is frequently reported to the nationwide consumer reporting agencies or to specialty credit bureaus, often when UTR companies engage debt collectors that use credit reporting to encourage consumer payments (box 4). These proponents began questioning whether full-file UTR reporting—particularly records of on-time payments—could facilitate credit access among consumers with sparse or checkered credit histories.²⁸

BOX 4

Derogatory Reporting

Derogatory reporting generally involves reporting only severely delinquent accounts, typically at the point that they are placed for collections or written off. Patterns in derogatory reporting vary between utility and telecom companies on the one hand and landlords on the other.

With regard to the former, studies suggest that 20 percent of collections items in NCRA files come from utility and telecom debts, making them collectively the second-largest category behind medical debts (Furey and Kelly 2019, 12–13).²⁹ One CFPB study found that about 22 percent of consumer credit files contained at least one telecom collections item between mid-2013 and early 2018, with 95 percent being reported by collections agencies or debt buyers and 5 percent reported directly by telecom companies (CFPB 2018). Among consumers with subprime and near-prime scores, the incidence of telecom collections was 59 percent and 22 percent, respectively.

Other sources also suggest that direct reporting by utility and telecom companies is rare. For example, a 2008 survey of 70 utility and telecom companies found that almost 90 percent of respondents referred seriously delinquent accounts to debt collectors, but only 14 percent of respondents reported information directly to a credit bureau (Turner et al. 2009). About 20 percent of those direct reporters furnished information only about serious delinquencies, while the remainder engaged in full-file reporting. But a follow-up study in 2012 found that even among full-file utility reporters, only 25 percent reported accounts as delinquent when they were 30 days past due and another 67 percent did so at the 60-day mark. In addition, some companies did not report late amounts below particular thresholds (Turner, Walker, Varghese, and Chaudhuri 2012, 6).

Delinquencies in rental payments are often addressed in connection with eviction filings and are less frequently reflected in NCRA files.³⁰ But reporting to specialty credit reporting agencies that focus

on tenant screening is more common, and some larger real estate management companies do refer delinquent accounts to debt collectors, who frequently furnish information to the nationwide credit bureaus.³¹

The effects of a serious delinquency or collections item on a consumer's credit score varies depending on individual circumstances and the model used, but the effects tend to be more severe for consumers who have previously had high scores or thin files. In the CFPB study of 2013–18 data, researchers noted that 62 percent of consumers with telecom collections items also had non-telecom collections items in the same period. The researchers could not isolate the effects of the telecom debts on credit scores but compared average and median score changes one quarter before and after the collections items were added to consumers' credit files. Score changes were modest for consumers that already had subprime scores (-2 and -7 points, respectively) or near-prime scores (-13 and -25 points, respectively), but score changes were higher for a small share of prime and super-prime consumers who also had telecom collections items (CFPB 2018).

UTR payment history is intuitively appealing to credit model builders because it concerns significant recurring expenses, even though many stakeholders do not think of UTR payments as traditional credit (box 5). Consumers' payment history can provide insight into their ability to pay new loans on top of (or, in the case of rent, as a substitute for) existing expenditures, as well as their general propensity to meet continuing obligations.³² For example, given the size of housing payments, an applicant's record of paying rent has obvious relevance for potential ability to manage mortgage expenses. And although utility payments tend to be smaller, they may shed light on applicants' general financial reliability, particularly in handling variable obligations. Further, as the popularity of smartphones has increased, telecom payments have frequently come to involve extended credit arrangements to finance phones over time, in addition to charges for the prior month's service.³³

BOX 5

What Is Credit?

Although UTR payments are often not thought of as credit obligations in a traditional sense (PERC and Brookings 2006, 10; Perry and Schnare 2021; Schnare, n.d., 23–25),³⁴ the concept of credit is defined broadly under different federal consumer financial protection laws:

- Under the Truth in Lending Act, for instance, credit is generally defined as the right to defer payment of debt or to incur debt and defer its payment,³⁵ though the law generally applies only to creditors that regularly extend consumer credit that is subject to a finance charge or is payable by written agreement in more than four installments (not including a down payment).³⁶

- The Equal Credit Opportunity Act and Fair Credit Reporting Act use a broader definition of credit that includes the right to “purchase property or services and defer payment therefor” in addition to the right to defer payment of debt or to incur debt and defer its payment.³⁷ The Equal Credit Opportunity Act’s definition of creditor is also broader, both because it does not contain the Truth in Lending Act’s limitations and because it extends to people who regularly participate in credit decisions in their ordinary course of business, including setting the terms of the credit, referring applicants to another creditor, or selecting other creditors to whom consumers may submit requests for credit.³⁸

Billing after the fact for products and services already delivered can constitute credit, as payment of the debt incurred is delayed during the billing cycle. For instance, federal financial regulators removed certain exemptions for public utilities from rules implementing the Equal Credit Opportunity Act in 2003 and generally describe utility bills as a type of credit in some educational materials today.³⁹ Telecom bills also now frequently involve equipment finance payments over time, in addition to monthly service payments.⁴⁰ But rent is typically paid in advance, and several courts have rejected the argument that typical residential leases constitute credit under the Equal Credit Opportunity Act (Federal Trade Commission 2004, 80).⁴¹

The potential scope and coverage of UTR data also make them attractive to credit model builders. More than one-third of US households (including an estimated 80 million adults and most Black and Hispanic households) live in rental housing, where they often build payment records with landlords and utilities even if they do not do so with lenders (FICO 2021, 6) (box 6).⁴² In recent years, the cell phone ownership rate has reached 97 percent among US adults overall and nearly 100 percent among adults ages 18 to 29.⁴³ Although not all cell phone owners have individual accounts with telecom companies, some young adults may pay their own phone bills even if they are not paying rent or utilities directly because they are living at home or relying on informal arrangements with roommates (JCHS 2020, 7–8, 11–12).⁴⁴ They may also tend to prioritize such bills highly relative to other expenses, given the value they place on digital connectivity.⁴⁵ One small survey found that as many as 90 percent of adults with annual household incomes of at least \$25,000 have at least one utility or telecom account in their name.⁴⁶

BOX 6

Profile of US Renters

Since 1965, the share of households that rent their homes has typically exceeded 35 percent, except for a several-year decline in the run-up to the 2008 financial crisis that has since reverted to higher levels (JCHS 2020, 7).⁴⁷ In 2020, there were 43 million renter-occupied housing units in the US overall, up

about 8 million units since 2000, although growth was flat for the past several years.⁴⁸ By some estimates, about 80 million adults live in rental housing (FICO 2021, 3).

US renters are younger, have lower incomes, and are more likely to be people of color than homeowners. Census Bureau data show that 58 percent of Black households and 53 percent of Hispanic households were renters in 2019, compared with 31 percent of white households. Forty-eight percent of all households earning less than the median income are renters, compared with just 21 percent of those with above-median incomes.⁴⁹ Renters are seven times more likely than homeowners to be unscorable under some widely used third-party models (Credit Builders Alliance, n.d.). Among scorable populations, renters also tend to be rated as presenting substantially higher levels of credit risk. One study of 2015 data found that 68 percent of homeowners had scores of 700 or above using the VantageScore 3.0 model, compared with just 33 percent of renters. Renters also accounted for 84 percent of consumers in the lowest score band (below 550). This pattern is both a cause and an effect, given that mortgage lenders will not extend credit to consumers with low scores, but the study calculated that about 50 percent of adult renters had sufficiently high scores to meet minimum mortgage requirements.⁵⁰

There is a strong geographic overlap between areas with high shares of households of color, households who rent, and households with limited credit records. VantageScore analyses that combine data from the US Census Bureau's 2019 American Community Survey with NCRA records find that areas where more than 10 percent of the population is Black or Hispanic have higher rates of rental housing (41.5 percent and 42.8 percent, respectively) compared with areas with lower concentrations of households of color. These communities also have higher percentages of consumers who may face credit constraints because they have fewer than three credit accounts, are unscorable by some third-party scoring models, or have no credit file (30.8 percent and 27.8 percent, respectively) (VantageScore 2021b).

Moreover, although survey evidence is limited, studies indicate that consumers tend to rank UTR payment history higher than income, timely child care payments, or educational and social media information when asked about the fairness of using various nontraditional data sources for credit underwriting.⁵¹ Surveys also suggest that consumers' willingness to share such information for use in connection with credit applications is growing and is at least as high as items such as paycheck stubs or bank account information.⁵²

A final consideration specifically for utility and telecom data is that the information is concentrated among a small number of companies when compared with the rental market. The greater the concentration in companies, the fewer the number of systems that have to be changed or connected to support data standardization, accuracy, and transmission. Larger companies can often invest more resources in technology upgrades and spread such costs across larger customer bases. Although there

are signs of gradual consolidation, the nation's rental housing industry remains diffuse, with about 56 percent of units owned by commercial landlords of various sizes and about 44 percent owned by 10 million individual investors who typically manage only one or two units a piece (de la Campa, Reina, and Herbert 2021).⁵³ In contrast, distribution of electricity and natural gas is spread among a few thousand companies.⁵⁴ The telecom, cable, and related industries have been substantially disrupted by wireless technologies and other market developments, but they too have been trending toward greater consolidation. And for both utilities and telecom, obtaining data from the 20 or 50 largest firms within each sector could capture a relatively high share of markets overall.⁵⁵

3. Empirical Research

Several studies of limited pools of UTR data have been conducted over the past two decades using credit scoring models to estimate the effects of including such information on credit access or the predictiveness of underwriting. This chapter summarizes the results of those studies. Appendix A provides additional information on 10 studies focusing on access issues, and appendix B provides additional information on 6 studies that shed light on the predictiveness effects of using UTR information for credit purposes; appendix C describes other research, including studies related to the reporting and use of UTR data by UTR companies themselves.⁵⁶ The access and predictiveness studies are subject to various data and methodological limitations and cannot be used to generate reliable quantitative estimates of the effects of making UTR information broadly available to lenders for reasons described below. But the studies strongly suggest there would be substantial inclusion benefits to some populations if the data are used more broadly and that the data may provide predictiveness insights for some populations that are not captured by traditional credit information. This section provides an overview of the collective research and the challenges in extrapolating the effects of UTR data across broader populations.

Overview of Research on Access

The available research on the effects of UTR data on credit underwriting generally falls into two categories.⁵⁷ The first is analyses of small-scale pilots by subsidized housing providers who have begun reporting positive resident rental payment history to one or more NCRAs (Chenven and Schulte 2015; NALCAB 2020). These projects are sometimes coupled with optional financial coaching and resident surveys and supported by the national nonprofit Credit Builders Alliance.⁵⁸ Because of the receipt of government rental subsidies, applicable federal privacy laws require informed tenant consent. Virtually all these pilots are time limited, lasting up to three years, and rely on several funding sources, including philanthropy, the NCRAs, and credit scoring companies.

The second category includes analyses of UTR data that have already been reported to the NCRAs or to specialty credit bureaus affiliated with the NCRAs. This research has been conducted by government agencies, nonprofits, or NCRAs themselves (Comptroller 2017; Experian 2014, 2015; PERC and Brookings 2006; Turner and Walker 2019; Turner, Walker, Chaudhuri, and Varghese 2012). These studies tend to have significantly larger samples upon which to run their analyses—particularly for utility and telecom data, where some studies have been able to evaluate the effects on several

million consumers' credit files. But even with the larger sample sizes, the study populations are still not nationally representative, and like the smaller pilot projects, some focus only on positive payment history rather than full-file history involving both on-time and delinquent payments. Most of the larger rental studies also focus only on residents living in government subsidized housing.

Nearly all the studies include an analysis of how many consumers are scorable using particular models with and without the presence of the UTR data, how many consumers have thin files with and without the data (though definitions of thin file vary significantly), and how the study populations' scores change when the data are included. To perform these calculations, the studies treat the UTR data as if they were a credit tradeline and most often assess the effects of the additional information under VantageScore models. Across these three main inquiries, the results are consistent in several respects, though the specific numerical findings vary and are subject to caveats:

- **When UTR data were included in consumers' credit files for credit scoring, the share of consumers who remain unscorable shrinks substantially.** But the impact on unscorability is smaller when the data are included only for consumers who have purely positive payment history, as fewer consumers meet that condition. The degree of improvement also varies across FICO and VantageScore, which is not surprising given that they have different minimum criteria.⁵⁹
- **A significant share of previously unscorable consumers in the samples have prime or near-prime scores once their UTR payment history is added.** This effect is stronger when the data involve only positive payments but is still evident in studies focusing on full-file information and occurs with both VantageScore and FICO models, though the magnitudes may differ. Moreover, consumers who have high credit scores with the addition of UTR data but still have relatively thin files may still be subject to heightened criteria or pricing at the individual lender level.
- **Inclusion of UTR data also decreases the share of consumers who are scorable without the information but are still considered to be thin-file consumers, though the effects of this change are difficult to quantify.** Most of the studies discuss thin-file consumers but do not always provide detailed information on consumers who are already scorable without the addition of UTR data as they do on previously or otherwise unscorable consumers. The studies also use different thresholds for what constitutes a thin-file consumer, ranging from fewer than five accounts or tradelines to fewer than three. Several studies point out that because lenders may impose heightened criteria or pricing on thin-file consumers, moving from thin-file to thick-file status can often be beneficial for consumers even absent a credit score increase. But the

studies do not have data to quantify those effects, and some note that it is possible that such changes in status might actually have negative effects on the scores for a few consumers at the margin.

- **Several studies found that a substantial number of consumers with subprime scores before the addition of UTR data moved into higher credit bands with the addition of the new data, while other studies describe the effects on previously scorable consumers (other than thin files) as generally modest.** These variations are likely tied to the fact that some studies focused only on the addition of positive payment history, to differences in the particular populations studied, and to how much the studies focused on changes to risk tiers (e.g., subprime, nonprime, or prime) versus the number of points gained or lost more generally.⁶⁰ The share of consumers experiencing score increases is relatively high in studies focusing on subsidized housing tenants, particularly when only on-time payments are added to their credit files. Studies focusing on more general populations or full-file information tend to show smaller effects. For instance, studies of full-file utility tradelines reported to NCRAAs found that as many as two-thirds of previously scorable consumers experienced changes of less than 10 points with the UTR data added in, while no more than 10 percent of consumers saw changes of more than 25 points.
- **The number of previously scorable consumers who experienced score declines of more than 10 points was as high as 7 to 10 percent in studies involving full-file utility or telecom data and was generally 2 to 3 percent for studies focusing only on positive payment history.** In cases where only positive payment history was used, researchers could not identify the precise source of score declines in the proprietary scoring models. But they noted that negative effects could occur because of shifts in how the models account for changes in credit utilization rates and the age of accounts after UTR tradelines are added, or because the data cause a consumer to be classified in a different subgroup and evaluated using a different scorecard within the broader model.⁶¹
- **Demographic data were not available for most studies, but there is some indication that adding UTR data may have greater positive effects on credit eligibility for consumers who were Black, Hispanic, low-income, or renters than for other groups.** One set of studies focusing on full-file utility and telecom data reported to NCRAAs appended information gathered by a data broker on race, ethnicity, income, rental status, and other characteristics from several sources (PERC and Brookings 2006; Turner, Walker, Chaudhuri, and Varghese 2012). The authors calculated hypothetical credit card approvals for the entire study population with and

without the utility and telecom data, assuming lenders used VantageScore 1.0 as their sole criteria for approvals and wanted to maintain a 3 percent target default rate. Although data broker demographic information should be treated with caution because of accuracy concerns (Neumann, Tucker, and Whitfield 2019, 918; Venkatadri et al. 2019),⁶² the studies calculated that the increase in approvals with utility and telecom data added would be substantially larger for consumers who were Black, Hispanic, low income, or renters than for other groups based on the data samples from both 2005–06 and 2009–10. For instance, although approvals for white consumers increased with the addition of the data, the rate of increase was twice as large in both periods for Black consumers. An analysis by VantageScore using census data also finds that neighborhoods where large numbers of residents have thin or no credit files also tend to have higher concentrations of renters, low-income households, and residents of color (VantageScore 2021b).

Simulations have found similar results to the studies using consumers' actual credit file data. For example, one VantageScore study calculated the effect on VantageScore 3.0 scores of adding 12 months of payment history for one to three UTR accounts to the files of a range of hypothetical consumers with varying profiles as to preexisting credit history and scores (VantageScore 2021c). Adding one account with 12 months of positive history produced substantial improvements for hypothetical consumers that had limited or young credit files with some evidence of missed payments, as well as for consumers who had inactive credit files or only a collections item. Adding another one or two positive tradelines also improved scores, though usually by smaller margins. Impacts on hypothetical consumers with other types of credit files (e.g., limited or young credit files with no prior delinquencies or credit files of average thickness) were more muted or (in a limited number of cases) negative.

BOX 7

Research about Moderate Delinquencies' Effects on Credit Scores

Consumer advocates have been particularly concerned that full-file reporting of UTR data could negatively affect consumers by documenting moderate delinquencies that are not currently reported to NCRAs (see the Direct Reporting Initiatives section in chapter 4). Financial education websites report generally that a single 30- or 60-day delinquency can cause declines of as much as 60 to 100 points, but research and stakeholder interviews suggest that scoring effects tend to be larger for consumers who have previously had very high scores or who have very thin files and are smaller for consumers who have relatively thick credit files that already reveal some slow payments.

For instance, a CFPB study analyzing more serious delinquencies on telecom accounts found that average and median credit scores declined by only a few points in the quarter after the addition of a collections item for consumers who already had subprime scores, but by 41 points and 28 points, respectively, for consumers who had previously been classified as super-prime. The researchers noted that 62 percent of consumers with telecom collections items between 2013 and 2018 also had at least one nontelecom collections item in the same time period (CFPB 2018).⁶³

A 2012 study by the Policy and Economic Research Council focusing on a 12-month snapshot of more than 4 million NCRA files that reflected utility tradelines found that the number of consumers who experienced large score changes based on 30- or 60-day delinquencies in such tradelines was relatively low using the VantageScore 1.0 model (Turner, Walker, Varghese, and Chaudhuri 2012). Specifically, for 3.7 million consumers who were scorable under the model even absent the utility tradelines, the study calculated scores with and without the utility tradelines included. For consumers who had only a single 30- or 60-day utility or telecom delinquency reflected in their files, about 20 percent experienced a drop of at least one scoring tier based on the addition of the tradeline. The median score decline for adding utility data reflecting a single 30-day delinquency was about 9 points.

A recent simulation by VantageScore also looked at the effect of adding UTR tradelines to the files for hypothetical consumers with profiles ranging from a consumer with only a collections item to a thick-file consumer with no past missed payments. One analysis added three UTR tradelines reflecting 12 months of payment history, where the last payment on one account was listed as overdue. The data produced score gains for the hypothetical consumer with no credit tradelines, a hypothetical thin-file consumer with some evidence of missed payments, and a hypothetical consumer who had less than 6 months of credit history with some evidence of missed payments. It produced little effect on a hypothetical consumer with a thicker file showing some evidence of missed payments, and substantial negative effects on various other consumer profiles. The largest was a decline of more than 150 points for a consumer with a thicker file showing no past missed payments (VantageScore 2021a).

Even if score declines from the addition of 30- or 60-day delinquencies are generally smaller than 60 to 100 points, consumer advocates have remained concerned about the broader issue. Challenges in securing nationwide data about the frequency of such delinquencies have further complicated the debate. For instance, the PERC study reported that only about 25 percent of full-file utility reporters actually reported accounts that were 30 days past due as delinquent, and that 67 percent did so for accounts that were 60 days past due. Perhaps as a result of these policies, only 3.1 percent of consumers who were scorable in the absence of utility tradelines had any moderate delinquencies. That number rose to 5 percent among consumers with incomes under \$20,000. Consumer groups, in contrast, have pointed to statistics from a handful of companies and states that reflect 60-day delinquency rates during various time periods of at least 6 percent for consumers generally and roughly 20 to 35 percent for low-income or energy-assistance customers (NCLC 2013).⁶⁴

Overview of Research on Predictiveness

Most of the studies that focus on how UTR data affect credit access do not separately assess the actual effectiveness of the data in predicting delinquencies or defaults on credit accounts. But four studies (see appendix B) that focus on utility and telecom tradelines in NCRA credit files shed some light on this topic, such as by assessing the degree of correlation between delinquencies on utility and telecom tradelines with delinquencies on credit accounts or by assessing the relationship between utility and telecom delinquencies in one time period and credit payment delinquencies in subsequent periods (Experian 2006; PERC and Brookings 2006; Turner and Walker 2015; Turner, Walker, Chaudhuri, and Varghese 2012). Two additional studies have focused on the predictiveness of rental payment history, one by studying the predictiveness of scoring models with and without rental payment history added in and another by considering the predictiveness of past mortgage payments as a proxy for rental payment history.⁶⁵ (Appendix C contains a few additional studies focusing on the predictiveness of past rental payment history in predicting future rental payments.)

Although the utility and telecom studies in appendix B are subject to various limitations, they suggest both that the payment history is useful to predict credit delinquencies and that there are variations in the way some consumers prioritize between different types of accounts. This may suggest that UTR data are not simply duplicative of traditional credit history and may add predictive power even for some currently scorable populations but raises questions about whether simply treating utility and telecom tradelines as the equivalent of credit accounts misses predictive distinctions that could be drawn out with more nuanced evaluations of larger data pools (see the Data Quality, Standardization, and Modeling Challenges section in chapter 6).

Across the studies analyzing utility and telecom data, some consistent patterns stand out:

- **Studies of the credit files of consumers with one or more utility or telecom tradelines suggest that delinquencies are often reflected only in credit tradelines or utility and telecom tradelines but not both.** For consumers with utility or telecom tradelines in their credit files, two studies compared the rate of mild delinquencies (payments 30 or more days past due) and serious delinquencies (payments 90 or more days past due) for the utility and telecom tradelines against the rate of delinquencies for bank credit cards, mortgages, or non-utility or telecom tradelines more generally over a 12-month period (Experian 2006; Turner and Walker 2015). Although the exact percentages varied depending on the particular comparison, between 25 and 50 percent of consumers who experienced delinquencies did so only on their utility or telecom tradelines, without comparable late payments in their credit tradelines. This

seems to suggest that different groups of consumers are making different decisions about how to prioritize payments on particular types of accounts when they experience financial distress and that focusing solely on traditional credit payment history misses some signals for some consumers.

- **Studies that examined the relationship between delinquencies in different periods suggest that consumers with utility or telecom delinquencies in one year are more likely to default on credit obligations in the subsequent year.** One study found that consumers who experienced serious delinquencies on their utility or telecom accounts between July 2007 and July 2008 were seven to eight times as likely to experience bank card or mortgage delinquencies or negative public records filings (e.g., bankruptcy, liens, or judgments) in the following 12 months as compared with consumers who did not have serious utility or telecom delinquencies in the earlier time period (Turner and Walker 2015). More generally, two studies using data from different eras found that using full-file payment history from utility or telecom tradelines as if it was a credit account improved the performance of an early VantageScore model by 7 to 10 percent overall, though most of that improvement was driven by increased precision in assessing previously unscorable or thin-file consumers rather than thick-file consumers (PERC and Brookings 2006; Turner, Walker, Chaudhuri, and Varghese 2012).

The study that focused on the performance of credit scores with and without rental payment history found that the model's ability to predict delinquencies of 90 days or more for any type of credit increased by about 10 percent for the model as a whole with the rental data added in. Most of the increase in predictiveness came from consumers who had scores in the lowest 30 percent of the sample, including consumers who could not otherwise be scored without the data.⁶⁶

The study that focused on mortgage payment history as a proxy for rental payment history found strong relationships between the number of missed mortgage payments in a two-year period and subsequent serious delinquencies of 90 days or more. The study also compared monthly rental and mortgage costs for households within particular income bands, finding them to be similar for consumers with incomes between \$20,000 and \$100,000. In light of the similarity in expense levels and the predictiveness of missed mortgage payments, the study concludes that rental payment history is also likely to be a strong predictor of mortgage performance.⁶⁷

Caveats and Other Considerations

These studies suggest that broader use of UTR data could produce meaningful improvements in the inclusiveness and predictiveness of credit underwriting for at least some consumers. But although these studies generate important insights, readers should take care in extrapolating their results to larger populations or for policy purposes.

First, several of the studies analyze small sample sizes, while others are larger but did not have access to nationally representative data. The studies also do not generally include discussions of statistical reliability, such as confidence intervals or standard errors. The pilot studies are even smaller and less representative and are subject to inherent selection bias because of the nonrandom selection of housing providers and the fact that consumers must volunteer to have their rental payments forwarded to an NCRA (box 8). In addition, project sponsors may offer financial coaching to those who agree to participate and may allow individual study participants to report varying amounts of positive rental payment history. Both practices tend to increase improvements in individual credit scores but are not parsed out separately in the pilot studies.

BOX 8

An Upcoming Randomized Controlled Trial Study

One of the drawbacks to available research on the effects of UTR data is that the research cannot provide empirical evidence of how low-income tenants use their strengthened credit positions to advance their financial goals. A collaboration between the Urban Institute, Credit Builders Alliance, and Esusu uses a randomization design to study this question.

The research will assess the impacts of rent reporting via a randomized controlled trial (RCT) experiment for more than 300 residents in up to five affordable housing developments in several states. Randomization helps ensure the treatment and control groups are equivalent at the start of the study. If the two groups are equivalent, any differences in outcomes between them after the intervention can therefore be attributed to the intervention. Because the RCT allows for a counterfactual, this research can test several behavioral propositions that other rent reporting studies cannot.

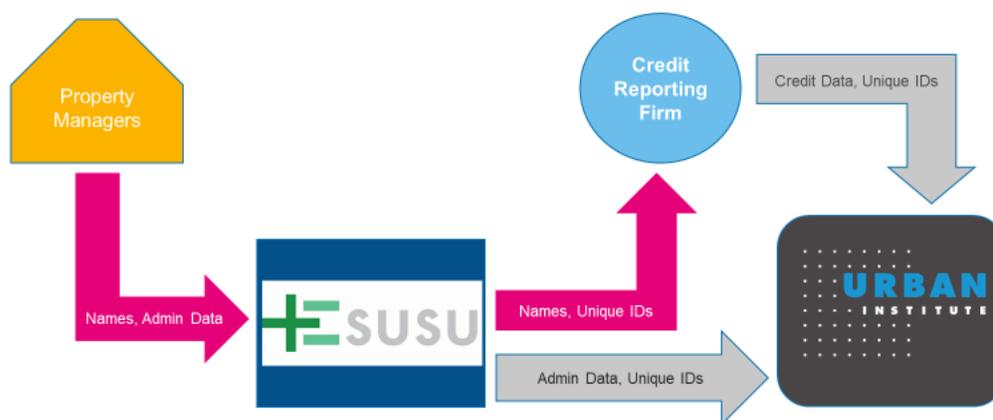
Participants will be randomly assigned to different groups, beginning rent reporting at different points. Those selected in the first group will begin rent reporting at the first available date, and those selected in the second group will begin four to six months later. The study is designed with this randomized delay so researchers can identify the effects of reporting on tenants' credit files and credit behavior. The research team will examine impacts on credit scores using VantageScore 3.0, regular rent payments, and other related indicators.

Using a difference-in-differences methodology,⁶⁸ this research will examine changes for a treatment group of tenants with rent reporting and a control group of similar tenants not undergoing rent reporting to answer these research questions:

- What are the credit scores of rent reporting tenants relative to a control group of similar tenants not undergoing rent reporting? How many treatment and control tenants go from unscorable to scorable?
- What are changes in scores for one group relative to the other?
- What types of debt do rent reporting tenants hold relative to a control group of statistically similar tenants not undergoing rent reporting?
- How much (including by type) debt do rent reporting tenants hold relative to a control group of statistically similar tenants not undergoing rent reporting?
- What are changes in credit utilization rates for both groups?
- To what extent are treatment versus control tenants able to sustain access to new types of credit in terms of delinquencies, forbearance, foreclosures, and collections?
- Do treatment versus control tenants exhibit differences in their on-time rental payment behavior relative to before the intervention? Do treatment versus control tenants differ in how long they stay in their units?
- What is the prevalence of evictions for tenants for the treatment and control groups?

Because the RCT is based on an opt-in approach, the experiment's results will be generalizable to that population, not necessarily to the population that preferred not to participate in rent reporting.

Rent Reporting Data Process



Second, several studies use an early VantageScore model, so changes in scorability and numeric scores may differ under other models. Moreover, because individual lenders use credit scores in varying ways and have different policies regarding applicants with thin files, the studies cannot forecast the effects of individual lenders' overlays and pricing policies. And neither VantageScore models nor the FICO 9 model that is included in one rental data study are currently approved for use by Fannie Mae, Freddie Mac, or the Federal Housing Administration (see box 11).

In addition, the VantageScore and FICO models used in the studies have not been optimized for UTR data but rather treat such tradelines as credit accounts (see the Data Quality, Standardization, and Modeling Challenges section in chapter 6). In light of the information discussed in the Overview of Research on Predictiveness section earlier in this chapter about the degree of correlations between payment history and differences in consumer prioritization patterns, future credit models would likely develop more nuanced approaches if such data become widely available. Consumers might also change their payment behaviors in response to broader use of the data for credit scoring. Such shifts could have important implications for both inclusion and predictiveness. For instance, some of the access studies found modest changes in credit scores among study populations who were already scorable without UTR data, but such patterns might change under models that had been optimized for such data. Differences in payment prioritization might also change if UTR data were more widely reported and used in credit underwriting.

Care should also be taken in distinguishing between studies that focus only on the effects of positive payment history and those that consider full-file reporting. Some UTR companies already report severely delinquent accounts to NCRAAs or to specialty credit bureaus or refer those accounts to debt collectors who furnish that information. But such reports do not occur in all cases and do not generally reflect less severe delinquencies. Some stakeholders have opposed full-file reporting in part because of concerns that it would drive down some consumers' scores (see the Direct Reporting Initiatives section in chapter 4).

In addition, because consumers with no or sparse credit records appear to benefit the most from reporting positive payments and because consumers with longer credit histories and thick credit files are less likely to be affected, readers should note how studies report average changes in credit scores that accompany the addition of a UTR tradeline and the consumer segments to which they apply. Scoring changes of a few points may have a significantly larger effect on consumers if they cause the consumer to change risk tiers (e.g., moving from a subprime score to a near-prime score). But different scoring models have different tier structures, and different studies take different approaches in measuring these effects.

4. History of Initiatives to Tap UTR Data

Buoyed by both the factors discussed in chapter 2 and the research discussed in chapter 3, credit reporting companies, nonprofit groups, and other actors have launched multiple efforts to make UTR data more accessible for credit underwriting over the past two decades. Initial efforts focused largely on encouraging utilities, telecom companies, and landlords to begin voluntary routine furnishing of payment information to credit reporting agencies—whether specialized bureaus that focus on serving UTR companies themselves for customer screening and collections or directly to the three NCRAs for general use, including credit underwriting. But as those efforts have failed to yield substantial increases in use of the data for credit underwriting, attention has increasingly shifted to channels that require individual consumers to help initiate data transfers, such as by signing up for a platform service that pushes information about their rent and other payments to the NCRAs or by authorizing an intermediary (i.e., a data aggregator) to pull the information from bank account records or utility and telecom websites. This section summarizes the history of various initiatives up to the eve of the COVID-19 pandemic, while chapter 5 discusses more recent developments.

Direct Reporting Initiatives

Efforts to encourage reporting UTR data to NCRAs date back decades. Companies appear to have begun reporting the data primarily to encourage prompter payments from their customers, such as early reporting pilots launched by WE Energies in 1994, NICOR Gas in about 2001, and Detroit Edison (now DTE Energy) in 2006 (TransUnion 2002; WE Energies 2005).⁶⁹ Early NCRA initiatives concerning the data focused on the potential benefits of reporting the data for UTR companies themselves by reducing late payments and charge-offs (Experian 2006; TransUnion 2002) but also began to emphasize the potential benefits of full-file reporting to help customers build credit histories (Experian 2008).⁷⁰ Beginning in 2004, studies and convenings began to explore the potential benefits of the data for financial inclusion and potential obstacles to greater reporting by utilities, telecom companies, and landlords (Burr and Carlson 2007; Federal Trade Commission 2004; PERC and Brookings 2006; Turner and Varghese 2005; Turner et al. 2008, 2009).

Although the 2008 financial crisis distracted many stakeholders' attention and increased concerns among some consumer advocates about the potential effects of negative data concerning consumers

who were caught in the downturn (Howat 2009; NCLC 2012, 2013),⁷¹ efforts to increase the furnishing of UTR data and to use them for credit underwriting as well as intra-industry screening and collections continued as economic conditions improved. For instance, Experian bought RentBureau, the largest specialty credit bureau focusing on tenant payments, in 2010 and announced soon after that it would begin adding positive rental payment history to its main credit files..⁷² The Credit Builders Alliance also launched an eight-site pilot program with Experian in 2012 to encourage subsidized housing operators to offer optional rent reporting of positive payment history to help tenants build credit records, increase their financial stability, and potentially prepare for homeownership (Chenven and Schulte 2015; Experian 2017). In 2013, TransUnion also began including rental payment history (both positive and negative) from its ResidentCredit service in its main credit files (Chenven and Schulte 2015).⁷³

Given the large number and diversity of real estate companies, several third-party service providers and platforms also emerged to help landlords manage reporting payment history, particularly for companies that do not want to get credentialed to furnish data directly to the NCRAs or specialty bureaus or that have too few accounts to meet the consumer reporting agencies' thresholds.⁷⁴ Some of these service providers focus on providing software to convert data to the NCRAs' Metro 2[®] standard format and helping individual data sources navigate the process to become furnishers in their own right, but in the early 2010s, the NCRAs changed their policies to accept business arrangements where service providers play a more active role in both processing and transmitting data on the front end and serving as the primary point of contact for customer inquiries and disputes. In these cases, the platforms themselves become credentialed with one or more NCRAs rather than the individual companies who contribute the payment history data.

Appendix D provides a non-exhaustive list of about 15 service providers and platforms that facilitate the reporting of information from landlords (and in one case, utilities) (box 9). The platforms appear to be relying on various business models and marketing approaches in seeking compensation from data sources, consumers, or both. One group provides rent reporting as an adjunct to processing tenants' rental payments or providing property management software and platforms. These companies appear to report rent only when a tenant who is renting from a participating landlord opts into the service and, in some cases, pays a fee. But many of these platforms may concentrate largely on partnering with larger real estate companies operating more expensive rental units, so it is unclear how many tenants are interested in availing themselves of the reporting options.

Other platforms and service providers appear to be focused on reporting rental payment history as their primary or exclusive activity and vary as to whether they seek compensation from data sources, consumers, or both.⁷⁵ Some appear to be primarily consumer facing (see the Consumer-Permissioned

Channels section later in this chapter). These companies appear to be more willing to accept information pushed from the landlords via email or other simple file formats and may be more willing to work with smaller landlords. The companies also vary as to how many NCRAs they report to, with a substantial number reporting to TransUnion and Equifax but not to Experian.

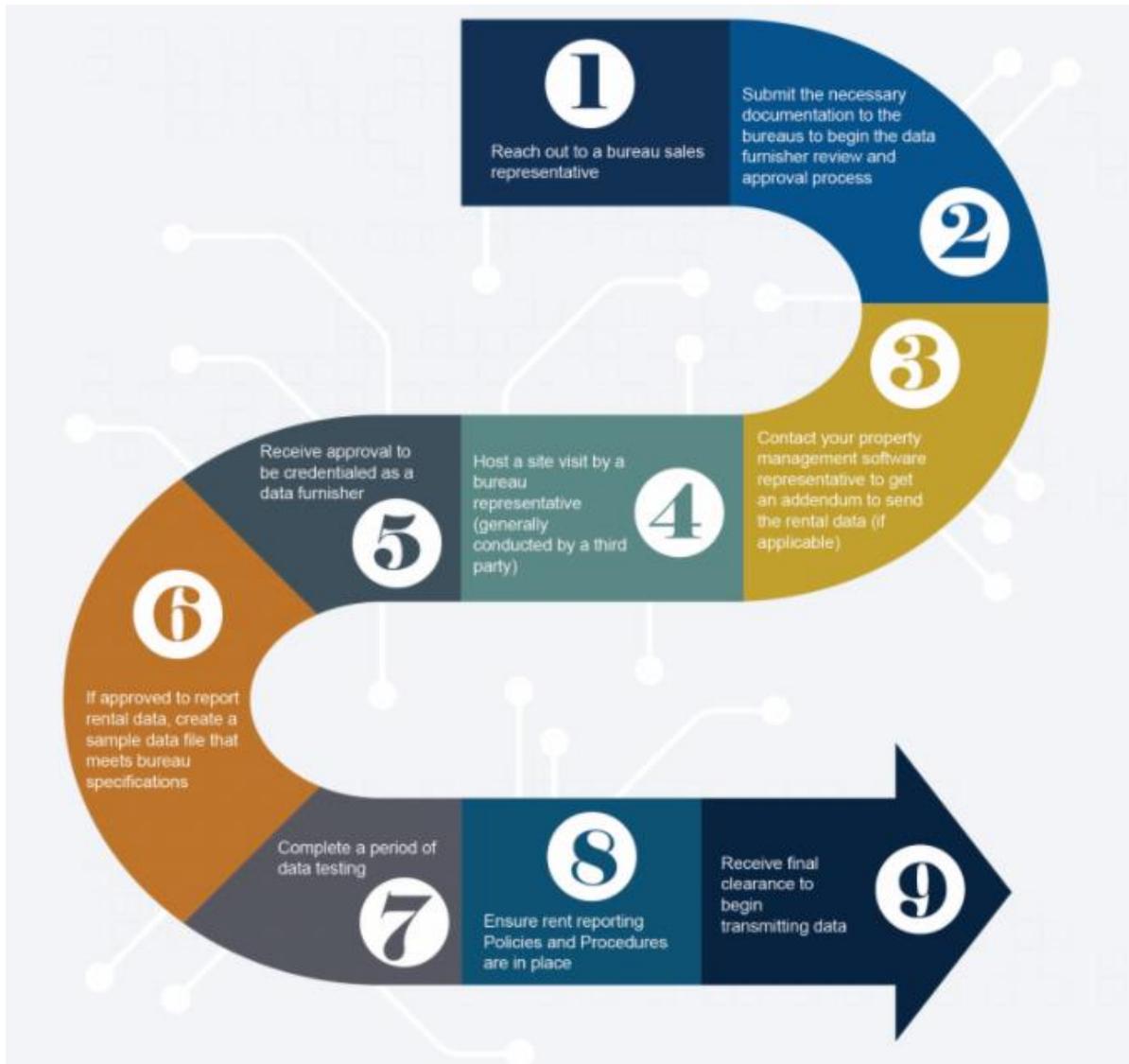
BOX 9

Reporting Options for Landlords

Property owners and management companies have two primary options for reporting rental payment history.

- **Credentialing for direct transmission.** The first and most suitable option for large, professionally managed rental portfolios involves going through a credentialing process to enable a direct transmittal of rental payments to a national credit bureau that would then record the data in tenants' credit files. The steps involved in direct credentialing can take several months and are illustrated in the chart below. Direct reporters are responsible both for meeting the credit bureau standards and for meeting requirements under the federal Fair Credit Reporting Act (FCRA) (box 11). Some service providers do assist furnishers, such as by providing software to help format data to meet NCRA requirements.
- **Using a rent reporting platform.** Large rental operators who do not want to go through the credentialing process and small landlords can use reporting platforms that perform various tasks, such as receiving and validating individual rental payment records, transmitting the payment data to one or more credit bureaus, and assisting in FCRA compliance functions. Here, the rent reporting platform is often credentialed by one or more credit bureaus, rather than the property owner. Some third-party platforms require their systems to be integrated with the owner's property management system, which can take more time up front but require less effort thereafter, while others will accept files submitted in CSV or other simple formats that do not require up-front integrations but may require more effort by landlords on an ongoing basis.⁷⁶

Because there is no common data standard for rent reporting, the information that must be submitted may vary depending on which credit bureau will receive the data.



Source: “Reporting Directly to the Credit Bureaus, Credit Builder Alliance’s Rent Reporting Technical Assistance Center, accessed December 15, 2021, <https://www.rentreportingcenter.org/reporting-directly-to-the-credit-bureaus/>.

Though publicly available sources are sometimes ambiguous, there appear to be variations among reporting platforms, specialty credit bureaus, and NCRAs about how they treat negative rental payment history as between tenant screening and credit underwriting uses.⁷⁷ For example, RentBureau materials indicate that the company collects both positive and negative history for tenant screening but forwards only positive history to Experian for inclusion in its general credit files.⁷⁸ Reporting platforms’ materials range in tone and content regarding negative reporting, with some focusing on it as a primary benefit to landlords, others stating that they are required to include both positive and negative history by the

NCRA to which they report, and others describing negative reporting in more discretionary terms. The fact that many platforms structure reporting to NCRA as an optional service that consumers may elect to turn on and off may also affect the amount of negative payment history reported to the NCRA as a practical matter.⁷⁹

In contrast to the diversity of approaches for rental data, the biggest repository of telecom data has become a specialty consumer reporting agency called the National Consumer Telecom and Utilities Exchange (NCTUE), which was formed from the merger of two prior databases started in the 1990s by coalitions of telecom companies.⁸⁰ Although NCTUE databases are managed by Equifax as a vendor, they are owned and controlled by the companies that contribute the data and kept separate from Equifax's main credit files. NCTUE initially compiled only limited negative information about its members' customers for collecting unpaid bills, but it created a new database (NCTUE Plus) to begin compiling more robust payment history in 2008–09 (NCTUE 2016). By 2020, NCTUE Plus had grown to include files on as many as 245 million consumers, including tens of millions of consumers who do not appear in NCRA files, from more than 140 telecom, pay TV, home security, and utility companies.⁸¹ The largest share of data continues to come from telecom companies, though some large providers are not members. Information is shared without identifying the specific furnishers, and underlying attributes are not provided alongside scores to reduce concerns about cross-marketing by members. NCTUE produces industry-specific risk scores to help members evaluate potential new customers and set security deposit amounts, and its materials emphasize both that traditional credit reporting information is not available for all consumers and may not accurately predict how consumers will prioritize utility, telecom, and related bills (NCTUE 2016).

Over time, NCTUE members have begun approving limited uses of the information for credit underwriting, most notably in connection with a specialty scoring model called FICO XD that assesses consumers who lack traditional credit scores for credit cards, education loans, and other forms of unsecured credit. The model, which was introduced in 2016, combines traditional credit history with payment history data from NCTUE and information on address changes and public records from LexisNexis and appears to be the only third-party scoring model that has been optimized for predicting defaults on credit accounts based on telecom and utility data.⁸² But even in this case, there are important limitations because NCTUE permits the information to be used only when it can be appended to another record; FICO estimates that the model can evaluate 26 million consumers that cannot be scored using its traditional models, including 11 million who have no traditional credit files (FICO 2021). In addition, use of the score is limited to the specified product markets, and individual lenders' interest in purchasing FICO XD Scores separate from more widely used credit scores may vary depending on

business strategy and other factors. FICO announced in early 2021 that it would waive its fees for lenders through January 2022 as part of a credit inclusion initiative and reports that interest levels have increased since the announcement.⁸³

Efforts to encourage large amounts of reporting by energy utilities have proved more complicated, however. A few state laws restrict reporting of payments history without consumer consent on privacy grounds, and there have been reports that regulators in other jurisdictions have informally discouraged or simply failed to provide clear guidance on whether such reporting is permissible.⁸⁴ Some consumer advocates have also opposed full-file reporting by energy utilities for several reasons, including the utilities' general market power, the fact that some state and local laws protect consumers from cutoffs during peak months, and the fact that some assistance programs are available only to consumers who have become delinquent (Howat 2009; NCLC 2012, 2013, 2018, section 5.2.5). Advocates argue that it would be unfair to report consumers who fall modestly behind on their bills in reliance on state laws and assistance programs (Burr and Carlson 2007; NCLC 2018, 91) (box 10).⁸⁵ In one high-profile case, a New Jersey state agency filed suit against the Public Service Electric and Gas Company over plans to begin reporting customer payments after delinquencies rose in the aftermath of the 2008 financial crisis, arguing that the plan violated state law.⁸⁶

Across these various sectors and data initiatives, stakeholders broadly agree that efforts to encourage greater voluntary furnishing of UTR data over the past two decades have not yet had widespread effects on credit scoring and underwriting. The growth of the NCTUE database and surveys of large property management companies suggest that some UTR companies are increasingly relying on payment history compiled by third parties for their own screening and collections purposes,⁸⁷ but use of such data by lenders still appears to be limited. For example, FICO reports that the number of consumers with UTR accounts who have tradelines reflected in their NCRA credit files is only about 2.6 percent for utilities, 5 percent for telecom, and 2.3 percent for rent (FICO 2021).⁸⁸ VantageScore has reported that coverage rates for rental reporting increased from 1.3 percent in 2019 to 1.7 percent in 2021, while coverage for utility rates actually dropped slightly in 2021 to 3.1 percent. It notes that there are differences between bureaus because furnishers may not report to all three NCRAs (VantageScore 2021a).

Even where the data are available, moreover, their effect varies depending on which credit scoring models lenders choose to use. Although not optimized for UTR data, VantageScore models have always considered UTR data where available. FICO's models have similarly always considered utility and telecom information, but because of limitations on the amount of available data, FICO did not build in consideration of rental payment history until its FICO 9 model in 2015.⁸⁹ Because FICO 8 is still the

most widely used model in credit markets and mortgage markets rely heavily on even older versions of FICO for certain securitization-related activities,⁹⁰ this means renters may not fully benefit from positive payment history even when it is reflected in their credit reports. Fannie Mae and Freddie Mac are expected to announce the results of a validation exercise of more current models for general securitization purposes in early 2022, but federal regulators have previously estimated that implementation will take two years (box 11).⁹¹

BOX 10

Evolving Energy Utility Issues

Consumer advocates have long raised concerns that full-file reporting of energy utility payment history would penalize some consumers who rely on state cutoff moratoriums or emergency assistance programs. Challenges in implementing energy-efficiency initiatives and the increasing effects of climate change also affect financially vulnerable households' ability to pay their utility bills. Some proposals to address these issues could change assistance programs and billing practices in ways that could affect consumers' payment histories.

- **Assistance program issues.** About 40 states have enacted some form of utility shutoff moratorium during the winter months, while around 10 limit shutoffs during the summer.⁹² This may give consumers some chance to catch up on bills but does not avoid delinquencies that could negatively affect their credit scores if they are reflected in credit bureau files. Although the federal Low Income Home Energy Assistance Program (LIHEAP) and many broader-based state programs are based on income or wealth,⁹³ crisis programs tend to require proof of immediate need through a shutoff or past-due notice.⁹⁴ More generally, assistance programs often cannot meet demand; for instance, the National Energy Assistance Directors Association estimates that in a normal year, 26 million families qualify for LIHEAP, yet only one in six eligible households receives assistance.⁹⁵
- **Energy-efficiency disparities.** One of the factors driving demand for assistance programs may be disparities in the energy efficiency of particular housing stock and access to technologies such as energy-efficient appliances, smart meters, and solar panels. Studies suggest Black, Hispanic, and low-income households pay more not only in energy costs as a share of their incomes but also per square foot of their residences (Drehobl and Ross 2016). The federal Weatherization Assistance Program provides assistance to only a fraction of eligible households; in 2018, for instance, one study found that only 2 percent of low-income homes eligible for Weatherization Assistance Program received funding (Carley and Konisky 2020).⁹⁶ Energy-efficiency issues are further complicated for rental housing because landlords must generally make up-front investments but savings often accrue to individual tenants.
- **Extreme weather events and climate change issues.** Extreme weather events and rising temperatures more generally can lead to increases in energy consumption or surge pricing

dynamics that can further exacerbate strains on households and assistance programs (Bilello et al. 2018; Byrne and Portanger 2014; Carley and Kinosky 2020). For instance, low-income Texans were already spending about 10 percent of their income on energy utilities (as compared with 2 percent for wealthier families) before the freezing temperatures that caused severe blackouts and dramatic spikes in energy pricing in February 2021. Although state lawmakers imposed requirements on the industry to reduce the risk of future blackouts, the legislation provided little relief to households struggling with arrearages and is likely to lead to future price hikes.⁹⁷

Increasing the size of assistance programs is the most obvious means of addressing these concerns, but they have also spurred debates about revising assistance eligibility criteria, assistance program structures, and utility billing practices to reduce expense volatility. For instance, “budget billing” programs typically charge consumers a flat amount based on the previous year’s bills.⁹⁸ Some sources focusing on electronic billing implementation have questioned whether such structures may tend to lead to increased consumption because households tend to monitor their bills less closely, though studies focusing on low-income populations suggests they exhibit higher attention levels (Curley et al. 2020; Sexton 2015).

What accounts for the slow pace of change in connection with UTR furnishing initiatives? Interviews with stakeholders suggest several factors are affecting market actors despite fairly widespread agreement that the data could improve inclusion and prediction for at least some consumers:

- **Some UTR companies have come to see advantages in voluntarily reporting their data to third-party intermediaries, but their business incentives may be weaker than for lenders.** Particularly compared with unsecured lenders such as credit card companies, UTR companies may be able to rely more heavily on security deposits, service shutoffs, and evictions to provide consumers incentives to pay on time and to limit losses in the event of nonpayment (Federal Trade Commission 2004, 82–83; Garboden and Rosen 2019; NCLC 2018, sections 6 and 11). Information about payment history (whether specific to past UTR bills or more generally) can still be helpful to such companies in screening applicants, determining security deposit amounts, and encouraging on-time payments, as shutoffs and evictions are often limited by law and can be expensive and time consuming.⁹⁹ But the availability of these other remedies may help explain why the companies are less motivated than lenders to contribute their own detailed information to intermediaries to facilitate these activities.¹⁰⁰
- **Operational costs, concerns about customer service volumes and compliance risks, and concerns about intrasector competition also discourage reporting.** The decision to furnish

data to consumer reporting agencies entails certain costs and technical resources, for example, to connect and transmit to the credit reporting agencies, handle potential increases in consumer disputes and inquiries relating to the reported information, and make other process changes to comply with the FCRA.¹⁰¹ Furnishers may also worry about lawsuits and regulatory actions over FCRA compliance. Concerns about disputes may be stronger with regard to furnishing to NCRAs than to specialty credit reporting agencies, in part because the NCRAs' data are used by a wider variety of companies for a broader range of purposes and thus may be more likely to come to consumers' attention. In addition, although the FCRA limits the use of data for marketing purposes, concerns that competitors might use data to cross-market a company's best customers appear particularly strong among large telecom providers (Federal Trade Commission 2004, 82) (box 12).¹⁰²

Some case studies and surveys in the 2000s probed furnishers' concerns about the drawbacks of reporting. The research found that costs of automated furnishing were low after initial implementation and that affirmative customer outreach campaigns can help manage disputes and inquiries. Among companies that chose not to report or that stopped reporting, however, customer inquiries were a dominant concern along with technology resources for smaller companies (Burr and Carlson 2007; Turner, Varghese, Walker and Dusek 2009).¹⁰³ The proliferation of reporting platforms over the past two decades provides a potential mechanism to help manage such concerns, but these kinds of drawbacks may still affect the cost-benefit analysis for companies that do not view reporting as central to their activities.¹⁰⁴

- **Regulatory limits or uncertainty and optical concerns may also have discouraged some furnishers.** At least for energy utilities, privacy laws in a few states and broader uncertainty about whether regulators or consumer advocates will oppose furnishing initiatives may have affected some companies' willingness to consider furnishing initiatives. For federally subsidized rental housing, the Privacy Act of 1974 prohibits furnishing payment history absent consumer consent, though there is some debate over whether opt-out permission should be permitted.¹⁰⁵ But quantifying the effects of these factors relative to the business considerations outlined above is challenging, and federal legislation to override other state and federal laws that might be construed to prohibit reporting has repeatedly failed to advance in Congress.¹⁰⁶
- **On the data user side, model builders and lenders also face process frictions and cost concerns in building UTR data into their scoring and underwriting processes.** Because large pools of UTR data are still so difficult to access, it is difficult for third-party scoring model developers and individual lenders to fully evaluate the value and best use of the data. In

addition, the fact that small amounts of data are reflected in main NCRA files means that accessing and using such information may require separate processes, costs, and limitations on use. If lenders are not convinced that the data yield substantial benefits in underwriting their current customer bases, are uncertain about fair lending impacts or regulators' attitudes toward nontraditional data sources, or are not highly motivated to expand their market share among historically underserved populations, they may decide that the benefits of the additional information are not worth the implementation and validation costs.¹⁰⁷ Securitizers and other secondary market actors also tend to prefer relying on data that are widely available across different companies, portfolios, and periods of time for purposes of comparison.¹⁰⁸

- **At times, market developments have distracted attention and complicated efforts to facilitate greater data transmission and adoption.** The 2008 financial crisis appears to have paused some initiatives, both because companies were focused on adapting to the changing business environment and because consumer advocates' concerns about unintended consequences further increased regarding consumers who were negatively affected by market events beyond their control. Research conducted on the potential effects of utility and telecom data from 2009 to 2010 on credit access and predictiveness was broadly similar to earlier studies (Turner, Walker, Chaudhuri, and Varghese 2012), but making significant changes when the economy is undergoing rapid transition can increase both practical and policy challenges. Moreover, such events may tend to prolong the general cycle for updating credit scoring and underwriting models, which can take several years even during relatively stable periods.¹⁰⁹

BOX 11

Use of Rental Data and Credit Scores in Mortgage Securitization and Insurance

Before the advent of automated underwriting systems, mortgage lenders frequently took account of an applicant's verified rental payment record in determining eligibility and loan terms. As the GSEs and the FHA developed their automated systems in the 1990s, however, such information was not widely available in NCRA credit files or accounted for in FICO models. Fannie Mae, Freddie Mac, and the FHA allow lenders to account for rental history when performing manual underwriting,¹¹⁰ but different lenders vary as to their willingness to engage in manual underwriting. Although factors such as the time and expense required and standards for when lenders may be required by securitizers to repurchase such loans because of underwriting errors tend to disincentivize manual underwriting, considerations such as a desire to improve a lender's ratings under the Community Reinvestment Act where applicable may encourage it (GAO 2021).

The automated systems for the GSEs and the FHA rely instead on attributes from consumers' credit files with the nationwide credit bureaus and on Classic FICO, which is a shorthand for separate scoring models FICO developed in the early 2000s for each NCRA (FICO 5 from Equifax Beacon; Experian/Fair Isaac Risk Model V2SM; and TransUnion FICO Risk Score, Classic 04). Those models will consider utility and telecom payment history where it is reflected in consumer reports from the NCRA's but will not consider rental payments.¹¹¹

Both GSEs require that borrowers have a minimum score of 620 where a usable score can be obtained, and both use Classic FICO Scores to help set loan-level pricing adjustments based on borrowers' individual risk levels (Fannie Mae 2021a). But they vary in how much they rely on the scores when deciding which loans to approve for purchase. Although details are limited because the systems are proprietary, Freddie Mac's system incorporates Classic FICO Scores in purchase decisions, while Fannie Mae's relies on a proprietary score based on credit report information to evaluate applications that meet the 620 minimum. Fannie Mae's system will consider rental payment history to the extent it is reflected in a consumer's credit files. Over time, both GSEs have modified their automated underwriting systems to enable processing of applicants who lack credit scores largely without requiring manual underwriting procedures, but less than one-tenth of 1 percent of the loans securitized by the GSEs are made to consumers without scores (DHMG 2017; GAO 2021).

In 2017, the FHFA directed the GSEs to conduct extensive evaluations of the performance of FICO 9 and VantageScore 4.0, both of which will consider rental data where available, relative to the Classic FICO standard. But before the process was completed, Congress established new validation requirements.¹¹² The legislation reflected growing bipartisan interest in improving transparency regarding the GSEs' use and validation of credit scores and encouraging competition in the credit scoring industry.

In restarting the process, the FHFA initially proposed barring use of VantageScore models because of its joint ownership by Equifax, Experian, and TransUnion,¹¹³ but the final rule dropped that proposal.¹¹⁴ On November 10, 2020, the FHFA announced that Fannie Mae and Freddie Mac had validated and approved the continuing use of Classic FICO while validation and approval of newer models was still under way.¹¹⁵ The GSEs are required to conduct a two-stage process that could take up to 480 days. The FHFA set 45 days for itself to review the GSEs' determinations, though that timeline can be extended, and has estimated that implementation will take as long as 24 months.

The FHA also uses Classic FICO but has not announced any plans to migrate to more recent models. The FHA insurance standards require an effective minimum credit score of 580 to qualify for its lowest down payment of 3.5 percent.¹¹⁶ About one-third of 1 percent of FHA-insured loans are made to consumers without credit scores (GAO 2021).

Different combinations of factors appear to have played different roles in shaping the scale and uptake of particular initiatives. This is not surprising, given that the utility, telecom, and rental sectors

each have somewhat different dynamics and that individual companies within each sector may vary widely in their cost-benefit analyses. For instance, stakeholder interviews and other sources suggest that intra-industry competitive dynamics are a greater concern for telecom companies, while small-provider challenges are a particular factor for rental data. Energy utility sources tend to emphasize concerns about customer service volumes and broader regulatory and public relations issues (Federal Trade Commission 2004, 80–82).

Beyond these particular dynamics, there may also be broader cultural differences across the three sectors compared with credit markets, such as companies not believing the ability to access detailed payment history from other firms to be fundamental to their businesses, companies being accustomed to looking to the state government for guidance in shifting business practices, or companies otherwise viewing reporting as changing their relationships with customers.¹¹⁷ And although efforts to encourage greater furnishing of UTR data are ongoing, it is striking that several UTR firms that were involved in early initiatives and pilots have since stopped providing data to NCRAs for operational and other reasons.¹¹⁸ These examples help underscore the challenges of the voluntary reporting system, particularly for small entities.

BOX 12

FCRA Furnisher Requirements and Marketing Limitations

Furnishing data to consumer reporting agencies is a voluntary activity in the US credit reporting system, and the Fair Credit Reporting Act did not regulate furnishers' activities when first adopted in 1970. Amendments in 1996 and 2003 extended some legal obligations to furnishers, including a duty to respond to consumer disputes that is enforceable by individual consumers in court and an obligation to maintain reasonable policies and procedures regarding the accuracy and integrity of furnished information that only regulators can enforce.¹¹⁹ At least one NCRA reported to the Federal Trade Commission that it experienced a decrease in reporting by utilities after the 1996 legislation (Federal Trade Commission 2004, 81–82).

Consumers can submit disputes about the accuracy of information either to a credit bureau (which in turn shares them with the relevant furnisher) or directly to a furnisher.¹²⁰ In both cases, the furnisher is generally obligated to investigate, review all information provided by the credit bureau or consumer, report findings to the credit bureau, provide corrected or supplemental information if the investigation shows it was incomplete or inaccurate, and fix the information or delete it going forward if the information was incomplete, was inaccurate, or cannot be verified. Once a consumer has disputed the accuracy of information, furnishers cannot continue reporting it to a credit bureau during the investigation without noting that the consumer disputes its accuracy. Although data sources do not have to pay money to the NCRAs to begin furnishing information, use of their e-OSCAR system for

disputes costs \$0.30 per transaction, with a minimum charge of \$30 per quarter plus a one-time registration fee.¹²¹

Rules implementing the obligation to maintain reasonable policies and procedures regarding the accuracy and integrity of information did not take effect until 2010.¹²² They acknowledge that policies and procedures may vary according to the furnisher's nature, size, and complexity but should be designed to ensure that furnished information is for the correct person, reflects the account's terms and the consumer's performance on the account, and is substantiated in the furnisher's records.

With regard to use of credit reports for marketing purposes, the FCRA specifies several "permissible purposes" for which the data can be obtained from a consumer reporting agency, including "in connection with a credit transaction" involving the consumer, for certain employment or insurance activities, and in connection with a business transaction initiated by the consumer where the user has a legitimate business need for the information.¹²³ General marketing to a consumer is not listed as a permissible purpose for obtaining a credit report, but the law does create a mechanism for "firm" or "prescreened" offers of credit or insurance, where a lender or insurance underwriter obtains names and contact information for consumers who meet its criteria from a consumer reporting agency. The offer of credit or insurance must generally be unconditional, other than providing any required collateral and verifying that the consumer continues to meet the prescreening criteria.¹²⁴

Consumer-Permissioned Channels

In light of the various factors that have slowed and complicated initiatives to encourage routine furnishing of payment history by UTR companies to the traditional credit reporting system, several initiatives have focused on structures that rely on individual consumers to take a more active role in initiating data transfers and verification. Unlike some of the furnishing initiatives described in the Direct Reporting Initiative section earlier in this chapter, which were shaped in substantial part by incentives and questions around how UTR companies can use UTR payment history for their own purposes, these initiatives have focused on use for credit purposes from the start.

Early consumer-driven initiatives also started in the 2000s with a wave of companies that verified payments to UTR companies and other sources for creating a credit report or supplying the information to the NCRAs. Examples of early attempts to make UTR reporting mainstream include both Pay Rent, Build Credit Inc. (later shortened to PRBC) and NTreport from First American Corporation. PRBC was a Maryland-based consumer reporting agency founded in 2002 that allowed consumers to opt into reporting nontraditional information—such as rental, utility, telephone, and other recurring payments—to their credit files (Federal Trade Commission 2004, 83).¹²⁵ PRBC verified these payments at no cost to

consumers and used them to generate a credit report to either supplement or serve as an alternative to reports by the three NCRAs.¹²⁶ In 2004, First American Corporation introduced a new nontraditional credit report (NTreport) that supplemented consumers' traditional credit files with verified rental, utility, or insurance payments to provide lenders a more accurate picture of consumers' creditworthiness (Federal Trade Commission 2004, 84).¹²⁷ Both organizations still exist in some capacity, though they have gone through several structural changes. MicroBilt acquired PRBC in 2009 amid financial struggles during the Great Recession and now operates as Connect, which verifies consumer payments through their bank, utility, or internet service provider account at no cost and provides an alternative credit report.¹²⁸ Similarly, First American's analytics business—including its provision of consumer credit data—was spun off into a separate entity, CoreLogic, in 2010, after a volatile few years.¹²⁹ CoreLogic Teletrack, which housed various types of alternative credit data, was acquired by Equifax in September 2021.¹³⁰

As the economy rebounded from the 2008 financial crisis, a new generation of platforms and initiatives have sprung up. Some platforms that focus on rent reporting as their primary business activity rely on consumer sign-ups and fees but rely on landlords to supply information for verification purposes. Where a new customer's landlord does not already have a relationship with the platform, the platforms' websites typically state that they will either refund fees if a landlord declines to participate or will not charge fees until the landlord begins providing information.¹³¹ A few platforms have also begun to use bank account data or customer-supplied information to reduce information-sharing burdens on landlords.¹³²

Other new initiatives are relying on data aggregators to pull UTR payment history from banking websites or from utility and telecom companies' systems. Other ventures provide consumers with transaction accounts or payment apps through which data can be captured for reporting to NCRAs. Appendix D lists several initiatives in these latter categories (box 13).

BOX 13

Consumer-Driven Reporting Platforms and Initiatives

We found several reporting platforms and other initiatives that rely on consumers to help drive the process for reporting UTR data to nationwide credit bureaus. These programs have a wide variety of business models, pricing structures, and data collection mechanisms:

- Some rent reporting platforms will help tenants report their payment history by reaching out to work with landlords to validate payments through integration with the landlords' property management software or other means of collecting monthly data.

- Some services obtain UTR payment history from bank account records or from utility and telecom companies using data aggregators to pull the information.
- Some services provide consumers with payment apps or transaction accounts through which they can route their UTR payments and capture information for reporting to the NCRAs.

Pricing for the different programs varies; some do not charge fees to consumers, while others may impose one-time registration costs or annual or monthly fees. A challenge is that low-income, low-credit-score consumers may have difficulty adding reporting costs to their UTR obligations. The services vary as to what NCRAs they report to, whether they can also report past rental history or only payments going forward, and whether they charge additional fees for historical data.

The business models, scope of reporting, and ancillary services provided by these platforms and other initiatives vary widely. Many focus on rent and generally charge consumers directly unless landlords decide to pick up the costs. Some impose one-time registration costs, which may range from \$25 to \$95, while others impose recurring charges that vary from a \$50 annual payment to monthly costs up to \$14.95. Several rent reporting services include an option to report up to two years of past rental history for an additional one-time fee. A few services report a broader range of payments, including utility, telecom, streaming services, and, in some cases, rent; one of them also reports payment data to credit bureaus that focus on small businesses, in addition to providing consumer-focused services.¹³³ The programs also vary as to how many NCRAs they report to and whether they focus solely on reporting positive payment history.¹³⁴

Other customer-permissioned services do not market directly to consumers but work with lenders who seek to use UTR data in underwriting. These lenders structure their application processes to obtain consumers' permission to pull their bank account or utility or telecom data via aggregators or refer the consumers to the aggregators' sites to obtain such permission. The data are then transferred to the lender, but are not incorporated into consumers' credit files with the NCRAs and thus cannot be used by any other parties (boxes 14 and 15).

BOX 14

Lender-Focused Initiatives That Rely on Customer-Permissioned UTR Data Transferred via Aggregators

Some recent ventures that work with lenders are using data aggregators to pull UTR data from bank platforms or utility or telecom companies' websites with consumers' permission:

- **Equifax Payment Insights.** This partnership with Urjanet provides up to 12 months of payment history from telecom companies or utilities to lenders with consumer permission.¹³⁵ The information does not feed into Equifax’s main credit files and does not involve a consumer fee for sign-up.¹³⁶
- **Equifax Snapshot.** This is a partnership with aggregator Envestnet Yodlee to provide bank account data to lenders. Consumers are asked during the application process with the lender to authorize pulling information from their financial accounts about income, assets, and cash flow. The data can be used to identify specific expenses as well. The information is not feeding into Equifax’s main credit files and does not involve a consumer fee for sign up.¹³⁷
- **Finicity Lend.** Separate from its other partnerships such as Experian Boost, Finicity announced in September 2020 that it was expanding analytical services on its lending support platform to provide an enhanced group of attributes distilled from bank account data for lenders to use in their proprietary underwriting systems.¹³⁸ These data are more expansive than UTR payments alone, including 180 days of full transactions from a connected bank account, but Finicity advertises its ability to derive insights based on payee types and payment streams.¹³⁹
- **FormFree® Passport®.** This product assesses a consumer’s ability to repay by analyzing data from the consumer’s bank and payroll accounts. It uses artificial intelligence to analyze the consumers’ assets, income, and employment and tags specific UTR payments for delivery to lenders.¹⁴⁰
- **Prism CashScore.** Prism was started in 2021 by Petal, a credit card company that uses cash-flow data to help underwrite consumers. It distills information from bank account records, including identifying and categorizing expenses such as utility, telecom, and rental payments and provides attributes and a predictive score for use by other lenders.¹⁴¹

BOX 15

Initiatives That Focus More Broadly on Cash-Flow Analyses for Credit Underwriting

Other recent ventures have focused on pulling bank account data to conduct broader analyses of consumers’ cash flows for credit underwriting but do not appear to be focusing on separating specific types of expenses such as UTR payments:

- **Harvest PRO Index.** Harvest is a financial technology firm that provides automated personal financial management services and advice relating to bank fee negotiation, debt management, and other topics. In summer 2020, it launched a new scoring model called PRO Index that factors in traditional credit scores with several cash-flow and debt-related metrics based on an analysis of bank account information compiled by various data aggregators with consumer permission.¹⁴² Harvest was acquired by Acorns in 2021.

- **Project REACH.** The Office of the Comptroller of the Currency launched its Roundtable for Economic Access and Change (REACH) in July 2020. The first pilot program began in late 2021 as several large banks prepared to pull data on bank account balances and history to help underwrite consumers who lack traditional credit scores. Individual banks will decide what products and terms to offer, with many focusing on credit cards. Unlike the other initiatives described in this box, the data are being pulled by Early Warning Systems, a bank-owned consumer reporting agency that has previously focused on providing information in connection with bank account opening and payment verification, rather than by customer-permissioned transfers by data aggregators.¹⁴³
- **UltraFICO.** FICO began piloting a scoring product called UltraFICO in 2019 in partnership with Experian and the data aggregator Finicity. The scoring model relies on consumers' permission to access their checking, savings, or money market data to generate a separate credit score using both cash flow and traditional consumer report attributes (FICO 2019).¹⁴⁴ The cash flow elements include the length of time that accounts have been open, recency and frequency of transactions, evidence of consistent cash on hand, and history of positive account balances. The score is frequently being used in a "second look" process for consumers who do not qualify for credit or for favorable terms using traditional scores (FICO 2019).¹⁴⁵

Whether consumer facing or lender facing, the UTR services described in this section require affirmative consent by consumers to turn on the data flows in a way that is not generally required for direct furnishing options.¹⁴⁶ The ways consumers initiate the data transfers vary depending on the nature of the service. For services that are involved in payment processing or that obtain the information from landlords, consumers provide their permission by affirmatively signing up for the service or by opening an associated bank account, linking an existing bank account, or routing their payments a particular way. For services that rely on data aggregators to pull payment history from bank account history or utility and telecom companies' websites, the consumer must provide affirmative consent and other information to facilitate the data pulls. For bank account information, aggregators have historically executed the transfers by asking consumers to provide their log-in credentials to their banks' website platforms and collecting the information through "screen scraping." But there are serious drawbacks to these processes because of the risk that consumers' log-in credentials could be misused to conduct unauthorized transactions on their bank accounts and because of concerns about privacy, accuracy, and data security. Large companies are starting to adopt more secure and efficient technologies and processes (box 16).¹⁴⁷

Although several aggregator-facilitated initiatives launched just before the pandemic, one of the earliest and highest-profile efforts was Experian Boost. Begun in March 2019, it augments consumers' Experian credit files where they authorize pulling positive payment information for designated utilities, telecommunications companies, and streaming services from their checking or credit card accounts.¹⁴⁸ The system does not require lenders to purchase a separate score or report or require consumers to pay a fee for the reporting service, though they receive offers for other Experian products. Experian reportedly spent \$47 million to market the service in its first year of operation and \$69 million in its second year.¹⁴⁹ Company officials report that as of October 2021, 8 million consumers have connected their accounts, including about 100,000 previously unscorable consumers. More detailed statistics from February 2021 indicate that about half of previously unscorable consumers who signed up for the service became scorable and that about 41 percent of previously thin-file consumers (defined as fewer than five accounts) changed to thick-file status, though the report did not include actual numbers. Overall, the average improvement in FICO 8 Scores was 12 points, though consumers with thin files and scores in the lowest band experienced larger gains of 19 points and 22 points, respectively.¹⁵⁰

Yet although some customer-permissioned initiatives have received extensive press coverage, it is difficult to judge their scale and overall impact, particularly for projects that were launched just before the pandemic. Research across various sectors suggests that models that rely on affirmative consumer consent rather than opt-out structures tend to have substantially lower participation rates (Davidai, Gilovich, and Ross 2012).¹⁵¹ And although consumer advocates are often more supportive of customer-permissioned channels because they believe there is less risk of negative consequences for financially vulnerable consumers, options that rely on data aggregators to transfer bank account information are subject to broader debates about consumer protection, information security, and data quality. Technology and regulatory initiatives to improve that system are under way, but their timing and scope are not yet clear (box 16). Accordingly, as discussed further in chapter 6, key questions remain about whether these new channels can reach substantial scale.

BOX 16

Market and Regulatory Issues Concerning Customer-Permissioned Data Flows Effectuated by Aggregators

Data aggregators first emerged about two decades ago to facilitate various “personal financial management” platforms by pulling consumers' financial account information for budgeting, analysis, and other purposes. Over time, they have begun to support a growing range of financial services, including payment services, verification of income and other information that consumers provide in applying for credit, and pulling payment history for credit underwriting. Today, aggregators are estimated to be able

to access data from about 95 percent of US deposit accounts, and roughly 50 percent of US consumers are estimated to have signed up for financial services that generally rely on data aggregators to effectuate customer-authorized transfers.¹⁵²

As the system has expanded, competitive tensions, security and liability concerns, and coordination challenges have complicated the relationships between data sources, aggregators, and data users. Larger financial institutions and aggregators have begun adopting bilateral contracts to govern various aspects of data sharing, including transitioning away from credential sharing and screen scraping toward the use of read-only access and dedicated application programming interfaces to transfer data. But the process has frequently been complicated by disputes over what data elements can be accessed and various business and contracting practices. An organization called the Financial Data Exchange has been working to establish standardized application programming interfaces to effectuate data transfers for particular financial use cases but reaching voluntary consensus has proven challenging (FinRegLab 2020a, section 4.2).

Federal regulators are now engaged in rulemaking and guidance activities that may help the system move forward more quickly by clarifying legal requirements and modernizing existing requirements. Most significantly, the CFPB is engaged in rulemaking to implement a 2010 law that gives consumers a right to access account data held by their financial services providers.¹⁵³ The rulemaking may clarify what data elements consumers have a right to access and standards for entities that act as their agents in accessing and transferring such data to third parties. The Bureau may also clarify application of various federal consumer financial laws to customer-permissioned data transfers and take procedural steps to begin examining large aggregators and data users for compliance.¹⁵⁴

Federal banking regulators have also begun to harmonize their guidance to banks when dealing with data aggregators, and the Federal Trade Commission recently finalized a rule to update information security requirements for nonbank financial institutions.¹⁵⁵ See box 23 for further discussion of these initiatives' potential impact on UTR data transfers specifically.

5. Recent Developments

The COVID-19 pandemic, racial justice protests, and other developments since early 2020 have increased both the momentum for and the challenges facing initiatives to facilitate the use of UTR data in credit underwriting. This chapter summarizes recent developments and UTR-related projects:

- **Lenders' quest for new data sources has accelerated in the face of substantial economic uncertainty during the pandemic downturn**, as the rapidly changing environment has underscored the disadvantages of relying so heavily on traditional payment history.
- **Increased attention to systemic racial barriers** has sparked renewed interest among many financial services and housing stakeholders in alternative data sources for credit underwriting, though it is unclear whether this discussion has come to the attention of UTR companies.
- **Credit reporting and scoring issues attracted significant attention from Democratic candidates** during the 2020 presidential election campaign, building largely off racial justice concerns.
- **Some states have launched initiatives** to facilitate customer-permissioned reporting of rental data.
- **The Credit Builders Alliance, Fannie Mae and Freddie Mac, and the Consumer Data Industry Association have launched rent-focused projects** that could improve the availability and accuracy of rental information.
- **Yet the unevenness of pandemic-related financial hardships and UTR aid programs have also increased concerns about potential negative impacts**, both regarding how payment history data may be used going forward for screening by UTR companies themselves and for credit purposes. Some companies have shifted toward reporting only positive payment history in response to these concerns.

Lenders' Quest for New Data Sources

As initial lockdowns were implemented in connection with the COVID-19 pandemic, lenders and other businesses began scrambling for new data sources to understand what was happening to the economy in real time. The situation underscored the disadvantages of relying so heavily on traditional NCRA reports for credit underwriting, both because of their focus on selected types of expenses and because

furnishers typically file updates on a lagged, batch basis.¹⁵⁶ Because it may take weeks or months for substantial changes in borrowers' financial circumstances to manifest fully in their reports and scores, lenders may struggle to predict default risk accurately during rapidly changing economic conditions and especially for applicants who have recently experienced financial difficulties or who are rebounding from past income or expense shocks.

Although Congress chose not to ban negative credit reporting during the pandemic as some advocates had sought, March 2020 legislation did standardize the reporting of pandemic-related accommodations with an eye toward reducing negative impacts on credit scores.¹⁵⁷ Some sources have suggested that the legislation further undermined confidence in traditional scores and models¹⁵⁸ though it is difficult to separate the effects of that law from government stimulus, changes in household saving and spending patterns, and other factors that have contributed to significant increases in average credit scores, particularly among consumers with subprime scores, over the course of the pandemic (FinRegLab 2020e, 3–4). For instance, FICO reports that average scores increased 20 points between January 2020 and April 2021 among consumers who had scores of 550 to 599 at the start of the period and increased 12 points for consumers whose scores ranged from 650 to 699, while remaining unchanged for consumers in the 750-to-799 band.¹⁵⁹ A TransUnion study of consumers whose credit scores rose in 2020 found that performance on new bank credit card accounts opened late that year has been consistent, regardless of whether the consumers' credit reports reflected pandemic-related hardships.¹⁶⁰

These multiple sources of uncertainty prompted many lenders in the short term to tighten minimum credit scores and impose or adjust other overlays on their standard lending criteria while seeking additional sources of data with which to evaluate their existing portfolios and new credit applications.¹⁶¹ The NCRAs and credit scoring model developers responded to the increased demand both by introducing new products and increasing marketing of prior initiatives to derive additional insights from both traditional and nontraditional data.¹⁶² Although lenders have gradually resumed marketing and eased their credit criteria as economic conditions have improved,¹⁶³ new variants' effects on economic activity, supply chain effects on inflation, and other factors have created additional economic and financial uncertainties. Overall, the situation has broadened discussions about validating new data sources beyond questions of how to underwrite historically underserved populations to focus on how to improve default predictions and detection of recovery signs among consumers more generally.

Increased Attention to Systemic Racial Barriers

Massive racial justice protests responding to the deaths of George Floyd, Breonna Taylor, and other people of color at the hands of local police also substantially increased attention to systemic racial barriers across various aspects of US society. These have added fresh momentum to ongoing discussions among financial services and housing stakeholders about how to reduce disparities in lending and homeownership (Florant et al. 2020, 13–14; García-Pérez, Gaither, and Darity 2020).¹⁶⁴ Notably, among the nation's 50 largest public companies and their foundations, approximately 90 percent of the \$50 billion committed to racial justice initiatives in the wake of the protests has come from two banks—JPMorgan Chase and Bank of America—for loans and investments focused on increasing homeownership rates and reducing other financial disparities.¹⁶⁵ Several lenders and financial services providers also signaled support for components of fair lending analyses that are particularly important in analyzing the effects of automated underwriting systems and other lending practices.¹⁶⁶

Concerns about gaps and weaknesses in traditional credit data have been the focus of several initiatives coming out of these discussions. The Office of the Comptroller of the Currency launched an initiative focusing on the potential use of alternative data for credit underwriting, starting with general bank account information and potentially shifting to other sources.¹⁶⁷ Agency officials have indicated that UTR data are of particular interest for future pilot programs, given the data's intuitive relationship to how consumers manage expenses and potential to fill information gaps for consumers who lack traditional credit records. FICO also announced that it would waive fees on its FICO XD product, which relies in part on telecom and utility data, through early 2022, as part of an effort to increase financial inclusion (see the Direct Reporting Initiatives section in chapter 4). Goldman Sachs and Esusu Financial Inc. also announced a partnership to offer thousands of tenants of select multifamily housing properties the option to report their rent payments, helping to bring Esusu's potential footprint to 2.5 million units as of August 2021 (Wemimo, n.d.).¹⁶⁸ Some entertainment and sports leaders have even structured new social justice initiatives and investments to avoid relying on traditional scoring or to promote the use of alternative data and other support programs to help borrowers of color build positive credit records.¹⁶⁹ A few financial services stakeholders have also argued for scrapping credit scoring as inherently flawed, though they often still support using cash-flow and other sources of financial data as part of the underwriting process.¹⁷⁰

Among utility and telecom companies, however, recent social justice initiatives do not appear to be focusing on the potential use of payment history to facilitate access to credit. Instead, such companies have tended to concentrate on increasing donations to racial justice organizations and historically Black

colleges and universities, short-term assistance in local communities, improving telecommunications connectivity in underserved areas, and strengthening diversity in hiring and contracting.¹⁷¹ To the extent they are focusing on activities closer to their core businesses, shutoff policies, evictions, and increasing support for programs to promote broadband access and energy-efficiency programs in light of long-standing racial disparities may tend to attract more attention than links between consumers' payment history and the credit system.¹⁷²

More broadly across the financial services and housing sectors, stakeholders are also discussing the need for complementary initiatives to address long-standing disparities in income and assets from other angles rather than relying solely on credit data and modeling improvements. Some skeptics are suggesting that alternative policy measures such as student debt forgiveness should be prioritized over efforts to tap alternative financial data out of concern that cumulative historical income and asset disparities are so pervasive that incremental reforms will be insufficient to produce meaningful change, while other stakeholders argue that alternative financial data initiatives are critical to help address information gaps, even though they cannot single-handedly equalize long-standing economic disparities.¹⁷³ Both ends of the spectrum point to pandemic relief efforts as evidence of the potential power of direct subsidy programs (see Pandemic Effects section later in this chapter).

Policy Initiatives during the 2020 Presidential Campaign

Interest in credit reporting and scoring issues among Democratic presidential candidates began in 2019 but accelerated further in 2020 in response to racial justice protests and other factors. Several candidates endorsed the use of UTR payment history in evaluating creditworthiness over the course of the 2020 election cycle. Senator Amy Klobuchar's Housing First Plan included a provision to allow credit bureaus to use on-time payments of UTR bills in credit score calculations.¹⁷⁴ Similarly, then-Senator Kamala Harris campaigned on amending the FCRA to require NCRAs to consider UTR data when calculating credit scores.¹⁷⁵ Although Senator Bernie Sanders did not commit to using UTR or other alternative data, his calls for a public credit reporting agency included the use of a transparent algorithm that would "end racial biases in credit scores."¹⁷⁶ The Biden-Sanders unity task force—convened after Senator Sanders withdrew from the presidential race—incorporated this same commitment in its July 2020 report, though the task force's recommendations also called for credit algorithms used in federally related lending programs to include rental and utility payment history "to ensure the algorithms used for credit scoring don't have discriminatory impacts" (Biden-Harris Campaign, n.d.).¹⁷⁷

This same commitment was echoed in the Biden campaign’s Plan to Build Back Better by Advancing Racial Equity across the American Economy.¹⁷⁸ The main description of the public agency proposal stated that its algorithms would not have a discriminatory impact due in part to its acceptance of utility, rental, and other nontraditional sources of information. The campaign echoed its call for the use of alternative data in its public credit score in its Plan for Black America and its housing plan. Each plan emphasized racial disparities in credit markets and called for the use of rental and utility data in credit scoring to minimize these disparities.¹⁷⁹

State Actions

State policymakers have also begun pursuing rent reporting pilot programs fueled by a belief that without a “recognition of creditworthy behavior on a renter’s credit report, lenders and other businesses develop an incomplete and negatively skewed assessment of the credit risk posed by many otherwise financially responsible households” (Chenven and Shulte 2015). Although a Massachusetts measure failed to advance beyond the state senate,¹⁸⁰ lawmakers in Colorado, California, and the District of Columbia have enacted rent reporting laws. Two of the three programs focus exclusively on affordable housing providers and provide for some form of evaluation to assess the impacts of rent reporting on tenant credit scores and outcomes and related measures of financial capability. In light of federal Privacy Act considerations, the programs have express resident opt-in requirements.

Supported by a \$205,000 appropriation and administered by the State Housing Finance Authority, Colorado’s three-year pilot program will include up to 10 landlords and at least 100 tenants who are underserved and underrepresented in homeownership drawn from subsidized and market rate rental properties located in diverse parts of the state.¹⁸¹ In addition to express written consent, tenant participation is contingent on completion of a financial education course.

Passed by the DC City Council in 2018 and funded in 2020, DC Law 22-154 directed the District of Columbia Housing Authority (DCHA) to design and implement a small, 12-month rent reporting pilot program in one or more of its public housing developments.¹⁸² The DCHA selected the nonprofit Credit Builders Alliance to provide technical assistance and Esusu Financial Inc. as its rental reporting technology provider. In August 2020, the DCHA launched the pilot at 10 developments and opened enrollment to all DCHA properties in March 2021. Enrollments reached 20 participants after six months and 45 by the end of the first program year in August 2021. Of the 4 residents who had no credit scores at the outset, not only did they become scorable, but after 6 months of rent reporting, they had an average credit score of 697, placing them in the near-prime risk tier. Those who were scorable

entering the pilot had a baseline credit score of 630, and at 6 or 12 months of rent reporting, depending on their respective enrollment date, 75 percent of them saw their scores increase by an average of 28.5 points.¹⁸³ Within three months following the completion of the yearlong pilot, the DCHA is required to submit a program assessment to the city council that includes the number of residents who opted to participate, the change in credit score for the average participant at each property, and the results of a resident survey gauging their satisfaction with the program and recommendations about whether the rent reporting program should be continued or expanded and how, if at all, it should be modified.

Of the three enacted measures, the most expansive is California Rental Law SB 1157, which was signed into law in September 2020 and became effective for all leases commencing on or after July 1, 2021.¹⁸⁴ SB 1157 requires all landlords with more than 15 subsidized rental units to offer their tenants the option to report their rent payments to major credit bureaus at a low cost, defined as the lesser of \$10 a month or the actual cost to report the rent payment. As with the other measures, the bill requires signed written consent to comply with federal privacy protections and landlord disclosure of which national credit bureaus rents will be reported to. The California statute requires full-file reporting, meaning that once a tenant opts in, all rental payments will be reported, regardless of whether they are on time, late, or missed. The bill also has provisions to prevent legally authorized rent withholding from being reported as a late or missed payment to a credit bureau. A renter may stop reporting their rent at any time through written request to their landlord and must wait at least six months to resume participation. The law will sunset on July 1, 2025, after which it will be evaluated for its impacts on helping tenants build credit history.

Broader Rent Reporting Initiatives

Beyond activities by individual firms and state pilot programs, several organizations have launched broader rent-related initiatives within the past year. These include the Credit Builders Alliance's development of a technical assistance center to help affordable housing providers begin reporting of tenants' payments, initiatives by both Fannie Mae and Freddie Mac to facilitate the use and reporting of rental data, and a multipronged effort by the Consumer Data Industry Association and related organizations to create clearer standards for rent reporting.

Credit Builders Alliance Technical Assistance Center

The Credit Builders Alliance began exploring the potential benefits of reporting affordable housing tenants' payment history in 2012 with a multisite pilot to help housing operators become credentialed with the NCRAs. Building on that project and follow-up work with about 40 providers over the past decade, the Credit Builders Alliance announced in June 2021 that it had opened the Rent Reporting Technical Assistance Center with financial support from Experian and other sources.¹⁸⁵ The center is designed in part to respond to recent state and local initiatives encouraging rental reporting and provides materials for both housing operators and renters to educate themselves about the process.

For instance, the website includes information to help landlords who are weighing whether to become credentialed to act as direct furnishers, contract with third-party platforms to manage the mechanics of reporting, or use property management software and payment processors to facilitate reporting. The website also includes information for educating landlords and tenants about upcoming reporting initiatives.¹⁸⁶

GSE Initiatives

The GSEs permit lenders to use verified on-time rental payments to document and assess the qualifications of applicants with nontraditional credit histories when manually underwriting consumers who have not been recommended for approval by their automated underwriting systems, but lenders vary as to their willingness to engage in such processes (box 10). In August 2021, Fannie Mae announced that it had modified its automated underwriting system to make it easier for lenders to consider positive rental payment history for first-time homebuyers who would otherwise be rejected under automated procedures.¹⁸⁷ Because rental information remains so limited in NCRA files, the new processes will rely instead on payment history as reflected in automated feeds of bank account information. A recent Urban Institute blog post describes Fannie Mae's process for obtaining consumer-permissioned rental data:

Under Fannie Mae's new guidelines, lenders will submit the mortgage application through Fannie Mae's automated underwriting system, Desktop Underwriter, just as they do now. If Desktop Underwriter finds the loan is not eligible for sale to Fannie Mae, the system will now check, for all first-time homebuyers, whether a 12-month history of on-time rental payments would change the outcome. If the loan is not eligible as submitted, but 12 months of on-time rental payments would make the loan eligible, Fannie Mae will go back to the lender to let them know, and the lender can ask the borrower to give permission for Fannie Mae to access their bank statements.¹⁸⁸

Moreover, Fannie Mae also has not changed its minimum credit score requirements or pricing systems for approved loans.¹⁸⁹ Thus, for the new program to lead to a Desktop Underwriter approval, the lender must be willing to obtain the additional data, and the first-time homebuyer must have a credit score of at least 620 without the rental data, purchase the house as a primary residence, and consent to sharing 12 months of their bank statement history with their lender (box 17). Before its introduction, Fannie Mae analyzed a sample of first-time homebuyer applicants whose loan application did not receive a favorable recommendation through Desktop Underwriter and found that 17 percent could have received an Approve/Eligible recommendation if their positive rental payment history had been considered.¹⁹⁰ Fannie Mae and FHFA officials have conducted fair lending and credit risk assessments going into the project, and Fannie Mae expects to make regular reports to FHFA regarding the volume and performance of the loans and the demographics of borrowers.¹⁹¹

BOX 17

Other GSE Initiatives

The GSEs are making other policy and procedure changes that could improve access to credit. For instance, Fannie Mae introduced Desktop Underwriter 11 on March 13, 2021, which includes “an updated risk assessment that will finetune DU’s ability to assess risk while fostering homeownership sustainability” (Fannie Mae 2021b). The fine-tuning includes changes in how Desktop Underwriter assesses debt-to-income and debt composition and self-employment or variable income. With respect to the former, the revised system will rate applicants whose revolving debt makes up a smaller share of their monthly expenses as lower risk than applicants with higher revolving percentages. Applicants who have student loan debt will also be rated as lower risk than those with only revolving debt. Regarding the latter, Desktop Underwriter will no longer view self-employment as representing increased risk but will now evaluate the composition of borrower income. Borrowers whose total annual income is made up of a higher share of variable income (i.e., bonus, overtime, commission, and miscellaneous) will now represent increased risk.

Another change for Fannie Mae concerns the use of credit scores where multiple borrowers are applying for a single loan. In the past, underwriting has been focused on the applicant with the middle score but is now shifting to an averaging approach.¹⁹² Freddie Mac still uses what it refers to as the lower/middle method of selecting an indicator credit score that represents the overall risk of a particular transaction when multiple borrowers are involved. With usable credit scores for two borrowers, the lower score is chosen, and with usable scores for three borrowers, the middle score applies (Freddie Mac 2017).

Freddie Mac’s chief executive officer praised Fannie Mae’s action at a recent industry event , saying that his company is considering a similar change and other “cash flow underwriting updates”¹⁹³ and predicting that “in 10 years’ time, maybe even five...rental data will be incorporated into any or every credit scoring system, whereas today it’s less than 5%.”¹⁹⁴ Although the company has not yet announced specific changes to procedures for underwriting single-family mortgages, it announced a new engagement in November 2021 with Esusu Financial to give all renters living in Freddie Mac–financed multifamily properties an opportunity to have their on-time rent payments reported to all three national major credit bureaus.¹⁹⁵

Rather than compelling all multifamily borrowers (owner-operators) to enroll in the program, Freddie Mac is discounting its loan closing costs by an amount that generally covers Esusu’s setup costs and recurring monthly charges for up to four years of reporting on-time rent payments (Freddie Mac, n.d.) (table 1). Where an owner-operator decides to participate, Esusu will obtain tenants’ affirmative consent before beginning reporting where required by law and will otherwise provide tenants an opportunity to opt out of the service.¹⁹⁶ Where verifiable historical data are available, it will report up to 24 months of past on-time payments to give an immediate boost to consumers’ credit scores. Esusu will automatically unenroll tenants when they miss a payment, though they may reenroll after six months. Access to Esusu’s website and mobile app enables renters to monitor subsequent changes to their credit scores.

TABLE 1

Esusu Discounted Charges for Freddie Mac Rent Reporting Initiative

Esusu Discounted Charges for Freddie Mac Rent Reporting Initiative			
	Esusu Market Rates	Freddie Mac Discounted Rates	
Targeted Affordable Housing and Conventional Loans			
Onboarding Fee	\$3,500	\$3,500*	
Maximum Monthly Fee	\$2.00/unit	\$1.50/unit	
<i>*If multiple properties are enrolled at once, the enrollment fee is waived for each additional property after</i>			
Small Balance Loans			
Onboarding Fee	\$3,500	No onboarding fee	
Maximum Monthly Fee	\$2.00/unit	No monthly fee	
Maximum Annual Fee	N/A	5-50 units	\$1,000
		>50 units	\$2,000
Volume Discount	N/A	Enroll 10+ properties	30%
		Enroll 20+ properties	50%

Source: Esusu.

Although scaling and overall participation rates may depend on individual borrower and tenant acceptance, multifamily lending origination rates, and other factors, Freddie Mac's belief that this initiative will help renters without credit scores establish them and lead to improved scores for those who already have credit scores is grounded in empirical results from a yearlong rent reporting pilot. The pilot involved seven sponsors, 30 properties, and over 11,000 multifamily units that were onboarded to Esusu's platform with small balance loan, targeted affordable housing, and conventional loan participants. Collectively, the pilot created credit scores for nearly 2,000 individuals who were previously credit invisible and helped renters at those properties improve their credit scores by an average of 26 points.¹⁹⁷

Notwithstanding uncertainties, the potential scale of this national initiative cannot be overstated, given that last year, Freddie Mac's more than 25 approved multifamily lenders deployed \$83 billion in capital to finance more than 800,000 multifamily rental units across the country.¹⁹⁸ More than 280,000 units (or 35 percent) were affordable to families with incomes up to 60 percent of their respective area median incomes (Freddie Mac 2021) and more than 560,000 units (or 70 percent) were in census tracts where at least 30 percent of the population was a racial or ethnic minority, including 361,000 units in neighborhoods where at least half the population is people of color (Freddie Mac 2021).

Consumer Data Industry Association Rental Reporting Initiatives

Finally, the Consumer Data Industry Association, which represents the three NCRAs, tenant screening companies, and some other credit bureaus, launched a multipronged initiative called the Rental Empowerment Project in summer 2021. The project encourages furnishing of rent reporting history and greater use of what records are already available in the traditional credit information system, with workstreams focused on education, research, and policy. Perhaps most significantly, the initiative is being complemented by efforts to revise and refine existing components of the NCRAs' Metro 2[®] data standard to encourage greater consistency in how rental information is reflected in consumers' credit reports.

The Metro 2[®] standards do not provide extensive guidance on rental reporting as discussed in the Data Quality, Standardization, and Modeling Challenges section of chapter 6, and the NCRAs use somewhat different templates for their more specialized rental reporting programs, such as Experian's RentBureau and TransUnion's ResidentCredit service. A single consistent format could simplify requirements for furnishers and encourage more consistent approaches to issues in rent reporting that do not map neatly to credit tradelines, such as the withholding of rents during landlord-tenant disputes.

Pandemic Effects on Renters and Historically Disadvantaged Populations

Yet for all the factors driving interest and momentum in increasing access to UTR data for credit underwriting, the pandemic downturn and racial justice discussions have also increased concerns that the data could exacerbate hardships for hard-hit households and communities of color more generally.

For example, the Centers for Disease Control and Prevention has documented COVID-19's disproportionate effects on racial and ethnic minorities, while the US Department of Labor and others have reported greater job losses and lower labor force participation rates (Zandi et al. 2021).¹⁹⁹ Economic damage also appears to have been particularly intense for households who rent their homes, particularly renters of color. A report from the JPMorgan Chase Institute estimates that 14 percent of renters experienced labor income losses of at least 50 percent during COVID-19 compared with 10 percent of mortgage holders.²⁰⁰ Racial disparities are also evident here, with US Census Bureau Pulse Surveys indicating that 29 percent of Black renters, 21 percent of Hispanic renters, and 18 percent of Asian renters fell into arrears, compared with just 11 percent of white renters (JCHS 2021).²⁰¹ Utility and telecom sources also reflect substantial pandemic effects. The National Energy Assistance Directors Association has estimated that arrearages nearly doubled over the first year of the pandemic, rising to about \$28 billion among 37 million households by March 2021 (Decker 2021).²⁰² Surveys have found that Black and Hispanic households have been substantially more likely to have their electricity cut off during the pandemic than white households (Kowanko and Harak 2021).²⁰³

Many households also faced delays and complications in accessing emergency relief programs, such as where the lack of banking relationships made it harder to deliver stimulus payments or to submit applications for the Paycheck Protection Program.²⁰⁴ In addition, federal relief has been more centralized and consistent for homeowners than for renters. The majority of homeowners have been able to obtain up to 18 months of forbearance on their mortgages and to add the missed payments to the end of their loans (FinRegLab 2020c).²⁰⁵ In contrast, programs targeting UTR relief have been more patchwork (box 18). A mix of corporate and government-led utility shutoff and eviction moratoriums reduced the number of consumers who were forced to move or who lost service during the pandemic but did not address arrearages and gradually expired over 2020 and 2021. Congress substantially increased federal funding to cover UTR arrearages between December 2020 and March 2021 to more than \$50 billion, but state and local programs have been inconsistent in their ability to disburse these funds as of fall 2021, with some distributing all available aid and others distributing relatively little. Application of the federal credit reporting protections concerning pandemic-related accommodations is

also less clear as applied to noncredit obligations, though some stakeholders report that furnishing of negative information has dropped during the pandemic, particularly in connection with rental delinquencies (box 19).

BOX 18

UTR-Related Pandemic Relief Initiatives

At the outset of the pandemic, 33 states and the District of Columbia enacted COVID-related utility shutoff moratoriums, though they varied in duration.²⁰⁶ Many utility and telecom companies also voluntarily stopped service shutoffs early in the pandemic, though several of the largest utility companies ceased these voluntary moratoriums by fall 2020.²⁰⁷ Standing winter shutoff moratoriums provided additional protection to consumers such that only seven states had no limitations in place during the 2020–21 winter months.²⁰⁸ By July 1, 2021, however, the winter limitations were no longer in effect, and only 11 states still had COVID-related utility moratoriums in place.²⁰⁹

Moratoriums on evictions were similarly uneven. Congress's initial eviction moratorium in the March 2020 Coronavirus Aid, Relief, and Economic Security (CARES) Act applied only to properties associated with federal assistance programs—between an estimated one-quarter to one-half of rental properties—and expired in July 2020 (McCarty and Perl 2021).²¹⁰ Many states imposed additional protections, but several were similarly short lived.²¹¹ Absent further action by Congress, the Centers for Disease Control imposed a moratorium in September 2020 that halted evictions through the new year for any renters unable to pay rent in full because of an income loss or medical expense who had attempted to obtain all possible government assistance, earned less than \$99,000 in 2020, was attempting to make partial payments, and would be homeless if evicted (McCarty and Perl 2021).²¹² Congress then extended this moratorium through January 2021, and the Biden administration extended it through July.²¹³ In August, President Biden briefly restored a narrower moratorium that was struck down by the Supreme Court on August 26, 2021.²¹⁴ Reports also indicated that the enforcement of the moratorium was often inconsistent (Airgood-Obrycki et al. 2021).²¹⁵

Targeted assistance to address UTR arrearages became more of a focus in late 2020. In addition to enhanced unemployment benefits, small business support, and other types of general stimulus spending, three federal response packages have included funding for paying UTR bills:

- The March 2020 CARES Act included \$900 million in supplemental funding for LIHEAP,²¹⁶ which allocates money to states annually for utility assistance. An additional \$4.5 billion in LIHEAP funding was appropriated in the March 2021 American Rescue Plan.²¹⁷ States have used these funds in various ways, such as directly paying past-due balances for households, increasing maximum household eligibility amounts, and loosening documentation requirements and extending application periods to assist more households.²¹⁸

- The Consolidated Appropriations Act of 2021 (enacted in December 2020) and the American Rescue Plan also allocated a combined \$46 billion in emergency rental assistance, which can be used for both rental and utility assistance.²¹⁹
- The Consolidated Appropriations Act of 2021 included a \$3.2 billion appropriation for an Emergency Broadband Benefit fund to assist low-income Americans with their internet bills over the course of the pandemic.²²⁰

Some states have also passed or are considering additional funding for rental and utility assistance outside their federal allocation.²²¹

Yet challenges in setting up distribution mechanisms for these funds have substantially complicated households' attempts to get relief. Even with the July 31 expiration of the Centers for Disease Control eviction moratorium, for instance, complicated documentation requirements, bureaucratic hurdles, and slow state responses resulted in only 11 percent of the appropriated aid being distributed by that date.²²² The US Treasury Department responded by loosening requirements, and the pace of aid increased over subsequent months.²²³ As of November 2021, some states and municipalities have closed their applications for rental assistance because they have distributed all of their allocated funding, while others have spent less than 30 percent of their disbursement and risk having a portion of their additional funding reallocated to areas demonstrating more efficiency and higher need (though the Treasury has indicated it will attempt to keep reallocated funds within the same state).²²⁴ This shifting of funds comes as rising evictions and rents are creating further challenges for tenants seeking housing in fall 2021.²²⁵

BOX 19

CARES Act Credit Reporting Protections and a Shift toward Reporting Only Positive Payment History

In March 2021, Congress adopted section 4021 of the CARES Act to reduce the risk that consumers who sought short-term pandemic relief would see credit score declines.²²⁶ The law dictates rules for reporting individual credit accounts as current or delinquent where consumers have obtained forbearances or other accommodations because they have been affected by the COVID-19 pandemic. Where the consumer was current before the pandemic, the credit account must continue to be reported as current so long as the consumer remains in compliance with the accommodation. For consumers who were already at a specified level of delinquency (e.g., 30 or 60 days), the reported delinquency level must not advance while they comply with the conditions for the accommodation.

But because the law focuses on accommodations “on a credit obligation or account of a consumer,” it is unclear whether it applies to accommodations concerning UTR payments, especially rent because it is generally paid in advance.²²⁷ In practice, however, stakeholders report that there has been a dramatic drop in negative reporting during the pandemic, particularly for rental payments.

The impact of the COVID-19 pandemic on UTR arrearages has increased consumer advocates' concerns about the potential negative impacts that full-file UTR reporting could have on some consumers (NCLC 2021). Given landlords' increasing reliance on both credit scores and tenant screening services, advocates have worried in particular that increasing use of UTR data could make finding future rental housing—let alone accessing credit markets—difficult (box 20). News reports indicate that reliance on expensive, short-term housing that makes it difficult for consumers to save for future housing accommodations is already rising.²²⁸ Advocates have pointed out that full-file rent reporting during the pandemic would have marred the credit histories of millions of Americans who faced late payments and evictions and would have disproportionately affected communities that are already likely to have low credit scores (NCLC 2020).

BOX 20

Tenant Screening Concerns

Surveys and other sources suggest that landlords' reliance has grown substantially in recent decades on tenant screening services that may compile information from specialty credit bureau data focusing on housing and evictions information, the NCRAs' credit files and general credit scores, and criminal background reports (FinRegLab 2020c).²²⁹ Several technology companies are beginning to market specialized scoring models for predicting rent payment, in some cases arguing that traditional credit information and credit scores are both less predictive and exclusionary.²³⁰

This increasing reliance on third-party information is raising concerns among consumer advocates. For instance, even though NCRA records rarely contain information about evictions, landlords may obtain such information from specialty bureaus or directly from local governments. But the quality of information varies widely, and there are concerns about racial disparities in eviction patterns.²³¹ In addition, although the FCRA generally requires consumer reporting agencies to strike negative information after seven years, the law does not apply to court websites. Landlords also vary in how they use the information, with some rejecting applicants or imposing higher security deposit requirements even where applicants successfully defended against prior evictions (NCLC 2020).²³²

Federal regulators have also issued guidance and taken enforcement actions in recent years concerning poor matching procedures by tenant screening organizations that have caused negative information to be attached to the wrong consumers' files.²³³ Similar concerns have been raised about the quality of criminal background records and matching procedures, given that court files rarely have Social Security numbers or other information that helps to differentiate among people with similar names (CFPB 2019, 3–4; Nelson 2019, 3). Litigation over tenant screening practices is increasing, though industry advocates argue that there are competitive incentives to increase accuracy.²³⁴

More broadly, advocates worry that negative credit information has become a substantial barrier to obtaining stable, affordable housing at a time when the number of available units has shrunk by almost a

third over the past decade, subsidy programs cannot meet demand, and the pandemic has further increased economic pressures. Even before the pandemic, an estimated 7.6 million households were struggling to find affordable long-term housing,²³⁵ and rent increases accelerated in 2021.²³⁶

Housing cost burdens are most intense among low-income renters, though affordability challenges have been moving up the income ladder even before the COVID-19 pandemic. More than 80 percent of renters with annual incomes below \$25,000 were cost burdened in 2019 (spending more than 30 percent of their income on housing) while more than half spent more than half their income on housing. But 70 percent of renter households with incomes between \$25,000 and \$34,999 and nearly half with incomes between \$35,000 and \$49,999 were also cost burdened.²³⁷ Here, too, there are stark racial disparities, with 54 percent of Black renters and 52 percent of Hispanic renters having at least moderate burdens, compared with 42 percent of both white and Asian renters (JCHS 2021).

After 18 months of debate over relief for renters, the CFPB issued an analysis of credit records in September 2021 (Dobre, Rush, and Wilson 2021, 3).²³⁸ Although renters' average credit scores were lower than mortgage borrowers' credit scores going into the pandemic and renters reported a substantially higher rate of job loss during the downturn, the report found that average credit scores for renters with credit records actually rose more quickly during the first 12 months of the downturn than credit scores among mortgage borrowers or homeowners without mortgages, likely because of greater sensitivity to unemployment benefits, student loan relief, and other stimulus initiatives. The report noted that signs of stress could become more evident as those programs expired over the course of 2021 (Dobre, Rush, and Wilson 2021, 3–4).²³⁹

Given the expiration of general stimulus programs and the slowness of disbursing targeted UTR relief, the CFPB report has not resolved broader concerns about potential negative effects on renters and other populations going forward. Given that negative information remains on credit reports for seven years,²⁴⁰ advocates argue that any UTR initiatives that would result in arrearages being added to consumers' general credit files could substantially affect their ability to recover from the pandemic and exacerbate historical disparities. Some advocates have continued to call for suppression of all negative payment history relating to the pandemic, though Congress did not adopt that approach in the March 2020 CARES Act. Recent initiatives have focused on banning reporting of "medically necessary debt," though broader debates are continuing (FinRegLab 2020d).²⁴¹

6. Policy Analysis: Critical Issues in Reaching Scale

After more than two decades of effort, many financial services and housing stakeholders sense growing momentum toward greater use of UTR data for credit underwriting, particularly for rental data. For example, model developers and lenders are more motivated to validate and adopt new data sources in light of the uncertainty caused by the pandemic downturn and the increased sensitivity to racial disparities in traditional data and models. The proliferation of reporting platforms, new initiatives by NCRAs, and improvements in data aggregation are increasing data access options, and standardization initiatives promise to increase both operational efficiency and consistency in the underlying data. Finally, initiatives by Fannie Mae and Freddie Mac and federal regulators could further improve and expand the availability and use of UTR data.

Yet challenges remain. Incentives for UTR companies to furnish the data to credit reporting agencies have never been as strong as they have been for lenders, and there is little indication that UTR companies are focusing on debates about the need to diversify data sources to increase the fairness and inclusion of credit underwriting. Consumer advocates' concerns about unintended consequences from use of UTR data have been substantially strengthened by the pandemic, which may affect both policymakers and firms as they consider whether and what additional steps to take going forward. And given that processes for updating credit models and regulatory structures can take substantial time and resources, initiatives that are already under way may still take several years to come to fruition.²⁴²

Taken together, these considerations emphasize the need for sustained attention and resources from different stakeholders, even to make incremental progress. This section outlines key issues that will help determine whether UTR data come to be used at scale and in ways that produce substantial benefits for both consumers and industry.

Data Access Challenges

The market is in significant flux as both furnisher-focused and consumer-permissioned UTR ventures work to gain traction. Consumer-permissioned initiatives have been embraced both by stakeholders who are eager to find transfer mechanisms that are less dependent on furnishing decisions by individual data sources and by stakeholders who want to provide consumers more control over their data than

they have in the traditional credit reporting system. Customer-permissioned transfers are becoming easier to execute as consumer-facing platforms and data aggregators expand. Yet although such channels are drawing significant short-term interest as a way to begin tapping more UTR data while broader long-term initiatives are continuing to play out, stakeholders are uncertain about the ability of customer-permissioned initiatives to reach significant scale in their own right and to connect specifically with consumers who are most likely to benefit from broader use of UTR data.

Surveys suggest that consumers tend to rank UTR data highly when asked about the fairness of using various nontraditional data sources for credit underwriting and their willingness to share such information in connection with credit applications (see chapter 2). But educating consumers about when and how to turn on the use of such information may be challenging. Despite decades of educational efforts by a broad range of organizations, surveys indicate that many consumers particularly in low-income households continue to have a limited understanding of credit reporting and scoring.²⁴³ Awareness of UTR data may be even more limited; one online survey found that a substantial portion of participants assumed that UTR payment history is more widely reflected in their credit reports than it is,²⁴⁴ though other surveys and research on differences in payment and delinquency patterns between credit and utility or telecom accounts may suggest that other consumers are aware that such information rarely affects credit scores and prioritize their payments accordingly.²⁴⁵ More generally, research in various sectors suggests that opt-in regimes for consumer consent tend to have lower participation rates than other structures (see the Consumer-Permissioned Channels section in chapter 4).

The extent to which individual customer-permissioned data initiatives are achieving penetration among historically underserved populations is difficult to gauge, particularly among consumers who are less connected to the traditional credit system or may lack bank accounts or digital connectivity.²⁴⁶ Underwriting procedures are not often a major focus of lender marketing, and it is unclear whether and how successfully individual firms are publicizing the fact that they are willing and able to consider UTR information. Although some UTR initiatives are advertising to broad audiences, it may be easier to reach consumers who are already attempting to manage their credit reports and scores. Efforts that focus on first-time homebuyers can be targeted more narrowly but may not come to the attention of or be immediately helpful to consumers who are seeking other credit products or are not focused on homeownership as a short-term goal.²⁴⁷

The ultimate scale of such efforts will depend both on how much they can build greater general awareness and obtain consumer consent to the data flows. The experiences of affordable housing providers who have worked to obtain tenants' affirmative consent to reporting underscores that it can

be a labor-intensive process, particularly with low-income households, and advocates are divided about whether to switch to an opt-out structure in that context (box 21). And even where consumers attempt to make their UTR data more available, they may struggle to find lenders who are prepared to use them. For instance, where consumers select a particular consumer-facing platform or venture to make their UTR payment history available, they may find it does not help them in applying to a particular lender because that company does not obtain reports from the specific NCRA or use third-party scoring models that will account for the data. Although some platforms are working to educate consumers about what lenders use their information,²⁴⁸ the potential disconnects on each side are likely to remain a substantial barrier while particular ventures are working to increase their scale and market penetration.

BOX 21

Debates over Opt-Out and Opt-In Structures for Subsidized Housing

Federally subsidized housing is a unique market segment when it comes to rent reporting initiatives because it depends both on the housing operators being willing to furnish data and on obtaining individual consent from affected consumers under the Privacy Act of 1974.

In July 2021, the Credit Builders Alliance posted a letter joined by about 85 other organizations urging the Biden administration to push for greater rent reporting, including various subsidy and technical support activities (see the Federal Policy Levers section later in this chapter). The letter also called for giving landlords discretion to use an opt-out structure for permissioning with appropriate outreach to consumers instead of requiring affirmative opt-in permissioning.²⁴⁹ The US Department of Housing and Urban Development (HUD) has historically interpreted the Privacy Act of 1974 to require a resident's written consent before a public housing authority or HUD-subsidized rental housing provider can report rent to a credit bureau, though it has created an exception that allows reporting of severe delinquencies without consumer permissioning to facilitate the collection of funds ultimately owed to the federal government.

Proponents argue that like the negative incentive to collect on charged-off rent, the positive incentive of building a credit history by paying rent on time should also be considered essential to the government's ability to get paid.²⁵⁰ But this proposal has drawn criticism from some other consumer advocacy groups who worry that consumers may not focus on the issue and therefore fail to opt out of the reporting, even in situations when it might have negative effects on their credit reports and scores.

These issues underscore some of the potential scale and efficiency advantages of focusing on broader-scale furnishing initiatives. Access to larger pools of representative data can be critical for

modeling purposes even if, once a particular scoring or underwriting model is built, individual applicants' data are transmitted via customer-permissioned channels. But convincing UTR companies to make their data available to the NCRAs remains a fundamental hurdle (see chapters 4 and 5). Although some surveys suggest that young consumers may view furnishing as an amenity,²⁵¹ there is little evidence that the general attitudes or incentives regarding furnishing to the NCRAs have shifted substantially for UTR companies.

A related issue concerns costs of increasing data access and usage. For potential furnishers, the costs involve maintaining technical connectivity, handling customer inquiries and accuracy disputes, and managing other compliance obligations. For lenders, the costs include obtaining access to the data, engaging in model development and validation activities, and changing systems to implement new models. For consumers the costs include time and effort finding options that allow their UTR payment history to be used, fees for some reporting services, and a potential “privacy tax” in authorizing the sharing of additional data that consumers with thicker, more positive credit files need not pay. For each group of stakeholders, if it is not obvious that such costs are outweighed by substantial benefits, they may not take action to facilitate greater use of UTR data.

Philanthropies and local, state, and federal governments could consider financial subsidies to address these cost issues or (in the case of governments) regulatory mandates that require greater investment in such activities. The Freddie Mac–Esusu partnership is an example of an incentive program. For furnisher-focused initiatives, however, one-time subsidies may not be sufficient to help nonprofit and small for-profit entities that may struggle to maintain technical connectivity and consumer engagement on an ongoing basis in the face of staff turnover and other factors. Early utility furnishing pilots and the experiences of affordable housing providers suggest that ongoing engagement with consumers may increase the likelihood of positive outcomes for consumers and furnishers alike, but such activity can be challenging for small organizations to support.

Data Quality, Standardization, and Modeling Challenges

Because obtaining access to large amounts of UTR data has remained so challenging for so long, it is not surprising that more granular issues concerning data quality, standardization, and modeling have not received as much public attention. But as channels diversify and volumes rise, such questions are becoming increasingly important. Although it may be some time before sufficiently large pools of data accrue to allow many model builders to optimize credit scoring and underwriting models for UTR

payment history, consistency of data formats can affect how consistently consumers can be evaluated by existing credit scoring and underwriting models in the interim.

Metro 2[®] guidance currently provides three codes for account type to differentiate various types of UTR payments: Code 92 is for “Utility Company,” Code 4d is for “Telecommunications/Cellular,” and Code 29 is for “Rental Agreement.” Metro 2[®] guidance characterizes the first two categories as open tradelines, similar to a charge card in that the full amount due is expected to be paid each month; in contrast, Code 29 payments are characterized as installments.²⁵² But the level of detailed guidance for furnishers varies; for instance, although there is a one-page quick reference guide listing relevant codes for utility companies, there is no such guide for rental or telecommunications/cellular accounts. Nor are there frequently asked questions focused on specific UTR reporting issues.²⁵³

In practice, stakeholders report that there is some variation in reporting practices. For example, despite the Metro 2[®] guidance characterizing Code 29 accounts as an installment structure, stakeholders say reporting of rental agreements as open tradelines is actually more common (VantageScore 2021c). Even where a consumer’s UTR payments are all made on time, stakeholders point to this and other reporting practice questions that could affect the way individual consumers with UTR data are evaluated under existing credit scoring models. But because different models may use slightly different metrics to measure similar concepts and account for several different factors for each consumer, the extent to which any one consumer is affected by these considerations may vary depending on the circumstances.

- **The treatment of installment versus open tradelines for purposes of credit utilization and mix of accounts.** Many credit scoring models evaluate the extent to which consumers are using available credit and the mix of credit account types into their prediction of default risk. Accordingly, variations in whether UTR tradelines are reported as open or installment could affect the way such metrics are computed. In addition, because the original amount (for installment accounts) or the credit limit (for open accounts) is often refreshed with the amount due in the next month soon after a consumer makes a payment, individual UTR tradelines may appear to be highly utilized to individual scoring models (VantageScore 2021c).
- **Date opened and account history length.** Credit scoring models also frequently consider the length of time that credit accounts have been open, though the weight of this factor is modest, and measurements may include averages, length of oldest account, or both. General Metro 2[®] guidance directs that the date-opened field should reflect the “date the account was originally opened and should not be modified based on subsequent activity such as transfer, refinance, or

a lost or stolen card,"²⁵⁴ but stakeholders say that the field is not always populated for UTR accounts and that tailored guidance for how to report lease renewals and other UTR-specific scenarios would be helpful (VantageScore 2021c). To the extent that renters may move more frequently than homeowners, industry stakeholders say that the addition of several recently opened accounts might push an average length of credit history metric in a negative direction in the short term but that any negative effect might be offset based on creating a thicker credit file. They also note that prior UTR accounts that are reported as having been paid in full would be treated positively.

- **Withholding of rent during tenant disputes.** Many states allow tenants to withhold all or a portion of their rent until repairs are made in situations in which landlords have failed to provide safe and habitable housing; in some cases, the tenants are required to pay the rent into an escrow account that may be administered by a court or other third party.²⁵⁵ There is no guidance on how to treat such situations for credit reporting, even though such disputes do not signify that the consumer lacks either the ability or propensity to repay their obligations under normal circumstances. For instance, the California law governing affordable housing reporting states that deductions or withheld payments shall not be treated as late payments, but neither it nor Metro 2[®] guidance provides specific procedures for furnishers to follow.²⁵⁶

Some of these factors may help explain why even research involving only the addition of positive payment history has found negative effects for a very small number of consumers.²⁵⁷ More broadly, they underscore the importance of the continued evaluation of scoring models and reporting practices by data sources, model builders, and lenders as use of UTR data continues to increase to identify potential adjustments that can increase consistency for data sources, lenders, and consumers. The Consumer Data Industry Association initiative to standardize reporting of rental payment history is an example of such an adjustment, though it does not yet focus on utility and telecom data. Although consumer reporting agencies have sometimes been reluctant to require conversion to updated standards for fear that some furnishers will simply stop reporting rather than bearing the costs to change their systems,²⁵⁸ delays in articulating consistent standards are likely to increase the magnitude of that challenge as UTR volume continues to grow. A single consistent standard potentially has both efficiency benefits for data sources and accuracy benefits for lenders and consumers in reducing the noisiness of data and is even more important if the amount of full-file UTR information expands in the future because such information is more likely to have negative effects on some consumers' scores.

When some or all UTR data are derived from consumers' bank account records via data aggregators, additional considerations about data quality, standardization, and modeling come into

play. In addition to potential concerns about data collected via screen scraping,²⁵⁹ stakeholders have noted two other issues:

- **Identification of UTR payments from the broader mass of bank account transactions.**

Different companies are using different methods to identify UTR transactions. Because there are fewer utility and telecom companies, stakeholders report that it is easier to identify such payments based at least in part on the name of the payee or information contained in memo fields as compared with rental payments. For landlords, some companies focus on the amount and timing of payments to a consistent source over time, rather than the payee's name. For both types of expenses, the process can become more complicated where consumers vary their payment channels from month to month, for instance to the extent information may not be formatted consistently for checks, debit card transactions, and digital payments via Venmo, Zelle, or other platforms. Indeed, the payee of a check may be captured in an image rather than in a digital field.

Companies use various technologies to assist in the payment identification process, including natural language processing and machine learning models. Many firms also use information from the consumer, such as by collecting information on application forms about rent payment sizes to narrow the search process or by asking consumers to validate that the correct fields have been identified. But stakeholders vary in their degree of confidence in these processes and models.

- **Data limitations.** UTR payments derived from bank account records have other potential limitations as compared with traditionally furnished data. First, bank account information reflects the payment amount and the date the funds were withdrawn from the consumer's account but does not reflect the amount owed or the date due. In addition, variations in behavior by the consumer or the UTR company could also affect the information, such as whether a particular landlord is inconsistent in handling check deposits or the consumer sometimes pays in cash or by credit card.

In light of these kinds of factors, some stakeholders vary the ways they use UTR information because of data gaps and inconsistencies, such as by considering on-time payment history in targeted ways where it can be documented to the data user's satisfaction but not building the information into standardized assessments of the full range of applicants. Other stakeholders have expressed broader concern about using particular customer-permissioned data sources, given risks of self-selection to the extent that only certain types of consumers are inclined to authorize data flows or that individual applicants might provide selective access that does not include accounts that they have struggled to

pay. But the substantial variations in treatment of negative payment history even among furnishers and furnisher-facing initiatives and the fact that federally subsidized tenants must affirmatively opt in to reporting even when their landlords have decided to furnish data underscore that these issues are not confined a single channel or initiative.

Particularly given that serious delinquencies can and often are reported through other channels, most interviewed stakeholders believe that increases in the use of additional UTR data are warranted despite short-term messiness in formats, channels, and procedures in hopes of accelerating efforts to address deep historical racial inequities in lending and housing and to overcome limitations in traditional credit information sources. But many stakeholders also emphasized the importance of being thoughtful about how to build the data into existing models and processes in light of these kinds of consistency concerns. A broad range of stakeholders also emphasized the value that larger, more representative data sources could have in validating models and developing more nuanced analyses of the potential value of UTR data for predictiveness, fairness, and inclusion (GAO 2021).

These broader questions are particularly important to the extent that model builders or lenders begin to increase their consideration of payment delinquencies in UTR data, given potential differences in the underlying markets as compared with credit markets. For example, tradelines are traditionally reported as current to the NCRAs so long as a payment is not more than 30 days past due—even though the consumer may have incurred substantial late fees for shorter delinquencies depending on the particular credit market, applicable law, and individual lender practice—and some furnishers do not report late payments until they are roughly 60 days past due. Stakeholders report that the dominant practice today in reporting rental delinquencies to the NCRAs is also to use a minimum 30-day threshold. But it is unclear whether a 30-day rental delinquency may in practice indicate a different level of financial distress than for a loan, given that eviction proceedings can begin in less than 30 days in most states, though it is unclear how often that happens in practice.²⁶⁰ In the utility context, in contrast, variations in state cutoff moratoriums, the structure of assistance programs, and other factors may affect the way consumers prioritize payments at particular times of the year, so delinquency patterns across different types of accounts at different times may not reflect equivalent risk levels, and historical reports indicate that many utility companies that have engaged in full-file reporting have not reported payments as late until they are at least 60 days past due (boxes 7 and 10). Standardizing reporting practices and fields for each type of UTR data could help to better identify such distinctions, but model builders may also have to make downstream decisions in determining what factors are most helpful in predicting whether a consumer will repay a subsequent loan.

Opportunities and Challenges in Particular Product Markets

The prospect of increasing the use of rental payment history is especially enticing in mortgage lending because the data bear so directly on how consumers have prioritized and managed past housing expenses, because mortgage payments would replace rental payments, and because there is such strong business and policy interest in finding mechanisms to overcome historical discrimination and broader racial disparities. Yet the nature of mortgage loans and the structure of that market differ substantially compared with short-term, small-balance credit products, and some stakeholders suggest that it also makes sense to prioritize using UTR data to help consumers build credit records with nonmortgage loans. These discussions suggest that there may be value in thinking through implementation of UTR initiatives for specific product markets, given that cost considerations, secondary market dynamics, policy tools, and other factors may differ.

Regarding the nature of mortgage loans, their size and length as well as certain regulatory requirements²⁶¹ create stronger incentives than in other credit markets for lenders to invest the time and expense to collect and verify detailed underwriting data. Over the past several years, lenders have increasingly begun using automated feeds of bank account data to verify income, employment, and assets listed in consumers' mortgage applications, even if they do not analyze the bank account data for other information that may be useful in credit underwriting.²⁶² These mechanisms are central to the Fannie Mae initiative discussed in the Broader Rent Reporting Initiatives section in chapter 5, and some verification vendors have also begun to provide UTR data attributes, as discussed in chapter 4.²⁶³ At the same time, there are still strong incentives to originate only loans that can be approved for securitization or insurance using the automated underwriting systems established by Fannie Mae, Freddie Mac, and the Federal Housing Administration; thus, the three entities' procedures for considering rental history in manual underwriting have made little impact on the current market. One recent study by the Government Accountability Office found that only 3 of 16 lenders interviewed used alternative data sources to originate mortgage loans held in portfolio.²⁶⁴

Yet while increasing access to rental payment history for first-time homebuyers who are already seeking mortgages could be an important start, it may not be sufficient to catalyze large and immediate changes in the market because of various complicating factors. For instance, the sheer number of parties involved in insurance, securitization, and other secondary activities tends to slow and complicate the adoption of new data sources and models, and many of those parties have strong incentives to push the market to rely on data sources that are consistently available across lenders and

portfolios. This is one of the reasons that implementing more modern credit scoring models to replace Classic FICO is expected to take so long after the GSEs complete their validation processes.

In addition, housing production had not fully recovered from the 2008 financial crisis before the pandemic, and new complications related to the 2020 downturn have created substantial obstacles for aspiring first-time homebuyers, regardless of what kind of data are available for underwriting. These obstacles include double-digit home price increases that have reduced affordability and continuing tightness in mortgage credit compared with more normal times. To put a finer point on it, housing production continues to fall short of demand by an estimated 100,000 units a year.²⁶⁵

A related source of uncertainty is the extent to which individual lenders decide to require more than the minimum qualifications established by the GSEs and the FHA, whether because they are uncomfortable relying on UTR data in the absence of a record demonstrating that a consumer has managed less complicated credit products successfully or because of other factors that provide incentives for approving applicants who have stronger or more traditional profiles. Despite on-time rental payments demonstrating both a willingness and ability to pay housing obligations consistently, today, few borrowers who are just able to meet minimum securitization or insurance requirements can get a prime mortgage loan. In April 2021, for example, the average credit score for a first-time homebuyer with an FHA mortgage was 689, 109 points higher than its effective minimum requirement, while Fannie Mae (749) and Freddie Mac's (746) average FICO Scores were 129 and 126 points greater than their 620 minimum requirements, respectively (State Street and HFPC 2021). Even for Fannie Mae's affordable Home Ready program, which allows for down payments as low as 3 percent, the weighted average credit score for successful borrowers in 2020 was 747, with just 6 percent of all Home Ready loans going to borrowers with a credit score of less than 680, while the average down payment was 13 percent (Fannie Mae 2021c). Other considerations include supply dynamics, fear of having to absorb the high costs of servicing nonperforming mortgages, and the risk that nonmaterial errors in underwriting will lead HUD, in the case of FHA, to demand indemnification in the event of default.²⁶⁶

For these and other reasons, some stakeholders argue that it also makes sense to prioritize the use of UTR data in other credit markets, which could in turn bolster homeownership efforts over the long term by helping consumers build credit records with smaller-dollar products. For instance, credit cards are the most common entry product for building credit records across all age groups, yet their use to transition out of credit invisibility is less common in low-income neighborhoods.²⁶⁷ Although lenders may be somewhat less incentivized to invest in new data sources to support underwriting for credit cards as compared with mortgages because of cost and regulatory considerations, stakeholders report

that there is increased interest in such initiatives in recent months in connection with the Office of the Comptroller of the Currency’s Project REACH initiative and the waiver of certain fees for the FICO XD model.²⁶⁸ Credit cards’ flexible structure—for instance, the option to secure them with deposits or structure them as unsecured credit and to increase credit limits over time—also make them appealing to lenders in working with newer borrowers to establish credit history.

Federal Policy Levers

As market initiatives proliferate, a key question concerns federal policymakers’ attitudes toward and willingness to undertake initiatives that could facilitate greater access to and use of UTR data. Although several federal activities implicating UTR data are already under way, federal agencies have additional levers at their disposal, including resolving outstanding regulatory and guidance questions, setting policies relating to federally subsidized rental housing and federally guaranteed loans, and offering subsidies and technical assistance particularly to entities working with low-income populations.

One area of potential federal focus concerns clarifying the application of existing federal consumer financial protection laws to parties who play various roles in transfers of UTR data. For instance, where reporting platforms or data aggregators are involved in transferring UTR data for credit underwriting, questions arise as to which obligations apply to which parties under the Fair Credit Reporting Act (box 22). The CFPB is beginning a rulemaking that may address some of these questions, particularly as they relate to data aggregators transferring bank account information, and the Federal Trade Commission recently completed a rulemaking that updates information security requirements for a range of nonbank financial institutions that provide credit bureau services or processing of financial data. But neither of those rulemakings have focused on UTR data transfers, and the extent to which they will clarify consumer protections in this specific context remains to be seen (box 23).

BOX 22

Questions Regarding Application of FCRA Protections

Where lenders deny a consumer’s application for credit or charge that consumer higher prices based on information contained in a consumer report, the FCRA requires lenders to disclose the credit bureau that provided the information and the key factors that adversely affected any third-party credit score used in the decision. Consumers can then obtain their reports and file a dispute regarding any potential errors with either the consumer reporting agency or the original furnisher, both of which have

obligations to investigate and correct mistakes. Disclosure requirements are less detailed when information comes from sources other than consumer reports (box 12).

But federal regulators have not yet clarified whether and how this general regime applies to customer-permissioned data transfers executed by data aggregators for credit underwriting purposes, such as whether such information is a consumer report and whether requirements for consumer reporting agencies and furnishers under the FCRA apply to aggregators and their data sources. Absent greater regulatory clarity, some aggregators have argued that the FCRA does apply to their operations, while others have argued that it does not (FinRegLab 2020a, section 6.1.1.2).²⁶⁹ The CFPB rulemaking on consumer-permissioned data transfers may address these questions (boxes 16 and 23).

Other service providers, reporting platforms, and UTR reporting ventures appear to vary in how and whether they view the FCRA as applying to their operations.²⁷⁰ The FCRA defines a consumer reporting agency as an entity that regularly engages in assembling or evaluating information on consumers for furnishing consumer reports to third parties, while federal regulations define furnishers as entities “that furnish[] information relating to consumers to one or more consumer reporting agencies for inclusion in a consumer report.”²⁷¹

The CFPB has signaled increased interest in the past year in the reporting of rental payment collections items relating to the pandemic and in tenant screening activities,²⁷² but federal regulators have not focused on the general reporting of UTR accounts for credit underwriting. For instance, greater clarification could be helpful as to whether and when they would consider reporting platforms to be either consumer reporting agencies or furnishers and whether the participation of a reporting platform or the fact that a consumer may have requested the data to be transferred has any effect on the status of a UTR company that is the source of the original payment history.²⁷³

BOX 23

Scope of Federal Rulemakings Relating to Data Transfers

Recent CFPB and FTC rulemakings relating to transfers of financial data may not directly address data transfers from UTR companies in detail, but by setting general requirements and expectations for key actors such as data aggregators, the new rules and standards may be adopted de facto in other settings.

The CFPB’s rulemaking focuses on implementation of section 1033 of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, which gives consumers the right to obtain data about financial services that they have obtained from “covered persons” upon request.²⁷⁴ Covered persons include companies that engage in “extending credit and servicing loans,” providing deposit accounts, and offering other types of retail financial products and services.²⁷⁵

The CFPB has not indicated whether it would consider UTR companies to be covered persons, but its initial notice is clearly focused on bank account records. In addition, the rulemaking may address questions about customer-permissioned data transfers under other consumer financial laws in ways

that could have important implications for UTR data transfers. For instance, the rulemaking may clarify whether and how the FCRA applies to customer-permissioned data transfers, specifically whether data aggregators are considered consumer reporting agencies when executing such transfers for credit underwriting or other purposes that fall within the scope of the FCRA and whether data sources in such situations are considered furnishers under the statute.²⁷⁶

The Federal Trade Commission's recent rulemaking concerns information security standards for nonbank financial institutions that are "significantly engaged in financial activities, or significantly engaged in activities incidental to such financial activities,"²⁷⁷ including both the provision of credit bureau services and the transmission and processing of financial data where such activities exceed certain revenue thresholds.²⁷⁸ Nonbank financial institutions must follow the rule when handling customer information that they have obtained from another financial institution, even if they do not have a direct relationship with the consumer in question.²⁷⁹

Beyond compliance questions about data transfers, stakeholders are also watching federal regulators closely for signals about how they view the use of UTR data in credit underwriting with regard to predictiveness, fairness, and inclusion. Although federal regulators have not issued specific guidance on UTR payment history, a more general 2019 interagency statement on alternative data, the OCC's Project REACH initiative, and statements by FHFA leadership about Fannie Mae's rental data initiative are being taken as encouraging signs.²⁸⁰ At the same time, the new CFPB director, Rohit Chopra, has emphasized the need to guard against algorithmic bias and to protect consumers who have been negatively affected by the pandemic downturn.²⁸¹ Accordingly, stakeholders are watching to see how new agency leaders respond to ongoing debates about the potential benefits and risks of alternative data for credit underwriting and to UTR initiatives specifically (box 24).

BOX 24

Positioning UTR Data Relative to Broader Debates about Alternative Data

A 2019 interagency statement by the CFPB and four federal banking regulators encouraged "responsible use of [alternative] data" in light of its potential to increase access to credit for consumers who are difficult to assess using traditional information sources (Board of Governors of the Federal Reserve System et al., n.d.). Many of the statement's discussion points concerning cash-flow information more generally could also be applied to UTR sources. For instance, the statement emphasized that cash-flow information is often being used to assess whether applicants are "able to meet new or existing recurring obligations by evaluating income and expense activity over time," which it characterized as "a well-established part of the underwriting process." The statement also emphasized that "using alternative data, such as cash flow data, that are directly related to consumers' finances and how

consumers manage their financial commitments may present lower risks than other data.” Finally, the agencies noted that cash-flow data are generally derived from reliable sources such as bank account records and can generally be explained and disclosed to consumers in accordance with federal laws, and that the use of consumer-permissioned channels tends to increase transparency and consumer control.

Indeed, the more limited nature of UTR data when they are derived from sources other than bank account records may tend to reduce some regulatory concerns even relative to cash-flow data. For instance, because UTR payment history provides a narrower set of information about household finances, it may tend to reduce concerns about privacy, data security, and downstream reuse as compared with bank account records.²⁸²

With regard to fairness, federal regulations encourage the adoption of credit scoring models that are “empirically derived, demonstrably and statistically sound,” and guidance emphasizes the importance of using variables that are “statistically related to loan performance, and [have] an understandable relationship to an individual applicant’s creditworthiness” to reduce fair lending risks.²⁸³ The fact that UTR data can provide insight into the management of ongoing financial obligations by consumers who lack traditional credit histories is helpful in this regard, though some advocates have raised concerns that financial data of all kinds may tend to reflect underlying disparities in income and assets. Although available studies suggest that UTR data would benefit some low-income households and applicants of color (see the Overview of Research on Inclusiveness section in chapter 3), additional research into the effects of UTR data on consumers with thin credit files and low credit scores could be helpful to inform this discussion and long-term debates about the use of full-file data, particularly if such research can account for race and income levels.

In addition to regulatory levers, the fact that the GSEs and the FHA play a substantial role in about three-quarters of single-family mortgages and substantial amounts of multifamily housing also creates centralized touchpoints that could move the market forward in significant ways.²⁸⁴ Fannie Mae and Freddie Mac’s recent initiatives help demonstrate this potential, such as by modifying their automated underwriting systems and supporting mechanisms for electronic data collection to make it easier for lenders to begin incorporating UTR data, updating the third-party credit scores that they use in pricing and approval decisions, and providing incentives for greater rent reporting by their multifamily borrowers.

The impact of their initiatives could be even greater if Fannie Mae follows Freddie Mac’s lead in working with its multifamily borrowers and Freddie Mac builds on Fannie Mae’s single-family on-time rental payment initiative for underwriting mortgage loans for first-time homebuyers. The FHFA could bolster the GSEs’ impact by extending rent reporting to all multifamily properties with an existing GSE loan, including institutional investor-owned single-family rental units funded with GSE mortgages, and

acting expeditiously in approving more recent credit scoring models that will account for rental history where it is available in consumers' credit reports. The FHFA could also work with other stakeholders to simplify and standardize ways to report rental data.

The FHA and HUD have not been as active in supporting UTR initiatives to date but could have substantial impact in working with federally subsidized rental housing (box 25) as well as in connection with single-family and multifamily mortgages. Although HUD requires authorized lenders to use older versions of the FICO scoring model like the GSEs, proponents argue that alternative credit data and rent reporting also have a potential role in how HUD and the FHA underwrite mortgage loans. In fact, a 2008 law directed the FHA to create a five-year pilot program to test the use of alternative credit data, including rental or utility payments, in hopes of enabling more credit-invisible and unscorable borrowers to qualify for mortgages. Authorization expired in 2013 without HUD taking any action, and in January 2019, legislation was introduced in the House of Representatives to reauthorize a similar pilot to develop “an automated system to calculate consumer credit scores using alternative information—such as performance on rental payments, utility bills, and insurance payments—that could be used by lenders to determine if a prospective borrower is eligible for an FHA-backed mortgage.”²⁸⁵ The 2019 measure would have authorized the FHA to begin piloting newer scoring models such as FICO 9 and VantageScore 4.0 before the GSEs completed their validation processes, but failed to advance beyond the House Financial Services Committee.

Looking forward, given that, HUD and the FHA do not appear to have begun evaluating alternative scoring methodologies, it could make sense to automatically approve any credit scoring model approved by the FHFA for FHA underwriting, until such time as the FHA can conduct more tailored analyses to determine whether its unique borrower profile requires a different approach. The FHA could also piggyback on GSE leadership in the multifamily area by considering incentives to encourage borrowers with FHA multifamily loans to adopt a rent reporting regime.

BOX 25

Federal Tools to Encourage Reporting by Affordable Housing Operators

Separate from the debate about whether to change consumer consent procedures (box 21), a coalition of about 85 community organizations submitted a letter to incoming Biden administration officials urging HUD to use funding from various existing programs to support financial coaching to consumers and technical assistance to subsidized housing providers in connection with rental reporting.

For instance, reporting on-time rental payments could become an integral part of the financial coaching components of two HUD rental assistance initiatives that are designed to promote economic

mobility. More than 70,000 low-income families participate in HUD’s Family Self-Sufficient program whose purpose is to promote increased earnings and savings among families through financial incentives and financial coaching services. Nearly 75 percent heads of these households are Black or Hispanic or Latino (CBPP 2020). In addition, since 2015, HUD has awarded more than \$136 million through 56 grants to public housing authorities to implement the Jobs Plus Initiative, whose purpose is to “develop locally-based, job-driven approaches to increase earnings and advance employment outcomes through work readiness, employer linkages, job placement, educational advancement technology skills, and financial literacy for residents of public housing.”²⁸⁶

Advocates have also called on HUD to make rental reporting a focus within its Community Compass Technical Assistance program to facilitate provision of specialized assistance to landlords.²⁸⁷

But use of these housing tools may require policymakers to make important decisions about such questions as whether to make particular initiatives conditional on consumer consent and whether to focus only on on-time payment history or full-file records. Although many stakeholders are focusing in the immediate term on customer-permissioned channels that largely or exclusively focus on positive payment history, several factors may provide incentives for broader initiatives over time and renew long-term debates as discussed in the next section.

Broader Debates about Long-Term Use of UTR Data

The ongoing broader debates about the use of full-file UTR data versus only positive payment history appear to have abated somewhat in light of current circumstances. Concerns about both the risk of compounding financial hardships from the pandemic downturn and data quality, standardization, and modeling issues appear to have caused stakeholders to concentrate their immediate efforts on increasing the availability of on-time payment history in hopes of increasing credit access.

This approach has substantial short-term advantages as stakeholders work to strengthen data transfer architectures, increase the consistency of available information, and analyze the nuances of UTR payment history so that it can be built into scoring and underwriting models in more carefully calibrated ways. But narrowly tailored approaches do not eliminate the risk of unintended consequences and can have implications for long-term efficiency, predictiveness, and inclusion. For instance, narrowly tailored programs require implementation costs to be spread across smaller populations and create smaller pools of data, making it more difficult to develop generally representative models. Defining positive payment history conservatively may reduce the risk that some

consumers would be deemed to have higher default risks because of UTR data but exclude consumers with slightly messier payment histories who could also benefit from the data. Similarly, programs that look only at UTR data in connection with consumers who would otherwise be denied credit potentially deny important benefits to consumers who would be approved but subject to higher risk-based pricing absent additional data. Programs may also be unappealing to lenders if they require paying a separate, higher price for secondary data sources.²⁸⁸

Thus, business incentives and inclusion considerations are likely to push the pendulum toward broader initiatives. Many stakeholders argue that a more comprehensive picture is important to build for the long term because it helps lenders determine when consumers may be becoming overextended, and thus to ensure more sustainable inclusion over time rather than simply increasing approval rates in the short term. Some stakeholders have also questioned whether building models based solely on positive-only data would effectively end up lumping consumers for which no data are available in with consumers who in fact have moderate delinquencies, which could tend to overestimate risk levels for some groups.

At the same time, pushing toward broader, fuller-file initiatives is likely to increase concerns among advocates because of several factors. One is the role risk-based pricing plays in credit markets. To the extent a more predictive credit model helps lenders avoid extending credit to consumers who are already overextended and likely to default, consumer advocates and industry stakeholders view such outcomes as positive. But to the extent such models are used to increase the price of credit to borrowers who have a somewhat higher risk of default, the consensus ends. Proponents argue that risk-based pricing increases access to credit overall by allowing lenders to set lower minimum criteria because they can recover some of their increased losses from lending to riskier consumers, but critics argue that such systems make loan products riskier to the most vulnerable consumers and exacerbate the cumulative effects of historical discrimination that may be driving differences in underlying risk factors. Consumer advocates also worry that lower credit scores may increase the risk that consumers will be targeted by marketing from high-price lenders.

Other complicating factors concern the ways credit report information can be used in contexts other than credit underwriting. For example, given that credit reports and in some cases credit scores can be used in employment screening, tenant screening, and underwriting some forms of insurance, adding UTR data to consumers' general NCRA files could have financial and economic impacts beyond access to credit. This also potentially heightens the impact that individual data sources, intermediaries, and government policies concerning the underlying UTR sectors can have on consumers' broader financial stability (boxes 10, 20, and 26).

BOX 26

Debates about Telecom Data

Although debates about reporting utility and rental data have been complicated by issues in the underlying sectors (e.g., the structure of state utility protections and assistance programs and the explosion of tenant screening activities), the telecom sector often has attracted less attention. For instance, consumer advocates have not historically been as concerned about full-file reporting by telecom companies as by energy utilities (NCLC 2019).

Other factors such as the prevalence of telecom collections items in consumers' credit files and the increasing prevalence of smartphone financing have caused some proponents of increasing the accessibility of UTR data for credit underwriting to focus on this sector (see chapter 2). For example, the Policy and Economic Research Council has suggested that Congress mandate telecom companies to report information to the NCRAs, arguing that mobile network operators rely heavily on traditional credit information in extending billions of dollars in loans per year and should be required in return to contribute positive payment history to the system rather than simply reporting severe delinquencies.²⁸⁹

Nevertheless, telecom companies have showed little interest in expanding reporting activities beyond the structure provided by NCTUE. Although Verizon briefly piloted a program to report payment history for landlines to the NCRAs in one state, that project ended in 2007 (Burr and Carlson 2007).

These complex and interwoven effects help explain the passionate debates that UTR initiatives have triggered over the past two decades and may well spark again in the future. As stakeholders assess, deepen, and expand current efforts, public research and stakeholder engagement could help identify emerging trends, publicize lessons learned and best practices, and highlight ways policymakers can drive toward outcomes that benefit both consumers and industry. Given that credit scoring and underwriting systems are complex and dynamic, this process is likely to be iterative. For instance, there is a substantial chance that consumer behavior, credit scoring models, and lender policies and practices might change to the extent that substantially larger amounts of UTR data come to be used for credit decisionmaking going forward. Increasing the use of UTR data is thus not likely to be a simple one-time adjustment to the credit information system but rather an evolutionary process.

7. Conclusion

Momentum for using UTR data for credit underwriting appears to be growing, but many critical questions remain regarding the potential scale of various data access mechanisms, data quality and modeling issues, and opportunities and challenges in particular product markets. Many stakeholders hope that after 20 years of effort, this information will finally begin increasing access to credit among historically underserved consumers without compromising sound underwriting practices or sustainable mortgage finance. Yet the complexity and dynamic nature of credit information systems underscore the importance of continuing research, engagement, and investments by a broader range of stakeholders as current initiatives evolve.

Historical experience and current challenges suggest that UTR data is not a panacea. But with thoughtful development, it has potential to benefit to considerable numbers of consumers. There are potential efficiency, predictiveness, and inclusion incentives to increase the scope of current activities, but the risk of unintended consequences complicates policy debates and future initiatives. Balancing the potential net benefits to credit access for some consumers against potential negative effects for others is challenging, particularly when some of those effects occur outside the credit system.

As stakeholders work to implement and assess current initiatives and identify data sources for broader empirical research, greater standardization of data elements, reporting practices, and transmission technologies could improve short-term outcomes for firms and consumers. Over time, adjustments in existing models may also be important to account for the ways payment history on UTR accounts may differ from consumers' credit account payments and to identify which patterns or factors are most predictive of future default risk.

Firms, policymakers, and advocates each have important roles to play in assuring that the use of UTR payment history benefits consumers and firms alike. The pandemic and increased concerns about racial justice have added new impetus to UTR initiatives while underscoring the importance of sustained engagement as conditions and initiatives evolve.

Appendix A. Research on the Access Effects of UTR Data

In addition to the longer reports and studies described below, some statistics on potential access effects from UTR data are available from press releases and conference presentations by nationwide credit reporting agencies. These sources provide less background about the details of the underlying analyses but suggest similar patterns as the reports summarized below, particularly concerning the ability of UTR data to help consumers become scorable and the fact that a substantial number of those consumers are ranked as having relatively low levels of default risk.²⁹⁰

Not all studies use the same score cutoffs in their risk tier taxonomies, and users of the scores are not restricted to these tiers, as they have access to the full range of score values, although pricing of credit products may be tier-based. For example, both VantageScore and FICO define five overlapping credit tiers ranging from very poor (300–499) to excellent (781–850) for VantageScore, and from poor (579 or below) to excellent (800+) for FICO,²⁹¹ while Experian uses its own five risk tiers ranging from poor (300–579) to exceptional (800–850).²⁹² The CFPB uses yet another five-tier taxonomy starting with deep subprime (< 580) to super prime (\geq 720).²⁹³ In addition, what might be considered subprime credit quality for a mortgage loan might be considered a prime or near-prime score for an auto loan.²⁹⁴ These differences in risk tier cutoffs are important to keep in mind when studies indicate that particular types of UTR reporting enabled specific consumer groups to raise their credit scores from one risk tier to a higher (less risky) tier, such as from subprime to near prime.

Small-Scale Rent Reporting Pilots

Sarah Chenven and Carolyn Schulte, *The Power of Rent Reporting Pilot: A Credit Building Strategy* (Washington, DC: Credit Builders Alliance, 2015).

In 2013–14, the Credit Builders Alliance enrolled 1,255 people from eight affordable housing organizations to test whether reporting positive payment history to Experian RentBureau can be successful as a credit-building strategy for low-income families. The analysis used data for 987 residents to recalculate credit scores using the VantageScore 3.0 model with and without the rental information.

- Three percent of the sample was unscorable without the rental data. With the information added, they all became scorable at either the near-prime (average 646) or prime (average 688) credit tiers.
- Across all participants, 79 percent of residents, after rent reporting, experienced increased credit scores by an average of 23 points.
- Fifty-five percent of the sample initially had subprime scores. Of that group, 90 percent improved their scores by an average of 32 points. The share of consumers experiencing improvements and the average score increases were smaller for consumers who were initially classified as nonprime (71 percent of scores improved by an average of 10 points) and was smaller still for prime participants (58 percent of scores improved by an average of 4 points).
- Fifteen percent of residents moved into a better credit tier (from subprime to nonprime or from nonprime to prime) because of rent reporting.
- Fourteen percent saw no change in their scores after including a rental tradeline, though they might benefit from having thicker files.
- Seven percent saw a decrease in their credit scores, including 2 percent who experienced a drop of 11 points or more.

NALCAB (National Association for Latino Community Asset Builders), *Expanding Credit Building Opportunities for Latino and Immigrant Renters* (Washington, DC: NALCAB, 2020).

In 2017, the National Association for Latino Community Asset Builders (NALCAB) launched a pilot project to build the financial capability of tenants in eight affordable rental housing communities owned or operated by Latino-serving nonprofit organizations that span seven local housing markets with portfolios ranging from 338 to 3,361 units. To date, 328 tenants have enrolled in rent reporting. Because of tracking challenges, NALCAB was able to evaluate changes in credit outcomes for only 249 of the 328 enrolled tenants based primarily on VantageScore 3.0, though some organizations also had access to FICO 9 Scores.

- Ten percent of residents (or 24 residents) became scorable with the rental information.
- Eighty percent of residents (198) experienced increased credit scores by an average of 36 points. Average credit score changes for participating housing sponsors ranged from 19 to 57 points, and the aggregate increase in credit score ranged from 42 percent to 100 percent for cohort housing sponsors.

- Thirty-four percent of residents (84) experienced at least a 25-point increase in their credit scores.
- Forty-two percent of residents (104) achieved credit scores of 650 or above, placing their scores in the near-prime or prime credit tier.
- Around 21 percent of residents were classified as having experienced score decreases, recently enrolled and not showing credit score changes, or unrecorded credit changes by organization.

Credit Scoring Analyses Using Rental Payment Data Previously Reported to an NCRA or a Specialty Rental Bureau

Comptroller (Office of the New York City Comptroller), *Making Rent Count: How NYC Tenants Can Lift Credit Scores and Save Money* (New York: Comptroller, Bureau of Policy and Research, 2017).

Using positive payment history that had previously been reported to Experian, this 2017 study randomly sampled 506 consumers paying monthly rents of less than \$2,000 to assess the impacts of rent reporting on a “typical” New York City resident. In this subset, the average rent amounted to \$820, less than the \$1,317 average rent in New York City. The analysis calculated credit scores with and without the rental data using the VantageScore 3.0 model.

- Almost 29 percent of the consumers were unscorable until rental data were added, and they had an average score of 700 (prime) when the information was included.
- More than 17 percent of the consumers were classified as having thin files (defined as having fewer than five items on their credit report) until rental data were added. About 2.5 percent of the consumers moved to thick-file status with the addition of the rental data.
- Seventy-six percent of the consumers experienced score increases, with 19 percent experiencing an average increase of 11 points or more.
- Eighteen percent experienced no material change in score, though they may have benefited from having thicker credit files.
- Six percent experienced score declines, including 3 percent with declines of 11 points or more.

Michael Turner and Patrick Walker, *Potential Impacts of Credit Reporting Public Housing Rental Payment Data* (Washington, DC: US Department of Housing and Urban Development, Office of Policy Development and Research, 2019).

This 2020 study assessed the impacts of rental payment history on credit scores of more than 9,000 households living in public housing administered by public housing authorities (PHAs) in Cook County, Illinois; Louisville, Kentucky; and Seattle, Washington. The rental data covered periods from 2012 to 2015, with specific dates depending on the PHA and tenant. The data were matched to TransUnion files to simulate credit scores with and without the rental payment history. The analysis was performed separately for samples of data from 2014 and 2015 with about 10,000 observations each.

Unlike most other studies of rent reporting, the PERC study uses full-file rental data, meaning it included both positive data (e.g., on-time payments) and negative data (e.g., late payments). What also distinguishes this study from others is that it uses both FICO 9 and VantageScore 3.0 to simulate the effects of rent reporting on consumer credit scores, though the results are randomized and anonymized as Model A and Model B in various sections of the study.

- The addition of the full-file PHA rental payment data dramatically reduced unscorability. With the 2014 sample, the rate fell from 49 percent to 7 percent using one model and from 11 percent to 0 percent using the other model with the addition of full-file rental payment data.
- The addition of PHA rental data among those with only positive payment histories also lowered the unscorability rates, though to a lesser degree, to 23 percent and 3 percent in the 2014 sample, respectively.
- The share of consumers considered with thin files (defined as having fewer than three tradelines or accounts) declined with the addition of the full-file data, such as from 56 percent to 47 percent in the 2014 sample.
- The addition of the full-file PHA rental payment data raised credit scores for some consumers and lowered them for others, with more increases than decreases overall. In one scoring model, the score changes were nearly symmetrical, with 23 percent of tenants having score increases and 20 percent having score decreases. For the second model, 61 percent had credit score increases while only 22 percent had score decreases.
- Adding PHA rental data to credit file data only for tenants with on-time rental payment histories raised credit scores more often than it lowered them. In one credit scoring model, more than 16.5 times as many score increases occurred than score declines with the addition of

the positive rental data. In the other model, more than 2.5 times as many score increases occurred than score declines.

- The share of consumers who were scorable and had credit scores above 620 noticeably increased with the addition of the full-file rental payment data. With the 2014 sample, the share of consumers who had scores above 620 increased from 23 percent of the sample without the data to 38 percent of the sample using one model and from 28 percent to 43 percent using the other model with full-file data included.

Experian, “Credit for Renting: The Impact of Positive Rent Reporting on Subsidized Housing Residents” (Costa Mesa, CA: Experian, 2014).

In July 2014, Experian RentBureau drew a random sample of nearly 20,000 subsidized housing residents who consistently paid their rent on time to examine how positive rental history could affect credit file thickness, risk segment migration, credit scores, and the ability to score previously unscorable residents. The simulation added a tradeline to the consumers’ Experian credit files, along with available rental payment history up to 25 months and used the VantageScore 3.0 model to evaluate the potential scoring impacts.

- Eleven percent of the sample had no credit files before the study but became scorable with the rental information, with an average score of 670 (prime).
- Nine percent of the sample moved from having thin files (defined as having fewer than three traditional tradelines) to having thick files with the addition of the rental data. The number of consumers who had credit files but could not be scored without the data also dropped from 6 percent to 3 percent.
- Seventy-five percent of previously scorable consumers in the sample experienced score increases with the addition of the rental data, with an average increase of 29 points.
- Sixty-five percent of the study population was classified as subprime before the addition of the rental data, compared with about one-third in the US as a whole. The rental data reduced the subprime share of scores to 53 percent.
- The scores did not change for 21 percent of consumers who were previously scorable with the addition of the rental data, though they might benefit from having thicker credit files.
- Scores dropped on 5 percent of previously scorable files with the addition of rental data, with 3 percent experiencing score decreases of 11 points or more.

TransUnion, “Alternative Data Such as Rent Payment Reporting Bridges the Gap for Unscorable Consumers and Increases Financial Inclusion Opportunities,” news release, July 15, 2021, <https://www.globenewswire.com/news-release/2021/07/15/2263501/0/en/Alternative-Data-Such-as-Rent-Payment-Reporting-Bridges-the-Gap-for-Unscorable-Consumers-and-Increases-Financial-Inclusion-Opportunities.html>.

TransUnion provided additional information for this report about the analysis summarized in its press release. It analyzed the credit records for all 1.8 million consumers who have rental tradelines reflected in its database as of March 31, 2021, to evaluate their credit scores under the VantageScore 3.0 model with and without the rental data.

- Nine percent of the sample was unscorable without the data but became scorable with the rental information with an average score of 630 (near prime).
- One-quarter of the sample had subprime scores without the data and experienced an average increase of 10 points. The remaining two-thirds of the sample, who had near-prime or better scores without the data, experienced virtually no change (average increase of 2 points or less, depending on the tier).
- About 12 percent of consumers shifted to a higher risk tier with the rental data added into their files.

Credit Scoring Analyses Using Utility or Telecom Data Previously Reported to an NCRA

PERC and Brookings (Political and Economic Research Council and Brookings Institution Urban Markets Initiative), *Give Credit Where Credit Is Due: Increasing Access to Affordable Mainstream Credit Using Alternative Data* (Durham, NC: PERC; Washington, DC: Brookings, 2006).

This 2006 study analyzed all available credit files with at least one full-file utility or telecom tradeline at TransUnion as of March 31, 2005. Most of the files were from Illinois, Wisconsin, Pennsylvania, and Texas, and only about 1,500 files out of the 8.1 million had both kinds of data (Turner et al. 2008).²⁹⁵ The study calculated scores with and without the utility or telecom tradelines using various models, including VantageScore 1.0, a generic new account model, two bankruptcy models, and a mortgage screening model (Turner, Walker, Chaudhuri, and Varghese 2012). The report also included an analysis of those files with 12 months of data as of March 31, 2006, to measure the impacts on the

predictiveness of the various scoring models with and without the utility or telecom data added. The analysis used information about the consumers' race, ethnicity, age, and household income supplied by Acxiom, which had compiled the information from self-reported information, public records, US Census Bureau estimates and extrapolations, and other sources.

- In the utility sample, which included 7.5 million credit files, the presence of the utility data reduced the share of consumers who were not scorable from 12 percent to 2 percent. In the telecom sample, which included 0.6 million credit files, the presence of the telecom data reduced the share of consumers who were not scorable from 17 percent to 1 percent.
- The study found that consumers who were unscorable without the utility or telecom data were not clustered in the highest risk categories once the information was added. For instance, consumers with utility tradelines had a delinquency rate across all tradelines of 14 percent, which was only slightly greater than the rate observed among consumers with scores between 680 and 740 of the VantageScore 1.0 model and was well below the rates observed among consumers in the lowest score bands, whose delinquency rates ranged between 33 percent and 60 percent.
- The utility data reduced the share of thin-file consumers (defined as having fewer than three tradelines) in that sample from 17 percent to 12 percent. The telecom data reduced the share of thin-file consumers from 23 percent to 18 percent.
- Among consumers who could already be scored without the utility or telecom data, the effects on scores of adding the data was modest. About 69 percent of the already-scorable utility sample experienced changes of less than 10 points based on the utility data, while 5 percent each saw improvements or decreases of more than 25 points. Similarly, 3 percent of the already scorable telecom sample experienced changes of less than 10 points, while 3 percent saw improvements of more than 25 points and 7 percent saw declines of at least 25 points.
- The study also estimated the effects on acceptance rates among credit card lenders of including the utility and telecom data. Assuming lenders want to maintain average delinquency rates of 3 percent, the authors calculated that acceptance rates for the sample population would increase from 55 percent to 60 percent with utility data included and from 45 percent to 49 percent with telecom data included. Using the Acxiom demographic data, the authors concluded that the increases in approvals would be particularly large for Black and Hispanic consumers, consumers younger than 25 and older than 65, renters, and low-income households. For

instance, utility data would increase approvals by 10 percent among the sample population overall but would increase by more than 20 percent among Black and Hispanic consumers.

Michael Turner, Patrick D. Walker, Sukanya Chaudhuri, and Robin Varghese, “A New Pathway to Financial Inclusion: Alternative Data, Credit Building, and Responsible Lending in the Wake of the Great Recession” (Chapel Hill, NC: Political and Economic Research Council, 2012).

This 2012 study analyzed all available credit files at TransUnion and Experian—more than 4 million for each credit bureau—that contained full-file utility or telecom data. But the authors could not deduplicate records that were reported to both credit bureaus and generally averaged results across the two agencies. Most information was from utility companies, but the authors chose not to break out telecom data separately to preserve anonymity. The study’s structure was similar to PERC and Brookings (2006) in assessing the effects of including the data on VantageScore 1.0 scores using data from 2009 to 2010 to determine whether the results changed significantly in the wake of the 2008 financial crisis.

- The presence of the utility or telecom data reduced the share of consumers who could not be scored from 7 percent to 2 percent and reduced the share of thin-file consumers (defined as having fewer than three tradelines) from 9 percent to 5 percent.
- Among consumers who could already be scored without the utility or telecom data, the effects on scores of adding the data were again modest. About 71 percent of the already-scorable sample experienced changes of less than 10 points based on the utility data, while roughly 5 percent each saw improvements or decreases of more than 25 points.
- The study also estimated the effects on acceptance rates among credit card lenders of including the utility and telecom data. Assuming lenders want to maintain average delinquency rates of 3 percent, the authors calculated that acceptance rates for the sample population would increase from 54 percent to 58 percent with utility and telecom data included. Using the Axiom demographic data, the authors again concluded that the increases in approvals would be particularly large for Black and Hispanic consumers, consumers younger than 25 and older than 65, renters, and low-income households, though the magnitudes varied somewhat from the 2006 levels. For instance, the authors estimated that utility and telecom data would increase approvals by 14 percent among Black consumers, 10 percent among Hispanic and Mediterranean consumers, and 9 percent among consumers of Western and Northern European ancestry.

Michael Turner, Patrick Walker, Robin Varghese, and Sukanya Chaudhuri, “The Credit Impacts on Low-Income Americans from Reporting Moderately Late Utility Payments” (Chapel Hill, NC: Political and Economic Research Council, Information Policy Institute, 2012).

Using about 4 million records from one of two NCRAAs that had contributed data to PERC’s broader 2012 analysis of utility and telecom data (Turner, Walker, Chaudhuri, and Varghese 2012), this study focused on the effects of reporting 30- and 60-day delinquencies over a 12-month period in 2009 and 2010. The study reported that 75 percent of full-file reporters did not furnish data about delinquencies to the NCRAAs until consumers’ accounts were either 60 or 90 days past due, but the study evaluated the effects of what 30- and 60-day delinquencies were reflected in the data on both the entire sample and on consumers in different income bands using data from a data broker.

The study focused on the effects of a single late payment because articles on credit reporting education websites indicate that such situations can produce drops in FICO scores by as much as 60 or even 100 points. But the study used the Vantage Score 1.0 model and reported the effects of utility and telecom delinquencies both with regard to numeric changes in credit scores and to whether consumers shifted among the model’s five risk tiers.

- Among 3.7 million consumers in the sample who were scorable without the use of utility and telecom data, only 3.1 percent had one or more moderate delinquencies (30 or 60 days) on utility or telecom accounts reflected in their credit files.
- Among scorable consumers with only a single 30-day or 60-day delinquency on a utility or telecom account, roughly 80 percent did not change risk tiers as a result of the delinquency. In the 30-day delinquency group, scores shifted down one tier for about 17 percent of consumers and two tiers for 0.5 percent of the group, while about 5 percent saw their credit scores improve by one risk tier because of the addition of another tradeline. In the 60-day delinquency group, about 21 percent of scores dropped one tier, 0.7 percent dropped two tiers, and 2.6 percent improved one tier.
- When the scorable population was divided into income tiers, about 5 percent of consumers in the lowest income band (under \$20,000 a year) had one or more moderate delinquencies (30 or 60 days) on utility or telecom accounts reflected in their credit files.
- Only about 2 percent of consumers in the lowest income band had a single 30-day delinquency on a utility or telecom account, and 2.6 percent had a single 60-day delinquency. The share of those consumers who experienced credit score drops of 60 or more points or who were placed in lower risk tiers based on a single 30- or 60-day delinquency was a fraction of 1 percent.

Credit Scoring Simulations

Experian, “[Let There Be Light: The Impact of Positive Energy-Utility Reporting on Consumers](#)” (Costa Mesa, CA: Experian, 2015).

Experian drew a random sample of 5 percent of consumers with positive energy utility payment history from its general credit files as of December 2013, excluding files with outstanding balances or charge-offs on the energy tradelines. Using the preceding 25 months of payment history from those files, Experian then created parallel tradelines for a nationally representative sample of consumers with no currently reported utility tradelines to simulate the effects on credit scores of national positive history reporting by utility companies using the Vantage Score 3.0 model.

- Because the two samples were pulled from Experian’s files, the study did not focus on effects on no-file consumers, though the authors estimated based on other full-file utility analyses that 2 to 5 percent of consumers for which such data are available lack traditional credit files and would become scorable with the inclusion of such information.
- Addition of the positive payment history caused the share of consumers with thin files (defined as having fewer than five tradelines) to drop from 45 percent to 36 percent.
- Scores rose for 77 percent of consumers who were previously scorable when the utility data were added, with an average increase of 11 points. Overall, 15 percent of the consumers would migrate to a higher risk tier based on the utility data.
- The number of consumers with subprime scores dropped from 30 percent of the sample (compared with about 32 percent of the US population as a whole) to 16 percent of the sample with the addition of utility information.
- Scores did not change for an additional 20 percent of the consumers, but those consumers might benefit from having thicker credit files.
- Three percent of the files generated lower scores with the utility data added, including 2 percent with declines of 11 or more points.

VantageScore, “[The Advantage of Adding Rent, Telecommunication, and Utility Data to the Credit File](#)” (Stamford, CT: VantageScore, 2021).

This simulation by VantageScore calculated the effects on VantageScore 3.0 scores of adding 12 months of payment history for one to three UTR accounts to the files of a range of hypothetical consumers with varying profiles as to preexisting credit history and scores.

- Adding one account with 12 months of on-time payment history produced improvements of roughly 80 to 100 points for hypothetical consumers with inactive credit files (two closed accounts, one open account, or no recent activity) or a credit file containing no credit tradelines and one unpaid medical debt. Scoring gains were roughly 40 to 70 points for hypothetical consumers that had thin (fewer than three credit tradelines) or relatively young credit files (less than six months), both of which had some evidence of missed payments. Score gains were less than 20 points for hypothetical consumers with thin or young files that showed no history of missed payments.
- Adding another one or two positive tradelines produced additional improvements of roughly 70 points for the hypothetical consumer with a young credit file showing missed payments, and improvements of roughly 20 to 30 points for the hypothetical consumers with no credit tradelines and a relatively young credit file that showed no history of missed payments. Effects on the other profiles were more muted.

The study notes that the impact of adding another account may cause credit scores for consumers with well-established credit files to decline “in some instances ... because a previously unknown, new obligation is being added to the score calculation,” but does not provide statistics.

The company also performed an analysis adding 12 months of data for three accounts where the last payment on one account was listed as overdue.²⁹⁶ The data still produced score gains for the hypothetical consumer with no credit tradelines, a thin file with some evidence of missed payments, and a relatively young credit file with some evidence of missed payments. It produced little effect on a hypothetical consumer with a thicker file showing some evidence of missed payments, and substantial negative effects on various other consumer profiles. The most dramatic effect was a decline of almost 150 points for a consumer with a thicker file showing no past missed payments.

Appendix B. Research on the Predictiveness of UTR Data

Experian, “Consumer Payment Behavior toward Telecommunications, Energy and Cable Credit Grantors” (Costa Mesa, CA: Experian, 2006).

This study focused on 3.2 million Experian credit files that reflected telecommunications, energy, or cable (TEC) payment performance data as of September 2005, noting an inherent selection bias because furnishers of TEC data were more likely than other furnishers to report only negative information. The analysis focused on whether there are differences in consumer payment patterns for TEC tradelines as compared with non-TEC tradelines, finding the following:

- Forty-five percent of the sampled files had no derogatory history (30 days or more past due) in any tradeline in the previous 12 months, 17 percent had derogatory history for TEC tradelines only, 28 percent had derogatory history only in non-TEC tradelines, and 10 percent had derogatory history for both.
- When the analysis was narrowed to severe derogatory history (90 days or more past due), the percentages shifted to 52 percent with no severe derogatory tradelines, 18 percent with severe derogatory history for TEC tradelines only, 22 percent for non-TEC tradelines only, and almost 8 percent with severe derogatory history for both.
- When the analysis was narrowed to compare derogatory payment history (30 days or more past due) on TEC tradelines only to payment history on bank-issued credit cards, 60 percent of the sampled files had no derogatory history in either category, 22.5 percent had derogatory history only on TEC tradelines, 13 percent had derogatory history only on bank cards, and 5 percent had derogatory history for both categories.
- The study concludes that different groups of consumers appear to be prioritizing payments in different ways. Consumers who had only severe derogatory history on non-TEC tradelines tended to have fewer open tradelines overall, fewer credit cards, and higher numbers of delinquent accounts, while those who had severe delinquencies only on TEC tradelines tended to have more tradelines and credit cards and fewer delinquent accounts overall.

PERC and Brookings (Political and Economic Research Council and Brookings Institution Urban Markets Initiative), *Give Credit Where Credit Is Due: Increasing Access to Affordable Mainstream Credit Using Alternative Data* (Durham, NC: PERC; Washington, DC: Brookings, 2006).

This study is described in more detail in appendix A. The analysis of 8 million TransUnion records with full-file utility or telecom tradelines focused on the predictiveness of UTR data in two aspects:

- First, it looked at the degree to which serious delinquencies (payments 90 or more days past due) on utility or telecom obligations were correlated with serious delinquencies on other tradelines between March 2004 and March 2005, finding weak to moderate correlations (0.288 for utility data and 0.292 for telecom data). The authors also calculated the correlations between having a serious delinquency in a particular type of tradeline from March 2004 to March 2005 and having a serious delinquency in any type of tradeline the following year. The correlations were 0.42 for serious utility delinquencies, 0.32 for serious telecom delinquencies, and 0.46 for serious delinquencies in traditional tradelines. Regression models improved their goodness of fit when utility and telecom data were added to traditional history by 40 percent with utility data and 17 percent with telecom data.
- Second, where sufficient payment history was available (6.2 million credit files with utility data and 0.5 million files with telecom data), the study compared consumers' credit scores under several different scoring models with and without those tradelines as of March 2005 with their actual performance over the subsequent 12 months. Except for a mortgage model, which was applied only to consumers who already had mortgages and were largely thick-file consumers, the predictiveness of the various scoring models increased with the addition of the new data. The effect was largely driven by the improved ability to predict risk among consumers who would otherwise be unscorable or have thin files without the information.
 - » For example, assuming lenders would treat previously unscorable consumers as more risky than consumers in the lowest scoring band, the predictiveness of the VantageScore 1.0 model as applied to the overall sample population increased by almost 10 percent with the inclusion of the utility data and almost 9 percent with the inclusion of the telecom data. Yet the improvements were just 2 percent and 1 percent, respectively, when applied only to consumers who could be scored even without the utility or telecom information. Improvements for consumers who had thin files but could be scored without the information fell in between—at 8 percent and 2 percent, respectively—for the two types of data.²⁹⁷

Rachel Schneider and Arjan Schutte, “[The Predictive Value of Alternative Credit Scores](#)” (Chicago: Center for Financial Services Innovation, 2007).

This report reviews results of internal retroactive tests provided by developers of various alternative scoring products to compare the scores generated with actual loan performance data over 12 to 24 months, as well as the relationship between prior and future rental payment history. Some of the scoring models relied in part on UTR data, but they also included other nontraditional information sources. Accordingly, the results are not helpful for evaluating the predictiveness of UTR data in isolation.

- **FICO Expansion.** The study presented aggregate results from validation studies of an early FICO alternative score that relied on debit data, membership data, utility data, bankruptcies, judgments, liens, property and asset information, and a third-party score used as a score within a score. FICO estimated that its product could score 70 to 100 percent of lenders' applicant pools who lacked traditional scores.
- **Link2Credit First Score Direct.** The study presented a series of tests for a score that relied on proprietary phone payment data, debit and checking account activity, multisourced alternative lending data (e.g., payday lending and rent-to-own lending), fraud and ID verification, public records, and retail data). Link2Credit estimated it could score 80 to 100 percent of lenders' applicant pools who lacked traditional scores.

Michael Turner, Patrick D. Walker, Sukanya Chaudhuri, and Robin Varghese, “A New Pathway to Financial Inclusion: Alternative Data, Credit Building, and Responsible Lending in the Wake of the Great Recession” (Chapel Hill, NC: Political and Economic Research Council, 2012).

This study is described in more detail in appendix A. The analysis of more than 4 million records with full-file utility or telecom data from TransUnion and Experian replicated the same analysis as in 2006 to compare consumers' credit scores under VantageScore 1.0 with and without utility or telecom tradelines with their actual performance over the subsequent 12 months.

- Once again, the analysis found that overall improvements in model predictiveness were largely driven by the increased ability to predict risk among consumers who would otherwise be unscorable or have thin files without the information.
 - » Specifically, the predictiveness of the VantageScore 1.0 model increased by more than 7 percent with the inclusion of the utility or telecom data when applied to overall sample population but increased just 2.4 percent when applied only to consumers who could be scored even without the utility or telecom information.²⁹⁸ Improvements for consumers who had thin files but could be scored without the information were higher, at almost 16 percent.

Michael Turner and Patrick Walker, “Predicting Financial Account Delinquencies with Utility and Telecom Payment Data” (Durham, NC: Policy and Economic Research Council, 2015).

This study relied upon the same files that had been supplied by one of the two credit bureaus for PERC’s 2012 study (appendix A) to compare payment history on utility and telecom tradelines with payment history on bank cards and mortgages and negative credit history from public records filings (e.g., bankruptcies, liens, or judgments). The analysis compared serious delinquencies (payments 90 or more days past due) in both utility or telecom and credit tradelines between July 2008 and July 2009 to credit file information between July 2009 and July 2010. Delinquencies may have been more severe during this period because of economic conditions after the 2008 financial crisis.

- Similar to the 2006 Experian study, consumers rarely had severe delinquencies (payments at least 90 days past due) in both utility and telecom tradelines and bank card and mortgage tradelines at the same time. For example, about 10 percent of the consumers with active bank cards in July 2009 experienced a serious delinquency in the previous 12 months. About 2.5 percent had such delinquencies only in their utility and telecom tradelines, 5.4 percent had such delinquencies only in financial accounts, and 1.9 percent had them in both. Similarly, among the 6 percent of consumers in the sample with mortgages who experienced a serious delinquency in the 12 months before July 2009, 2 percent experienced a serious delinquency only in their utility and telecom tradelines, 3.2 percent experienced a serious delinquency only in financial accounts, and 0.7 percent experienced a serious delinquency in both.
- Consumers who experienced serious delinquencies on their utility or telecom accounts between July 2008 and July 2009 were substantially more likely to have bank card or mortgage delinquencies or negative public records listings in the following year. For instance, the rate of consumers with utility or telecom accounts who experienced a bank card delinquency of at least 30 days between July 2008 and July 2009 was about 7 percent for consumers who had not experienced serious delinquencies on their utility or telecom accounts in 2007- 2008 but was almost 48 percent among consumers who had experienced such delinquencies. Gaps also appeared between consumers who had or had not experienced serious delinquencies on utility and telecom tradelines in 2007 or 2008 for subsequent mortgage delinquencies (7 percent versus 60 percent) and derogatory public records (1.5 percent versus 11.3 percent).

TransUnion, “Rent Payment History Offers Greater Predictability into Consumer Credit Performance,” news release, December 7, 2021, <https://www.globenewswire.com/news-release/2021/12/07/2347334/0/en/Rent-Payment-History-Offers-Greater-Predictability-into-Consumer-Credit-Performance.html>.

TransUnion provided additional information for this report about the analysis summarized in its press release.²⁹⁹ For 1 million consumers who had rental tradelines reflected in its database as of the end of 2018, TransUnion analyzed the predictiveness of credit scores generated under the VantageScore 3.0 model with and without rental payment data and compared the scores to performance on all credit tradelines during 2019.

- The analysis found that the credit scores with the additional data added in were better able to predict the likelihood that consumers would become 90 days or more delinquent on any type of credit account in the subsequent 12 months.
- The improvement was about 10 percent for the model as a whole, with most of the increase in predictiveness coming from consumers who had scores in the lowest 30 percent of the sample, including consumers who could not otherwise be scored without the data.

Laurie Goodman and Jun Zhu, “Rental Pay History Should Be Used to Assess the Creditworthiness of Mortgage Borrowers,” *Urban Wire* (blog), Urban Institute, April 17, 2018, <https://www.urban.org/urban-wire/rental-pay-history-should-be-used-assess-creditworthiness-mortgage-borrowers>.

This analysis, funded by the National Fair Housing Alliance, analyzed how past mortgage payment history can predict future loan performance using Fannie Mae and Freddie Mac loan-level credit data from their credit risk transfer transactions from 1999 to 2016. It then compared the monthly payments of renters and mortgage holders. It concludes that rental history is highly likely to be predictive.

- Loans that had been paid on time for 24 months had a 0.25 percent probability of going 90 or more days delinquent in the subsequent three years, while the probability of a serious delinquency increased to 4.36 percent with one missed payment, 28.2 percent with two missed payments, and 47.8 percent with three missed payments.
- Given that renters tend to have lower credit scores than homeowners, are less affluent, and tend to put down smaller down payments for their first homes, the authors then repeated the analysis for mortgage borrowers with FICO scores below 700, borrowers with loan-to-value ratios above 95 percent, and borrowers who met both restraints. The probabilities that a loan with no missed payments ever went 90 or more days delinquent were 1.03 percent, 0.53 percent, and 1.14 percent, respectively.
- Finally, the analysis used results from the 2016 American Community Survey to sort homeowners with mortgages and renters by different income categories. Focusing on one-unit

structures with either five rooms (two to three bedrooms) or six rooms (three to four bedrooms), the study compared monthly rent and mortgage expenses as well as monthly gross rents and owner costs. Except for households with annual incomes below \$20,000 or above \$120,000, the study found the monthly expenses to be comparable between renters and homeowners.

- Considering the comparability of monthly expenses paid by renters and homeowners and the predictability of future loan performance based on mortgage payment history, the analysis concludes that rental payment history is likely a strong predictor of mortgage default and thus a powerful indication for credit risk purposes.

Appendix C. Other Research

Rachel Schneider and Arjan Schutte, “The Predictive Value of Alternative Credit Scores” (Chicago: Center for Financial Services Innovation, 2007).

In addition to reviewing results of internal retroactive tests by developers of alternative credit scoring products (appendix B), this study reviewed the results of an internal analysis by RentBureau considering the relationship between past rental history and future rental payments.³⁰⁰ The evaluation tracked a representative sample of 45,000 lease records for 24 months after signing to identify write-offs where there was an outstanding balance after the close of a lease. Among the 55 percent of the sample who had no evidence of late or returned payments, the write-off rate was roughly 20 percent, while write-off rates jumped to roughly 50 percent as the number of late or returned payments increased to two.

Dara Burr and Virginia Carlson, *Utility Payments as Alternative Credit Data: A Reality Check* (Washington, DC: Brookings Institution, 2007).

Following up on PERC and Brookings (2006), this Brookings Institution report summarizes the results of a survey of electrical companies that are members of the Edison Electric Institute and serve 97 percent of the customers in the segment of the electrical industry owned by private companies. The report also summarizes insights from 2005 roundtable discussions and presents case studies of WE Energies and Verizon in furnishing data to the NCRAs.

- Of the 27 Edison Electric Institute members that responded to the survey, 5 currently furnished consumer data to the NCRAs, 4 previously had done so, 1 was preparing to begin furnishing, and 1 furnished data only on commercial accounts. Among the 16 companies that never reported, 7 said they had decided to report, and 9 had no plans to do so.
- The survey results suggested that trying to reduce arrearages was the primary motivation for electrical companies to begin reporting; four of the five current reporters believed the practice had helped “somewhat” with arrearages.
- Reluctance to be responsible for credit report inquiries and other increases in customer service time were cited most frequently among companies who responded to a question about why they did not report data.
- Companies that had stopped furnishing cited a mix of reasons, including the amount of customer service time required relative to the benefits (if any) concerning arrearages. In

general, consumer education about managing the consequences of reporting appeared to be minimal across respondents.

- The monthly costs of reporting appeared to be minimal once implementation was complete, but both current and past furnishers reported that demand on information technology resources were a potential hurdle, particularly where those resources were prioritized for other projects.

Michael Turner, Robin Varghese, Patrick Walker, and Katrina Dusek, *Credit Reporting Customer Payment Data: Impact on Customer Payment Behavior Furnisher Costs and Benefits* (Chapel Hill, NC: Political and Economic Research Council, Information Policy Institute, 2009).

Following up on PERC and Brookings (2006), this report includes the results of a 2008 PERC and Brookings Institution survey of utility and telecom companies, three furnisher case studies, and the results of a 2008 online survey by Opinion Research Corporation of more than 900 consumers with bill-paying responsibilities.

- Approximately 70 companies responded to invitations to complete the survey, which were distributed by the Edison Electric Institute, the American Gas Association, TransUnion, and Experian. Some respondents provided more than one type of service, with the largest categories being electricity (24), wireless or landline telecommunications services (24), and natural gas (30).
 - » Eighty-nine percent of respondents said they referred delinquencies and defaults to collections agencies. Among such companies, 73 percent said they were aware the collectors reported the debts to one or more NCRAs, and an additional 6 percent indicated they did not know whether their collectors furnished to the NCRAs or did not answer the question.
 - » Ten companies indicated they reported information directly to credit bureaus, of which nearly 80 percent reported full-file information and about 20 percent reported only negative information. The authors estimated that the survey respondents included roughly half the active full-file reporters among telecom and utility companies at the time of publication.
 - » All respondents listed improving arrearages as one of their company's motivations to begin reporting, while only two listed helping consumers build credit files.
 - » Five of seven respondents reported that the benefits of reporting exceeded costs by a ratio of at least two to one; seven of nine reported their level of satisfaction as somewhat or very satisfied; and three of nine reported improvements in charge-offs, though the authors

noted that the 2008 financial crisis and short implementation periods may have influenced some respondents' answers to the last question.

- » The full-file reporters ranked educating consumers ahead of both information technology challenges and regulatory considerations (including FCRA compliance) in implementation.
- In the consumer-side survey, about half of respondents said they would be more likely to prioritize payment if they knew it would influence their credit scores, even during economic stress. About 44 percent did not know whether energy utility payments were reported and only 28 percent thought they were not reported; most respondents also did not know that mortgage and auto payments were reported. Low-income and minority respondents were more likely to believe the payments were already reported and to say that they would prioritize them.

Experian RentBureau, “Risk Versus Reward: Identifying the Highest-Quality Resident Using Rental Payment History” (Costa Mesa, CA: Experian, 2013).

This study examines the relationship between consumers' full-file rental payment history and general credit scores and their future rental payment patterns. The study relied on a subset of Experian RentBureau's larger database, drawing records from 200 property managers and owners across 12,000 Class A and Class B residential properties covering nearly 755,000 residents who initiated leases between March 2006 and December 2012.

- Default rates for consumers with a history of no missed rental payments were 5.96 percent, compared with default rates for consumers with one prior rental debt (defined as termination of a lease with a write-off, debt collection, or outstanding balance) of 23.20 percent and of 35.20 percent for consumers with two or more prior rental debts.
- Default rates among consumers with two or fewer late or returned payments were 7.8 percent, compared with 16.8 percent for those with three or more.
- Consumers with a VantageScore of 700 or above had a default rate of 1.56 percent, compared with default rates of 6.7 percent among those with scores between 600 and 699, 18.24 percent among those with scores between 500 and 599, and 11.01 percent for applicants who could not be scored.³⁰¹
- Combining rental payment history plus VantageScores produced greater differentiation. For instance, among the 10 percent of the sample that did not have credit scores, those with positive rental payment history had default rates of 9 percent, and those with negative history had default rates of 30 percent. (The study did not define whether negative payment history for

this purpose included only rental debts or also late or returned payments.) Similarly, among consumers with scores between 500 and 599, those with positive rental history had default rates of 15 percent, and those with negative history had default rates of 29 percent.

The study concluded that “although highly predictive overall, in certain cases a high credit score does not correspond with likelihood to pay rent in full and on time, nor does a lower credit score always equate to propensity to default.”

Appendix D. Reporting Services

The information listed in tables D.1–D.5 is based on the companies’ websites and in some cases news articles. We did not contact all companies to verify the information. Companies are grouped into five categories: (1) companies or programs that obtain information from landlords as an adjunct to other services, (2) companies or programs that focus on reporting payment history as a primary activity and rely at least in part on information provided by landlords or utilities, (3) companies or programs that focus on reporting payment history as a primary activity but rely on data pulled by aggregators from bank accounts or utility and telecom companies, (4) other models, some of which involve consumer-focused accounts or payment app services; and (5) companies that consider themselves to be consumer reporting agencies.

TABLE D.1

Platforms That Provide Reporting as an Adjunct to Other Landlord Services

Service	Data	Tenant fee: initial cost	Tenant fee: repeat price	Tenant fee: past history	Data source cost	NCRAs report to	Validation source	Notes
Avail CreditBoost	Rent		\$3.95, monthly	Yes	Not specified	TransUnion	Rent paid via Avail platform or verified separately for past landlords	Tenant opts into reporting
ClearNow 2000	Rent	No fee	No fee	NA	Not specified	Experian	Rent paid via platform	Tenant opts into reporting
eRentPayment	Rent	No fee	No fee	No		Equifax, Experian	Rent paid via platform	Tenant opts into reporting
PayYourRent	Rent	No fee	No fee		No fee	Equifax, Experian, TransUnion	Rent paid via platform	Tenant opts into reporting
ResMan Credit Builder	Rent	Amount not specified	Amount not specified		Not specified	Not specified	Automated reporting by platform	Tenant opts into reporting
RentPayment	Rent	No fee	No fee		Not specified	TransUnion	Rent paid via platform	Tenant opts into reporting
RentRedit	Rent		\$3.95 to \$5.95 monthly		Not specified	TransUnion	Rent paid via platform	Tenant opts into reporting
Yardi	Rent					Experian	Automated reporting by platform	Tenant opts into reporting
Zego Pay (by PayLease)	Rent	No fee	No fee	Yes but not specified	Not specified	Experian, TransUnion	Rent paid via online portal	Tenant opts into reporting

TABLE D.2

Platforms That Focus on Reporting as a Primary Service and Rely at Least in Part on Data Provided by Landlords or Utility Companies

Service	Data	Tenant fee: initial cost	Tenant fee: repeat price	Tenant fee: past history	Data source cost	NCRAs report to	Validation source	Notes
Credit Rent Boost	Rent	\$45 annual or \$25 plus monthly fee	\$5.95 monthly fee	Yes	\$5 to \$45 per unit depending on number	Equifax, TransUnion	Landlord website information or email	Fees can be paid by tenants or landlords
Datalinx	Rent, utilities.	N/A	N/A	N/A	Not specified	Equifax, Experian, TransUnion	Landlord or utility provides information	Provides software and assistance with credentialing
Esusu Rent	Rent	\$50		Yes	\$3,500 registration plus \$2 per unit monthly	Equifax, Experian, TransUnion	Landlord provides information via software integration or file	Fees can be paid by tenants or landlords; offers rent relief loans to tenants
PaymentReport	Rent		\$49 per lease period	No	\$49 per lease period	Equifax, TransUnion	Landlord verifies lease; payments verified by landlord or self-reported by tenant	Fees can be paid by tenants or landlords
Rental Kharma	Rent	\$50	\$8.95 monthly	Yes if more than 6 months		Equifax, TransUnion	Landlord provides information	
RentReporters	Rent	\$94.95	\$7.95 to \$9.95 monthly	No	\$2.50 or more per tenant monthly	Equifax, TransUnion	Landlord verifies lease; payments verified by landlord or bank account data	Fees can be paid by tenants or landlords; offers referral payments to landlords
Rent Report Team	Rent	\$29.99	\$8.99 monthly or \$85.99 annually	Yes	No fee	Equifax, Experian, TransUnion	Landlord provides information	
RentTrack	Rent	Not specified	Not specified	Yes	Not specified	Equifax, Experian, TransUnion	Landlord provides information via software integration	Landlord must invite tenant to report rent
Rock the Score	Rent	\$48	\$6.95 monthly	Yes		Equifax, TransUnion	Landlord validates lease; payments verified by landlord or tenant documentation	

TABLE D.3

Platforms That Focus on Reporting as a Primary Service and Rely at Least in Part on Aggregator Pulls

Service	Data	Tenant fee: initial cost	Tenant fee: repeat price	Tenant fee: past history	Data source cost	NCRA's report to	Validation source	Notes
Credit My Rent	Rent		\$14.95 monthly	Yes	N/A	Equifax, TransUnion	Bank account data	
Credit.com Extra Credit	Utility, telecom, rent		\$24.99, monthly			Equifax rent TransUnion rent, utilities	Bank account data	
eCredable	Utility, telecom		\$24.95 annually	No	N/A	TransUnion	Utility, telecom company data	
Experian Boost	Utility, telecom, streaming	No fee	No fee	No	N/A	Experian	Bank account data	
LevelCredit	Utility, telecom, rent		\$6.95 monthly	Yes		Equifax, TransUnion	Bank account data	
Perch	Utility, telecom, streaming, rent	No fee	No fee			Equifax, TransUnion	Bank account data for some; provides virtual debit card for streaming payments	
RentReporters	Rent	\$94.95	\$7.95 to \$9.95 monthly	No	\$2.50 or more per tenant, monthly	Equifax, TransUnion	Landlord verifies lease; payments verified by landlord or bank account data	Fees can be paid by tenants or landlords; also offers referral payments to landlords

TABLE D.4
Other Models

Service	Data	Tenant fee: initial cost	Tenant fee: repeat price	Tenant fee: past history	Data source cost	NCRAs report to	Validation source	Notes
Boom	Rent		\$2 to \$3 monthly	Yes	N/A	Equifax, Experian, TransUnion	Consumer payment app that can customize payments schedule	
Dave	Utility, telecom, rent		\$0 with direct deposit or \$6.95 monthly	Yes		Equifax, TransUnion	Bank account data	Partnership with LevelCredit
Grow Credit	Telecom, streaming		Varies from \$0 to \$7.99, monthly			Equifax, Experian, TransUnion	Pays subscriptions and for some plans cellular bill via virtual card	Structured as installment loan accessed via a virtual Mastercard
MoCaFi Bill Pay	Rent	Not specified	Not specified			Equifax, TransUnion	Landlord verifies lease; payments made through account with MoCaFi bank partner	
Perch	Utility, telecom, streaming, rent	No fee	No fee			Equifax, TransUnion	Bank account data for some; provides virtual debit card for streaming payments	
Till	Rent		\$8 monthly for app but not reporting specifically		No fee	TransUnion	Consumer payment app that can customize payments schedule	Reports positive history where landlord partnership unless tenant opts out; also provides advances to tenants

TABLE D.5
Separate CRAs that Report Alternative Data

Service	Data	Tenant fee: initial cost	Tenant fee: repeat price	Tenant fee: past history	Data source cost	NCRAs report to	Validation source	Notes
MicroBilt Connect	Rent, utility, telecom	No fee	No fee	No fee	No fee	N/A	Bank account transactions, or directly from UTR company	
Nova Credit	Rent, utility, telecom	No fee	No fee	No fee	No fee	N/A	Credit bureaus in other countries	Provides information for people who have recently moved to the US

Notes

- ¹ FICO (2021) estimates coverage rates of 2.6 percent, 5.0 percent, and 2.3 percent for utility, telecom, and rental data, respectively. VantageScore (2021a) estimates 2021 coverage rates of 3.1 percent and 1.7 percent for utility and rental data, respectively.
- ² “FICO Scores Used in Over 90% of Lending Decisions According to New Study,” *PaymentsJournal*, February 27, 2018, <https://www.paymentsjournal.com/fico-scores-used-90-lending-decisions-according-new-study/>. Although some reports suggest that reliance on third-party scores is shrinking among very large lenders, even companies that rely primarily on proprietary underwriting models to make approval decisions may use third-party scores for pricing, securitization, or other targeted activities. See AnnaMaria Andriotis, “FICO Score’s Hold on the Credit Market Is Slipping,” *Wall Street Journal*, August 2, 2021, <https://www.wsj.com/articles/fico-scores-hold-on-the-credit-market-is-slipping-11627119003>.
- ³ Although commercial credit reports and scores are available for many larger businesses, lenders may also consider owners’ personal scores and credit reports when they provide personal guarantees for commercial credit.
- ⁴ “What’s in My FICO Scores?” myFICO, accessed December 9, 2021, <https://www.myfico.com/credit-education/whats-in-your-credit-score>.
- ⁵ One tradeline is sufficient if it meets both criteria.
- ⁶ Barry Paperno, “FICO vs. VantageScore: 5 Differences You Should Understand,” *USA Today*, December 21, 2017, <https://www.usatoday.com/story/money/personalfinance/2017/12/21/fico-vs-vantagescore-5-differences-you-should-understand/964591001/>.
- ⁷ For example, before regulations required furnishers to report credit limits, some credit card lenders withheld that information because of fears that it would be used to market to their most profitable customers. This tended to lower consumers’ credit scores by affecting credit utilization rates (FinRegLab 2020a, 10). More recently, card issuers have decreased their reporting of actual payment amounts, possibly for competitive reasons (Herman, Kaplan, and Mueller 2020).
- ⁸ Because companies that furnish information to credit reporting agencies take on certain responsibilities under the Fair Credit Reporting Act, reporting only seriously delinquent accounts may tend to reduce compliance burdens (FinRegLab 2020a, 10). See box 12.
- ⁹ Inaccuracies have also been a significant problem historically as documented by a 2012 Federal Trade Commission study. Various market and regulatory changes have been implemented since 2012, but more recent statistics are not available (Federal Trade Commission 2012, i–vi, 57–64; FinRegLab 2020a, 10).
- ¹⁰ Lenders’ decisions as to whether and when to engage in manual underwriting are affected by the cost and expense of underwriting, standards for when they may be required by securitizers to repurchase such loans due to underwriting errors, and other factors. See box 11.
- ¹¹ Ismat Mangla, “What Is a Thin File, and How Will It Affect Your Life?” Experian blog, December 13, 2018, <https://www.experian.com/blogs/ask-experian/what-is-a-thin-credit-file-and-how-will-it-impact-your-life/>.
- ¹² For instance, depending on interest rates, consumers with scores near the typical minimums for approval may pay \$7,500 more over the life of a \$20,000 auto loan and \$86,000 more over the life of a \$250,000 mortgage loan than peers with high scores. See Lyle Daly, “Here’s How Much Money Bad Credit Will Really Cost You,” *The Ascent*, April 8, 2019, <https://www.fool.com/the-ascent/banks/articles/heres-how-much-bad-credit-will-really-cost-you/>. For more discussion of risk-based pricing systems, see the Broader Debates section in chapter 6.

- ¹³ Stefan Lembo Stolba, “Fewer Subprime Consumers across U.S. in 2021,” Experian blog, June 7, 2021, <https://www.experian.com/blogs/ask-experian/research/subprime-study/>. See the Lenders’ Quest for New Data Sources and Pandemic Effects on Renters and Historically Disadvantaged Populations sections of chapter 5.
- ¹⁴ See also Natalie Campisi, “From Inherent Racial Bias to Incorrect Data—The Problems with Current Credit Scoring Models,” *Forbes Advisor*, February 26, 2021, <https://www.forbes.com/advisor/credit-cards/from-inherent-racial-bias-to-incorrect-data-the-problems-with-current-credit-scoring-models/>; Breno Braga, Caleb Quakenbush, Signe-Mary McKernan, Cassandra Martinchek, Alex Carther, and Laura Swanson, “Credit Health during the COVID-19 Pandemic,” Urban Institute, February 25, 2021, <https://apps.urban.org/features/credit-health-during-pandemic/>.
- ¹⁵ Twenty million consumers have one or two credit accounts reflected in their files (VantageScore 2015), and 100 million consumers have less than five accounts (see Stefan Limbo Stolba, “Experian Boost Helped Raise American Credit Scores by over 50 Million Points,” Experian blog, February 5, 2021, <https://www.experian.com/blogs/ask-experian/experian-boost-study/>).
- ¹⁶ Gyourko, Lee, and Tracy (2015) analyze evidence that first-time homebuyers with thin credit files have more serious risks of delinquency than their credit scores would otherwise predict.
- ¹⁷ See also Neil Bhutta, Andrew C. Change, Lisa J. Dettling, and Joanne W. Hsu, “Disparities in Wealth by Race and Ethnicity in the 2019 Survey of Consumer Finances,” *FEDS Notes* (blog), Board of Governors of the Federal Reserve System, September 28, 2020, <https://www.federalreserve.gov/econres/notes/feds-notes/disparities-in-wealth-by-race-and-ethnicity-in-the-2019-survey-of-consumer-finances-20200928.htm>; Kriston McIntosh, Emily Moss, Ryan Nunn, and Jay Shambaugh, “Examining the Black-White Wealth Gap,” Brookings Institution, February 27, 2020, <https://www.brookings.edu/blog/up-front/2020/02/27/examining-the-black-white-wealth-gap/>.
- ¹⁸ Rachael Beer, Felicia Ionescu, and Geng Li, “Are Income and Credit Scores Highly Correlated?” *FEDS Notes* (blog), Board of Governors of the Federal Reserve System, August 13, 2018, <https://www.federalreserve.gov/econres/notes/feds-notes/are-income-and-credit-scores-highly-correlated-20180813.htm>.
- ²¹ Emily Badger, “The Dramatic Racial Bias of Subprime Lending During the Housing Boom,” Bloomberg CityLab (Aug. 16, 2013), <https://www.bloomberg.com/news/articles/2013-08-16/the-dramatic-racial-bias-of-subprime-lending-during-the-housing-boom>; see also US Department of Justice, “Justice Department Reaches Settlement with Wells Fargo Resulting in More Than \$175 Million in Relief for Homeowners to Resolve Fair Lending Claims,” news release, July 22, 2012, <https://www.justice.gov/opa/pr/justice-department-reaches-settlement-wells-fargo-resulting-more-175-million-relief>.
- ²⁰ Matthew Chingos, “What Do Racial and Ethnic Wealth Gaps Mean for Student Loan Policy,” *Urban Wire* (blog), Urban Institute, February 25, 2019, <https://www.urban.org/urban-wire/what-do-racial-and-ethnic-wealth-gaps-mean-student-loan-policy>.
- ²¹ Jeff Cox, “Morgan Stanley Says Housing Discrimination Has Taken a Huge Toll on the Economy,” CNBC, November 13, 2020, <https://www.cnbc.com/2020/11/13/morgan-stanley-says-housing-discrimination-has-taken-a-huge-toll-on-the-economy.html>.
- ²² Jung Hyun Choi, “Breaking Down the Black-White Homeownership Gap,” *Urban Wire* (blog), Urban Institute, February 21, 2020, <https://www.urban.org/urban-wire/breaking-down-black-white-homeownership-gap>.
- ²³ Kimberly Amadeo, “Home Equity and the Racial Wealth Gap,” *The Balance*, May 31, 2021, <https://www.thebalance.com/how-home-equity-drives-the-racial-wealth-gap-4178236>.
- ²⁴ Bhutta et al., “Disparities in Wealth.”

- ²⁵ Emily Moss, Kriston McIntosh, Wendy Edelberg, and Kristen Broady, “The Black-White Wealth Gap Left Black Households More Vulnerable,” *Up Front* (blog), Brookings Institution, December 8, 2020, <https://www.brookings.edu/blog/up-front/2020/12/08/the-black-white-wealth-gap-left-black-households-more-vulnerable/>.
- ²⁶ Choi and coauthors analyze racial disparities in housing values, the age at which consumers purchase homes, and the sustainability of homeownership. See Jung Hyun Choi and Laurie Goodman, “Three Differences between Black and White Homeownership That Add to the Housing Wealth Gap,” *Urban Wire* (blog), Urban Institute, February 28, 2019, <https://www.urban.org/urban-wire/three-differences-between-black-and-white-homeownership-add-housing-wealth-gap>; and William R. Emmons, “Housing Wealth Climbs for Hispanics and Blacks, Yet Racial Wealth Gaps Persist,” Federal Reserve Bank of St. Louis, April 1, 2020, <https://www.stlouisfed.org/on-the-economy/2020/april/housing-wealth-climbs-hispanics-blacks-racial-wealth-gaps-persist>.
- ²⁷ For a general overview of disparities in credit health by race or ethnicity during the pandemic, see Kijakazi and McKernan (2021).
- ²⁸ This report focuses on payment history for utility, telecom, and rental expenses and uses “UTR data” as a shorthand for that payment history. It does not focus on other types of information that might be extracted from UTR bills or telecommunications devices, such as energy utilization patterns or browsing history.
- ²⁹ When counted separately, telecom debts rank second and utility debts are tied for fourth (Furey and Kelly 2019). See also CFPB (2014).
- ³⁰ The NCRAs have restricted reporting of court records because of concerns about matching them to the correct consumers (Clarksberg and Kambara 2018). See Penny Crosman, “Will Dropping Tax Lien Data from Credit Reports Lead to Bad Loans?” *American Banker*, April 2, 2018, <https://www.americanbanker.com/news/will-dropping-tax-lien-data-from-credit-reporting-lead-to-bad-loans>.
- ³¹ Research suggests larger landlords are also more willing to file for eviction as a means of debt collection (Gomory 2021; Raymond et al. 2016).
- ³² Where UTR data are distilled from bank account data, some stakeholders noted that the same information source could provide other insights into applicants’ debt, income, and disposable income. Some stakeholders discussed the value of UTR payment history in this broader context. See box 15 for discussion of other initiatives focusing more generally on cash-flow information for credit underwriting.
- ³³ The Pew Research Center reports that 85 percent of US adults own smartphones (see “Mobile Fact Sheet,” Pew Research Center, April 7, 2021, <https://www.pewresearch.org/internet/fact-sheet/mobile/>). Financing arrangements for cell phones vary. Often, they include a small down payment followed by monthly installment payments over the course of 12 or 24 months. Many firms offer 0 percent interest if the phone is paid off within a certain time frame. Credit check requirements also vary depending on the financing provider. See Rebecca Lake, “Smartphone Financing: What You Need to Know,” Investopedia, July 7, 2021, <https://www.investopedia.com/smartphone-financing-what-you-need-to-know-5190144>; “Why Getting a Cell Phone May Depend on Your Credit,” TransUnion, accessed November 14, 2021, <https://www.transunion.com/article/why-getting-a-cell-phone-may-depend-on-your-credit>; and Louis DeNicola, “Can Financing a Cellphone Help You Build Credit?” Experian blog, March 6, 2020, <https://www.experian.com/blogs/ask-experian/can-financing-a-cellphone-help-you-build-credit/>.
- ³⁴ Ericca Maas, “Credit Scoring and the Credit-Underserved Population,” Federal Reserve Bank of Minneapolis, May 1, 2008, <https://www.minneapolisfed.org/article/2008/credit-scoring-and-the-creditunderserved-population>.
- ³⁵ 12 C.F.R. § 1026.2(a)(14).

- ³⁶ 12 C.F.R. § 1026.2(a)(17).
- ³⁷ 12 C.F.R. § 1002.2(j).
- ³⁸ 12 C.F.R. § 1002.2(l).
- ³⁹ Federal Trade Commission, “Getting Utility Services: Why Your Credit Matters,” accessed November 14, 2021, <https://www.consumer.ftc.gov/articles/getting-utility-services-why-your-credit-matters>; Equal Credit Opportunity Act (Regulation B), 68 Fed. Reg. 13144, 13145 (Mar. 18, 2003); and Kara Millonzi, “Local Government Utilities and the Equal Credit Opportunity Act—Part I: Notice Requirements,” University of North Carolina School of Government blog, July 17, 2015, <https://canons.sog.unc.edu/local-government-utilities-and-the-equal-credit-opportunity-act-part-i-notice-requirements/>.
- ⁴⁰ Lake, “Smartphone Financing”; “Why Getting a Cell Phone,” TransUnion; and DeNicola, “Can Financing a Cellphone Help You Build Credit?”
- ⁴¹ *Laramore v. Ritchie Realty Management Co.*, 397 F.3d 544 (7th Cir. 2005); *Ollie v. Waypoint Homes, Inc.*, 104 F.Supp.3d 1012 (N.D. Cal. 2015); *Portis v. River House Assocs.*, 498 F. Supp. 2d 746 (M.D. Penn. 2007).
- ⁴² 2019 American Community Survey, one-year estimates. A 2018 US Census Bureau survey found that renters are responsible for paying electricity in 89.5 percent of rental units for which information was available and are responsible for paying for gas in 76 percent of units with that utility. See “Rental Housing Finance Survey (RHFS),” US Census Bureau, accessed November 14, 2021, <https://www.census.gov/programs-surveys/rhfs.html>.
- ⁴³ “Mobile Fact Sheet,” Pew Research Center.
- ⁴⁴ Daniel García and Andrew Paciorek, “An Early Evaluation of the Effects of the Pandemic on Living Arrangements and Household Formation,” *FEDSNotes* (blog), Board of Governors of the Federal Reserve System, August 7, 2020, <https://www.federalreserve.gov/econres/notes/feds-notes/an-early-evaluation-of-the-effects-of-the-pandemic-on-living-arrangements-and-household-formation-20200807.htm>.
- ⁴⁵ Pew Research Center notes that 28 percent of adults ages 18 to 29 rely solely on smartphones for online access at home, more than double the percentages for older age cohorts (see “Mobile Fact Sheet,” Pew Research Center).
- ⁴⁶ Amy Hou, “The Growing Interest in Alternative Data Sharing,” *Urjanet* blog, September 13, 2019, <https://urjanet.com/blog/majority-us-adults-willing-share-utility-telecom-data-lenders/>.
- ⁴⁷ Anthony Cilluffo, A. W. Geiger, and Richard Fry, “More U.S. Households Are Renting Than at Any Point in 50 Years,” Pew Research Center, July 19, 2017, <https://www.pewresearch.org/fact-tank/2017/07/19/more-u-s-households-are-renting-than-at-any-point-in-50-years/>.
- ⁴⁸ “Number of Renter Occupied Housing Units in the United States from 1975 to 2020,” Statista, accessed November 14, 2021, <https://www.statista.com/statistics/187577/housing-units-occupied-by-renter-in-the-us-since-1975/>.
- ⁴⁹ “Who Are the Renters in America?” *USA Facts*, last updated February 25, 2021, <https://usafacts.org/articles/who-is-renting-in-america-cares-act/>.
- ⁵⁰ Li and Goodman (2016) used a 650 score threshold to evaluate how many renters were likely to satisfy mortgage scoring thresholds but did not address the use of FICO versus VantageScore models in mortgage markets.
- ⁵¹ Kiviat (2021) notes at least two-thirds of respondents considered timely payments of rent and utility bills and credit scores to be very fair or somewhat fair for use in credit underwriting, compared with about 60 percent for income, timely TV bill payment, or timely child care payment and less than 15 percent for college major, social media use, grocery store purchases, or websites visited. Other sources find more broadly that consumers value

recognition for paying bills and other financially responsible practices that are not fully recognized in traditional credit underwriting data and procedures (Wherry, Seefeldt, and Alvarez 2019).

- ⁵² Experian surveyed consumers for three consecutive years regarding their willingness to share particular types of nontraditional data. According to Experian's 2020 State of Alternative Data, the top three categories were utility, mobile phone, and rental payment history, with 80 to 84 percent of respondents willing to share such information. According to the 2019 State of Alternative Data, the top three categories were utility, paycheck stubs, and checking and savings account information, with willingness to share particular categories ranging from 48 to 58 percent of respondents. According to the 2018 State of Alternative Data, the top three categories were utility, checking and savings account information, and mobile phone payments, with willingness to share particular categories ranging from 38 to 48 percent of respondents. In a separate survey of households with more than \$25,000 in income, 59 percent of respondents said they were likely or very likely to share utility or telecom payment data with a lender, with the share rising to 66 percent among the roughly one-third of respondents who had been turned down for a loan (see Hou, "The Growing Interest in Alternative Data Sharing").
- ⁵³ Sarah Crump and Jenny Scheutz, "US Rental Housing Markets Are Diverse, Decentralized, and Financially Stressed," Brookings Institution, April 20, 2021, <https://www.brookings.edu/essay/us-rental-housing-markets/>. There is some expectation that the number of small landlords may decline because of financial stresses during the pandemic. See Chris Nichols, "Economic Pressures Are Rising on Mom and Pop Rental Owners," NPR, July 7, 2021; Michelle Conlin, "Selling Out: America's Local Landlords. Moving In: Big investors," Reuters, July 29, 2021, <https://www.reuters.com/business/finance/selling-out-americas-local-landlords-moving-big-investors-2021-07-29/>.
- ⁵⁴ "Utilities (NAICS Sector 22)," US Census Bureau, last updated October 8, 2021, <https://www.census.gov/data/tables/2017/econ/economic-census/naics-sector-22.html>; Turner and Varghese (2005) report numbers from the 1997 Economic Census.
- ⁵⁵ "Utilities (NAICS Sector 22)," US Census Bureau. For example, Census Bureau data suggest that the 20 largest firms for electricity distribution, natural gas distribution, and wired and wireless telecommunications carriers have market shares of 61 percent, 64 percent, and 89 percent, defined by the share of all firms' customer receipts. The 50 largest firms' market shares are 80 percent, 92 percent, and 92 percent.
- ⁵⁶ See the Direct Reporting Initiatives section in chapter 4, the Pandemic Effects on Renters section in chapter 5, and the Broader Debates section in chapter 6 for more discussion of issues related to UTR companies' own use of reported data.
- ⁵⁷ In addition to the reports and studies summarized in appendix A, some statistics on potential access effects from UTR data are available from press releases and conference presentations by nationwide credit reporting agencies. These sources provide less background about the details of the underlying analyses but suggest similar patterns concerning the ability of UTR data to help consumers become scorable and the fact that a substantial number of those consumers are ranked as having low default risk. Aitken (2017) reports additional statistics from TransUnion, and Turner, Varghese, and Walker (2015) report additional statistics from Equifax. See also TransUnion, "TransUnion Analysis Finds Reporting of Rental Payments Could Benefit Renters in Just One Month," press release, June 19, 2014, <https://newsroom.transunion.com/transunion-analysis-finds-reporting-of-rental-payments-could-benefit-renters-in-just-one-month/>.
- ⁵⁸ The Credit Builders Alliance's members include nonprofit lenders, financial capability centers, workforce development and housing agencies, and other community-based organizations focused on serving low-to-moderate-income communities.
- ⁵⁹ FICO's general models will not generate scores for consumers who do not have at least one credit tradeline that has at least six months of history and at least one account that has been active in the past six months, while VantageScore models will return scores based on one month of history, on tradelines that have not had activity

in the past two years, and for consumers who have only public records or debt collections information in their credit files (box 1).

- ⁶⁰ Not all studies use the same score cutoffs in their risk tier taxonomies. For example, VantageScore and FICO define five overlapping credit tiers ranging from very poor (300–499) to excellent (781–850) for VantageScore and poor (579 or below) to excellent (800+) for FICO (see “Here Are the Different Credit Score Ranges and What They Mean,” Chase, accessed December 14, 2021, <https://www.chase.com/personal/credit-cards/education/credit-score/credit-score-ranges-and-what-they-mean>), while Experian uses a different set of five risk tiers ranging from poor (300–579) to exceptional (800–850) (see Jim Akin, “What Are the Different Credit Scoring Ranges?” Experian blog, June 23, 2021, <https://www.experian.com/blogs/ask-experian/infographic-what-are-the-different-scoring-ranges/>). The CFPB uses a different five-tier taxonomy starting with deep subprime (< 580) to super prime (≥ 720) (see “Borrower Risk Profiles,” Consumer Financial Protection Bureau, accessed December 14, 2021, <https://www.consumerfinance.gov/data-research/consumer-credit-trends/student-loans/borrower-risk-profiles/>). Also, what might be considered subprime credit quality for a mortgage loan might be considered a prime or near-prime score for an auto loan (see “What Does ‘Tier B’ Mean on Auto Loan Processing?” The Nest, accessed December 14, 2021, <https://budgeting.thenest.com/tier-b-mean-auto-loan-processing-33752.html>). These differences in risk tier cutoffs are important to keep in mind when studies indicate that particular types of UTR reporting enabled specific consumer groups to raise their credit scores from one risk tier to a higher (less risky) tier, such as from subprime to near prime.
- ⁶¹ Model developers sometimes also create different scorecards or panels for different populations, such as for thin files versus thick files. Such scorecards may consider different attributes or assign different weights to particular factors that are more predictive of defaults for particular subgroups (FinRegLab 2020a, 1; 2021).
- ⁶² Catherine Tucker and Nico Neumann, “Buying Consumer Data? Tread Carefully,” *Harvard Business Review*, May 1, 2020, <https://hbr.org/2020/05/buying-consumer-data-tread-carefully>.
- ⁶³ See also Bev O’Shea, “Minimize Credit Score Damage from Late Payments,” NerdWallet, September 26, 2021, <https://www.nerdwallet.com/article/finance/late-bill-payment-reported>; and “Changing the Score,” myFICO, https://www.myfico.com/static/doc/education/FICO_Consumer_Credit_Activity_Infographic.pdf.
- ⁶⁴ National Consumers Law Center, “Comments in Response to Request for Information Regarding Use of Alternative Data and Modeling Techniques in the Credit Process, Docket No. CFPB-2017-0005,” letter to Monica Jackson, May 19, 2017, https://www.nclc.org/images/pdf/credit_reports/comments-alt-data-may2017.pdf; see the Broader Debates section in chapter 6.
- ⁶⁵ Bonnie Sinnock, “Rental Data May Improve Credit Model Predictability by 10% or More,” National Mortgage News, December 7, 2021, <https://www.nationalmortgagenews.com/news/rental-data-may-improve-credit-model-predictability-by-10-or-more>; TransUnion, “Rent Payment History Offers Greater Predictability into Consumer Credit Performance, press release, December 7, 2021, <https://newsroom.transunion.com/rent-payment-history-offers-greater-predictability-into-consumer-credit-performance/>; and Laurie Goodman and Jun Zhu, “Rental Pay History Should Be Used to Assess the Creditworthiness of Mortgage Borrowers,” *Urban Wire* (blog), Urban Institute, April 17, 2018, <https://www.urban.org/urban-wire/rental-pay-history-should-be-used-assess-creditworthiness-mortgage-borrowers>.
- ⁶⁶ Bonnie Sinnock, “Rental Data May Improve Credit Model Predictability by 10% or More,” National Mortgage News, December 7, 2021, <https://www.nationalmortgagenews.com/news/rental-data-may-improve-credit-model-predictability-by-10-or-more>; TransUnion, “Rent Payment History Offers Greater Predictability into Consumer Credit Performance, press release, December 7, 2021, <https://newsroom.transunion.com/rent-payment-history-offers-greater-predictability-into-consumer-credit-performance/>. The study focused on credit performance in 2019 for about 1 million consumers who had rental data in their credit files at TransUnion as of year end 2018.
- ⁶⁷ Goodman and Zhu, “Rental Pay History.”

- ⁶⁸ Difference-in-differences is a statistical technique in which the data are analyzed by first calculating the difference in the first and second time periods and then subtracting the average gain (or difference) in the control group from the average gain (or difference) in the treatment group.
- ⁶⁹ Burr and Carlson (2007) includes results of a survey of approximately 10 energy utilities that had experimented with credit reporting. Turner et al. (2009) includes survey results from 70 telecom and utility companies and estimates that about 15 such companies were engaged in full-file reporting as of publication.
- ⁷⁰ Michael Turner and Tom Whitfield, “The Benefits of Full-File Credit Reporting and Why Communication Providers Should Consider It (Parts 1, 2, and 3),” Experian blog, June 25–29, 2011, <https://www.experian.com/blogs/insights/2011/06/the-benefits-of-full-file-credit-reporting-and-why-communication-providers-should-consider-it-part-1-of-3/>.
- ⁷¹ Concerns about the effects of the economic downturn prompted PERC to conduct additional analyses published in 2012. See Turner, Walker, Varghese, and Chaudhuri (2012) and Turner, Walker, Chaudhuri, and Varghese (2012).
- ⁷² Experian, “Experian Acquires RentBureau® Multifamily Division,” press release, June 24, 2010, <https://www.experianplc.com/media/latest-news/2010/experian-acquires-rentbureau-multifamily-division/>; and Experian, “Experian Becomes the First and Only Major Credit Reporting Agency to Include Residential Rental Payment Data in Credit Report,” press release, January 19, 2011, <https://www.experianplc.com/media/latest-news/2011/experian-becomes-the-first-and-only-major-credit-reporting-agency-to-include/>.
- ⁷³ TransUnion, “TransUnion Analysis Finds Reporting of Rental Payments Could Benefit Renters in Just One Month,” news release, June 19, 2014, <https://newsroom.transunion.com/transunion-analysis-finds-reporting-of-rental-payments-could-benefit-renters-in-just-one-month/>; and “ResidentCredit,” TransUnion, accessed November 15, 2021, <https://www.transunion.com/product/residentcredit>.
- ⁷⁴ Credit reporting agencies are required by law to perform some due diligence on data sources. Historically, the NCRAs have required new furnishers to have 100 to 200 active accounts per month, though some requirements have changed or may vary for particular categories of furnishers. See CFPB (2012, 18).
- ⁷⁵ For instance, Datalinx pitches its website to landlords, utilities, and other companies that want to engage in full-file reporting and does not offer consumer sign-ups or pricing. See “How to Report to Credit Bureaus,” Datalinx, accessed November 15, 2021, <https://datalinxllc.com/how-to-report-to-credit-bureaus>. Esusu describes itself as contracting directly with landlords and housing providers, though a segment of its website offers an option for individual consumers to pay for reporting services. See “Frequently Asked Questions,” Esusu, accessed November 15, 2021, <https://esusurent.com/faq>; and “Build Credit While Renting,” Esusu, accessed November 15, 2021, <https://esusurent.com/renters/>. Others emphasize that there is no cost to landlords to participate in their services, unless they choose to pay fees on behalf of a tenant. See “What Is the Cost as a Landlord or Property Manager?” PaymentReport Support, accessed November 15, 2021, <https://support.paymentreport.com/portal/en/kb/articles/what-is-the-cost-as-a-landlord-or-property-manager>; and <https://rentreportteam.com/landlords/>. At least one company also offers a one-time payment to landlords who refer consumers to sign up for their services. See “Attract and Retain Better Tenants,” Rent Reporters, accessed November 15, 2021, <https://www.rentreporters.com/property-managers/>.
- ⁷⁶ NALCAB (2020) reports the experiences of several subsidized housing operations in connecting to different reporting platforms.
- ⁷⁷ Surveys indicate that landlords are increasingly relying on such payment history information for tenant screening, along with other types of third-party records. See box 20.
- ⁷⁸ Compare “Offer Your Clients the Most Robust Data to Identify the Highest-Quality Residents,” Experian, accessed November 15, 2021, <https://www.experian.com/rentbureau/resident-data>, with “Why Building Your

Credit History Is Important,” Experian, accessed November 15, 2021, <https://www.experian.com/rentbureau/rental-payment>.

- ⁷⁹ Haldi describes negative reporting via reporting platforms as an “ideal choice” as compared with obtaining civil judgments or working with debt collectors (see Steve Haldi, “Can Property Managers Report Rental Payments to Credit Bureaus?” Dalalinx, May 14, 2018, <https://datalinxllc.com/can-property-managers-report-rental-payments-to-credit-bureaus/>). “Increase your Credit Score Using Your Rent,” Credit Rent Boost, accessed November 15, 2021, <https://www.creditrentboost.com/faqs-for-tenants/> (“[I]f a landlord does report to us that you are 30 days late, we are obligated to report it.”) PaymentReport Support notes that landlords “may” mark lease payments as more than 30 days late but that such history will be reported to credit bureaus only if the tenant is still registered and fees for reporting have been paid (see “Can a Lease Be Reported as Late to the Credit Bureaus?” PaymentReport Support, accessed November 14, 2021, <https://support.paymentreport.com/portal/en/kb/articles/can-a-lease-be-reported-as-late-to-the-credit-bureaus>). A few platforms (e.g., Till and Esusu) also provide rent relief loans or advances to help consumers maintain positive payments history (see “Esusu Rent Relief Fund,” Esusu, accessed November 15, 2021, <https://esusurent.com/rent-relief/>).
- ⁸⁰ “History of NCTUE,” National Consumer Telecom and Utilities Exchange, accessed November 14, 2021, <https://www.nctue.com/history>.
- ⁸¹ NCTUE, *Joining the Exchange: What You Need to Know to Become an Exchange Member* (2020).
- ⁸² FICO, FICO XD Product Overview (2019); FICO, “FICO Continues to Expand Access to Credit with New FICO® Score XD 2,” news release, March 29, 2018, <https://www.fico.com/en/newsroom/fico-continues-expand-access-credit-new-fico-score-xd-2>.
- ⁸³ See “FICO Score XD,” FICO, accessed November 15, 2021, <https://www.fico.com/en/products/fico-score-xd>. The NCRAs may still charge lenders for the costs of the data and other expenses. FICO estimates that roughly one-third of previously unscorable credit applicants will receive scores of 620 or above under FICO XD. They tend to be consumers who are relatively young and new to credit or somewhat older adults who have no credit file, rather than consumers who already have some derogatory information on their credit reports. Among those who score 620 or above at application and go on to obtain credit, approximately 75 percent maintain scores of 620 or above over the subsequent 24 months and nearly 50 percent rise to 700 or above (FICO 2021).
- ⁸⁴ See, e.g., Cal. Pub. Utilities Code §§ 2891(a)(2); N.J. Stat. Ann. § 48:3-85(b)(1); Wis. Stat. § 196.137. Turner and Varghese (2005) conducted a 20-state assessment and stakeholder interviews concerning state regulatory restrictions.
- ⁸⁵ H.R. Rep. 115-568 at 3 (Feb. 16, 2018).
- ⁸⁶ Sean Albert, “Settlement Reached Between PSE&G and Consumers,” MicroBuilt, March 31, 2012, <https://www.microbilt.com/news/article/settlement-reached-between-pseg-and-consumers>.
- ⁸⁷ See Hayley Grgurich, “The Importance of Rental History Reports When Screening Tenants,” Avail, July 2, 2021, <https://www.avail.co/education/articles/the-importance-of-rental-history-reports-when-screening-tenants>; Porch, *Renters and Landlords: A Look at the Pros and Cons of the Renting Economy*, porch.com (Apr. 24, 2019); Gerri Detweiler, *Landlords and Credit Checks: What You Should Know*, credit.com (July 20, 2018); Andrea Collatz, “Landlord Survey: Optimism In Renting Your Property,” mysmartmove.com, June 6, 2017, <https://www.mysmartmove.com/SmartMove/blog/transunion-landlord-survey-summary.page>; TransUnion, “TransUnion Reveals Almost Half of Landlords Consider Renters’ Credit Health as a Key Factor in Leasing Decision,” news release, May 12, 2014, <https://newsroom.transunion.com/transunion-reveals-almost-half-of-landlords-consider-renters-credit-health-as-a-key-factor-in-leasing-decision/>; Claire Tsosie and Amrita Jayakumar, “What Landlords Really Look For in a Credit Check,” NerdWallet, February 6, 2020, <https://www.nerdwallet.com/article/finance/landlords-credit-check>; and Lesly Gregory, “Rental History Becoming Key for Approving Leases,” ApartmentGuide, October 18, 2019,

<https://www.apartmentguide.com/blog/rental-history-becoming-key-for-approving-leases/>. For further discussion of tenant screening, see the Pandemic Effects section in chapter 5.

- ⁸⁸ See Joanne Gaskin, “Leveraging Alternative Data to Extend Credit to More Borrowers,” FICO blog, May 22, 2019, <https://www.fico.com/blogs/leveraging-alternative-data-extend-credit-more-borrowers>.
- ⁸⁹ Gaskin, “Leveraging Alternative Data”; and Joanne Gaskin, “Truth Squad: Can Scoring Rental Data Vastly Improve Credit Access?” FICO blog, May 10, 2017, <https://www.fico.com/blogs/truth-squad-can-scoring-rental-data-vastly-improve-credit-access>.
- ⁹⁰ “FICO® Scores Versions: Did You Know You Have More Than One FICO® Score?” MyFICO, accessed November 15, 2021, <https://www.myfico.com/credit-education/credit-scores/fico-score-versions>; Validation and Approval of Credit Score Models, 84 Fed. Reg. 41886 (Aug. 16, 2019).
- ⁹¹ See Validation and Approval of Credit Score Models, 84 Fed. Reg. 41886, 41889 (Aug. 16, 2019) for a statement by the Federal Housing Finance Agency that implementation is expected to take at least two years upon completion of the decisionmaking process.
- ⁹² “Seasonal Termination Protection Regulations,” US Department of Health and Human Services, Administration for Children and Families, LIHEAP Clearinghouse, accessed December 14, 2021, <https://liheapch.acf.hhs.gov/Disconnect/SeasonalDisconnect.htm>.
- ⁹³ “LIHEAP Fact Sheet,” US Department of Health and Human Services, Administration for Children and Families, Office of Community Services, accessed November 15, 2021, <https://www.acf.hhs.gov/ocs/fact-sheet/liheap-fact-sheet>; and Lauren Christopher, “LIHEAP DCL Second Funding Release FY 2020,” US Department of Health and Human Services, Administration for Children and Families, Office of Community Services, February 27, 2020, <https://www.acf.hhs.gov/ocs/policy-guidance/liheap-dcl-second-funding-release-fy-2020>.
- ⁹⁴ Compare “Energy Assistance,” Ohio Department of Development, accessed November 15, 2021, <https://development.ohio.gov/wps/portal/gov/development/individual/energy-assistance/energy-assistance> with “Low Income Home Energy Assistance Program,” Missouri Department of Social Services, accessed November 15, 2021, <https://mydss.mo.gov/media/pdf/low-income-home-energy-assistance-program>.
- ⁹⁵ Joint Letter to Congress, NEADA (Jan. 8, 2021). The US Department of Health and Human Services notes that only 5.4 million families received assistance through LIHEAP in fiscal year 2017 (see “LIHEAP Fact Sheet,” US Department of Health and Human Services).
- ⁹⁶ Ariel Dreihobl, “Weatherization Cuts Bills and Creates Jobs but Serves Only a Tiny Share of Low-income Homes, American Council for an Energy-Efficient Economy,” American Council for an Energy-Efficient Economy blog, July 7, 2020, <https://www.aceee.org/blog-post/2020/07/weatherization-cuts-bills-and-creates-jobs-serves-only-tiny-share-low-income>.
- ⁹⁷ Erin Douglas and Mitchell Fermann, “Everyday Texans Overlooked in State Lawmakers' Response to Power Outages During Winter Storm,” *Texas Tribune*, June 3, 2021, <https://www.texastribune.org/2021/06/03/texas-electricity-bills-winter-storm-legislature/>; Brad Brooks, “Poorer Texans Already Had Trouble Paying Energy Bills—Then Came the Storm,” Reuters, February 25, 2021, <https://www.reuters.com/article/us-usa-weather-texas-insecurity/poorer-texans-already-had-trouble-paying-energy-bills-then-came-the-storm-idUSKBN2AP14D>.
- ⁹⁸ Consumers who have a surplus at the end of the year (they have paid more than they have consumed) would get a surplus, whereas if they had a deficit, the amount they owe at the end of the year could be rolled over into the next 12 months of bills or paid as a lump sum (Howat et al. 2019).
- ⁹⁹ Many states have restrictions on cutting off utility service during peak months (winter and, less frequently, summer) and for ill, disabled, or elderly consumers or for consumers who enroll in particular payment plans (NCLC 2018, section 2). State and local laws also impose various requirements concerning eviction proceedings,

such as by requiring landlords to provide written notice to consumers, wait specified periods for the consumers to attempt to work out a resolution, obtain a court order, and seek assistance from law enforcement where other efforts fail (see “Eviction Process,” iPropertyManagement).

¹⁰⁰ Utility companies in some states may also have weaker incentives to minimize late payments because they have a general duty to serve consumers who reside in their geographic footprints, subject to the consumers’ ability to pay, and because any savings will be used to reduce rates (Federal Trade Commission 2004, 81; NCLC 2018, section 6.3).

¹⁰¹ 15 U.S.C. §§ 1681s et seq. See box 12.

¹⁰² Such concerns may be less relevant to landlords and utilities, given their geographic focus and business models.

¹⁰³ TransUnion (2002) reports a 1 percent dispute rate for full-file reporting. Chenven and Schulte (2015) discuss affordable housing providers’ implementation experiences and gives suggestions for smooth adoption. Burr and Carlson (2007) provide two case studies and report results of a survey of electrical utilities, including 9 respondents that currently or previously had furnished data to credit bureaus, with regard to effects on arrearages, implementation challenges, and tips on implementation. Turner and coauthors (2009) provide two case studies and report results of a survey of utility and telecom companies, including 14 respondents that currently or previously had furnished data to credit bureaus with regard to costs, benefits, and tips on implementation.

¹⁰⁴ Chenven and Schulte (2015, 25, 27) discuss technical challenges for affordable housing landlords. Burr and Carlson (2007, 6) report that utilities that stopped furnishing did so because they did not view the benefits as outweighing the costs and that although costs of automated furnishing were low once implementation was complete, some companies struggled to maintain sufficient information technology resources. Turner and coauthors (2009) report that utilities that stopped furnishing did so because they did not view the benefits as outweighing the costs.

¹⁰⁵ The Privacy Act generally prohibits federal agencies from disclosing information contained in a records system without individual consumer consent unless an exception applies. 5 U.S.C. § 552a(b). Reporting information to consumer reporting agencies in collection with a debt owed to the federal government is a specified exception, assuming the consumer has been notified and certain other conditions met. *Id.* § 552a(b)(12); 31 U.S.C. § 3711(e); 81 Fed. Reg. 81837, 81839 (Dec. 31, 2015). See box 24.

¹⁰⁶ Proponents have introduced versions of the Credit Access and Inclusion Act in one or more houses of Congress since at least 2013, and one bill passed the House in 2018. See, for example, Credit Access and Inclusion Act of 2021, S. 2417, 117th Cong. (2021) and Get the Lead Out Act of 2019, H.R. 4321, 116th Cong. (2019). See also Neil Haggerty, “House Passes Bill Allowing Telecom, Utility Payments in Credit Scores,” *American Banker*, June 25, 2018, <https://www.americanbanker.com/news/house-passes-bill-allowing-telecom-utility-payments-in-credit-scores>. The bill would have overridden other state and federal laws to allow reporting of UTR payments regardless of consumer consent or whether the payment history was positive or negative, with the exception of consumers who were enrolled in and meeting the requirements of a payment plan with an energy utility. See Credit Access and Inclusion Act of 2017, H.R. 435, 115th Cong. (2017). Although proponents argued that the bill would increase consumers’ credit scores by encouraging the reporting of positive payment history, it triggered substantial opposition from the National Consumer Law Center and some other advocate groups that argued that full-file reporting could have negative effects on some consumers not only with regard to access to credit but tenant and employment screening and insurance underwriting. See Neil Haggerty, “Bill to Enhance Poor Credit Scores Will Backfire, Critics Say,” *American Securitization Report*, July 30, 2018, <https://asreport.americanbanker.com/news/bill-to-enhance-poor-credit-scores-will-backfire-critics-say>; and Carlton Fields (2016).

¹⁰⁷ See FinRegLab (2020a, section 5.2.1) for a discussion of similar issues affecting banks’ incorporation of cash-flow data into their underwriting models.

- ¹⁰⁸ See FinRegLab (2020a, section 5.2.1.4) for a discussion of similar issues affecting securitizers' attitudes regarding use of cash-flow data in credit underwriting.
- ¹⁰⁹ Third-party credit scoring models are frequently built on at least 24 months of payment history, but take additional time for analysis and production by model developers. Once the companies have rolled out new models, individual lenders have to go through their own processes to validate the models, decide whether to adopt them, and make related adjustments to their internal underwriting and pricing criteria and processes. After the 2008 financial crisis, for example, VantageScore rolled out its first major model update in 2013 and FICO did so in 2014, and lender implementation took additional time. FICO 8, which was developed using pre-crisis data, is actually still the most widely used model today. See FinRegLab (2020d, 2).
- ¹¹⁰ Brandon Cornett, "Minimum FHA Credit Score Requirements in 2020," FHA Handbook, May 13, 2020, <http://www.fhahandbook.com/credit-scores.php>; Karina C. Hernandez, "Verification of Rental History for an FHA Loan," PocketSense, November 8, 2018, <https://pocketsense.com/verification-rental-history-fha-loan-19967.html>; and "B3-5.4-03, Documentation and Assessment of a Nontraditional Credit History (08/30/2016)," Fannie Mae, November 3, 2021, <https://selling-guide.fanniemae.com/Selling-Guide/Origination-thru-Closing/Subpart-B3-Underwriting-Borrowers/Chapter-B3-5-Credit-Assessment/Section-B3-5-4-Nontraditional-Credit-History/1032991091/B3-5-4-03-Documentation-and-Assessment-of-a-Nontraditional-Credit-History-08-30-2016.htm#Rental.20Payment.20History>.
- ¹¹¹ Joanne Gaskin, "FICO Fact: Do FICO Scores Consider FICO, Telco and Utility Data?" FICO blog, September 24, 2021, <https://www.fico.com/blogs/fico-fact-do-fico-scores-consider-telco-and-utility-data>.
- ¹¹² National Association of Federally-Insured Credit Unions, "FHFA to Stop Credit Score Initiative, Focus on Mandates in S.2155," news release, July 24, 2018, <https://www.nafcu.org/newsroom/fhfa-stop-credit-score-initiative-focus-mandates-s-2155>.
- ¹¹⁴ Ben Lane, "FHFA Flip-Flops, Won't Blacklist VantageScore as FICO Alternative for Fannie and Freddie," *HousingWire*, August 13, 2019, <https://www.housingwire.com/articles/49847-fhfa-flip-flops-wont-blacklist-vantagescore-as-fico-alternative-for-fannie-and-freddie>.
- ¹¹⁵ "Credit Scores," Federal Housing Finance Agency, November 10, 2020, <https://www.fhfa.gov/PolicyProgramsResearch/Policy/Pages/Credit-Scores.aspx>.
- ¹¹⁶ Tim Lucas, "Low Credit Score Home Buyers in 2021 Could Qualify Because of This New FHA Policy," *My Mortgage Insider*, September 29, 2021, <https://mymortgageinsider.com/new-fha-policy-for-low-credit-home-buyers-7494/>.
- ¹¹⁷ One Brookings Institution study building on a survey and interviews with electrical utilities suggested that cultural factors could be substantial in that industry, in part because utilities are accustomed to looking to state governments for a certain amount of direction in management, cost containment, profitability, and other issues (Burr and Carlson 2007, 9).
- ¹¹⁸ DTE Energy states that DTE reports only bills that are more than 60 days past due at locations where DTE services have been disconnected (see "Frequently Asked Questions," DTE Energy, accessed November 14, 2021, <https://newlook.dteenergy.com/wps/wcm/connect/dte-web/home/billing-and-payments/business/LUM/FAQs>). Simon includes a statement from a Verizon spokeswoman stating that Verizon reports only charged-off or written-off accounts because of differences in state requirements for reporting active account information (see Jeremy M. Simon, "Why Cell Phone Payments Don't Help Your Credit," *Fox Business*, March 18, 2016, <https://www.foxbusiness.com/features/why-cell-phone-payments-dont-help-your-credit>). Sachs details how WE Energies stopped reporting customers' payments in December 2018 (see Jenna Sachs, "WE Energies Stops Reporting to Credit Bureaus, Impacting Some Customers' Credit Scores," *Fox 6 Milwaukee*, March 24, 2019, [114](https://www.fox6now.com/news/we-energies-stops-reporting-to-credit-bureaus-impacting-some-customers-</p></div><div data-bbox=)

credit-scores). The Credit Builders Alliance also reports that some affordable housing operators in its original rent reporting pilot have since ceased reporting because of technical resource issues.

¹¹⁹ 15 U.S.C. § 1681s-2. Other duties relate to assisting victims of identity theft and following certain requirements in disposing consumer reports to reduce privacy risks.

¹²⁰ 15 U.S.C. § 1681s-2(a), (b).

¹²¹ “Program Costs,” e-OSCAR.

¹²² 12 C.F.R. § 1022.42 & app. E.

¹²³ 15 U.S.C. § 1681b(a).

¹²⁴ 15 U.S.C. §§ 1681a(l), 1681b(c). Consumers can opt out of receiving such offers by contacting the consumer reporting agency.

¹²⁵ Michael G. Nathans, letter to Jennifer J. Johnson, secretary of the Board of Governors of the Federal Reserve System and others, May 22, 2006, <https://www.fdic.gov/resources/regulations/federal-register-publications/2006/06c27anprfacta.pdf>.

¹²⁶ Nathans, letter to Jennifer J. Johnson; and Michelle Singletary, “Earning Credit for Paying Rent,” *Washington Post*, February 22, 2004, <https://www.washingtonpost.com/wp-dyn/articles/A59605-2004Feb21.html>.

¹²⁷ American Land Title Association, “First American Enhanced Credit Reporting Service Helps Increase Loan Eligibility for First-Time Home Buyers,” news release, September 23, 2004, <https://www.alta.org/news/news.cfm?20040923-First-American-Enhanced-Credit-Reporting-Service-Helps-Increase-Loan-Eligibility-for-First-Time-Home-Buyers>.

¹²⁸ “How It Works,” Connect, November 15, 2021, <https://www.microbiltconnect.com/how-it-works>; and “Unbanked Data: A Merger Aims for Deeper Dive,” *American Banker*, January 2, 2009, <https://www.americanbanker.com/news/unbanked-data-a-merger-aims-for-deeper-dive>.

¹²⁹ E. Scott Reckard, “First American to Split in Two Tuesday,” *Los Angeles Times*, May 29, 2010, <https://www.latimes.com/archives/la-xpm-2010-may-29-la-fi-first-american-20100529-story.html>.

¹³⁰ Equifax, “Equifax Completes Acquisition of Teletrack® from CoreLogic®,” press release, September 7, 2021, <https://investor.equifax.com/news-events/press-releases/detail/1187/equifax-completes-acquisition-of-teletrack-from>.

¹³¹ See the website for Rock the Score at <https://www.rockthescore.com/>. See also “Do You Refund the Set-Up Fee If the Landlord or Property Manager Does Not Participate?” PaymentReport Support, accessed November 15, 2021, <https://support.paymentreport.com/portal/en/kb/articles/do-you-refund-the-set-up-fee-if-the-landlord-or-property-manager-does-not-participate>; and “Increase Your Credit Score Using Your Rent: FAQs for Tenants,” Credit Rent Boost, accessed November 15, 2021, <https://www.creditrentboost.com/faqs-for-tenants/>.

¹³² “Increase Your Credit Score,” Credit Rent Boost.

¹³³ “Business Lift,” eCredable, accessed December 14, 2021, <https://business.ecredable.com>.

¹³⁴ eCredable notes that the company reports both positive and negative payment history “[i]n order to maintain the quality of the credit reporting system” (see “How It Works: Lift,” eCredable, accessed November 15, 2021, <https://www.ecredable.com/how-it-works/lift>). Experian Boost emphasizes reporting of positive payment history (see “Only Experian Can Raise Your FICO Score Instantly,” Experian, accessed November 15, 2021, <https://www.experian.com/consumer-products/score-boost.html>). RentReportersTeam, How It Works (undated) emphasizes reporting of every on-time payment.

¹³⁵ Madison Hogan, “Urjanet Raises \$14.6 Million Round Led by Equifax,” *AtlantaInno*, June 23, 2020, <https://www.bizjournals.com/atlanta/inno/stories/fundings/2020/06/23/urjanet-raises-14-6-million-round>.

[led-by-equifax.html](#); Equifax, Product Sheet, Get a Better View of Underbanked Consumers and Consumer Occupancy (2021).

- ¹³⁶ “Product: Payment Insights,” Equifax, accessed November 14, 2021, <https://www.equifax.com/business/product/payment-insights/>.
- ¹³⁷ Equifax, Product Sheet, Help Expand Access to Credit for Consumers Overlooked in Traditional Lending with Snapshot from Yodlee (2020).
- ¹³⁸ Finicity, “Finicity Launches Finicity Lend™ to Accelerate the Next-Gen Credit Decisioning Experience, Advance Open Banking,” press release, September 28, 2020, <https://www.finicity.com/finicity-lend-to-accelerate-next-gen-credit-decisioning-experience/>.
- ¹³⁹ “Finicity Lend: Tomorrow’s Lending Experience Starts Here,” Finicity, accessed November 15, 2021, <https://www.finicity.com/lend/>; and “Transactions: Taking the Mystery Out of Transaction Histories,” Finicity, accessed November 15, 2021, <https://www.finicity.com/manage/transactions/>.
- ¹⁴⁰ Michael A. Covington, “ATP Scoring Paves New Path to Financial Inclusion,” *HousingWire*, October 9, 2020, <https://www.housingwire.com/articles/atp-scoring-paves-new-path-to-financial-inclusion/>.
- ¹⁴¹ Penny Crosman, “Petal Offers Alt-Data Underwriting Tech to Banks. Do They Want It?” *American Banker*, April 28, 2021, <https://www.americanbanker.com/payments/news/petal-offers-alt-data-underwriting-tech-to-banks-do-they-want-it>.
- ¹⁴² Penny Crosman, “Twitter Veteran Launches Credit Score That Digs Deep into Cash Flow,” *American Banker*, October 1, 2020, <https://www.americanbanker.com/news/twitter-veteran-launches-credit-score-that-digs-deep-into-cash-flow>; Harvest, What Determines My PRO Index? (July 2020).
- ¹⁴³ Peter Rudegeair and AnnaMaria Andriotis, “JPMorgan, Others Plan to Issue Credit Cards to People with No Credit Scores,” *Wall Street Journal*, May 13, 2021, <https://www.wsj.com/articles/jpmorgan-others-plan-to-issue-credit-cards-to-people-with-no-credit-scores-11620898206>.
- ¹⁴⁴ Ben Luthi, “What Is UltraFICO and How Do I Use It?” Experian blog, May 29, 2020, <https://www.experian.com/blogs/ask-experian/what-is-ultrafico/>. Attributes are predictive variables derived from credit bureau data or other sources. They are often inferred from the interaction of multiple data points, such as by calculating average monthly balances from component variables (FinRegLab 2020a, 18, 34).
- ¹⁴⁵ Luthi, “What Is UltraFICO and How Do I Use It?” The model does not consider details about what or to whom payments are made or items reported as child or family support obligations.
- ¹⁴⁶ The FCRA does not generally require furnishers to obtain consumers’ permission to provide data to a credit reporting agency, though the Privacy Act has been construed to require operators of federally subsidized rental housing to obtain consent to report tenants’ payment history. See the Direct Reporting Initiatives section earlier in this chapter.
- ¹⁴⁷ See FinRegLab (2020a, section 4.2) for a discussion of data aggregators’ activities in collecting data from banks and other financial services. Aggregators’ transfer of information from utility and telecom companies’ websites generally also rely on consumers’ sharing log-in credentials, but the company websites do not provide the ability to conduct bank account transactions or data beyond the scope of the particular utility or telecom account.
- ¹⁴⁸ Jeff Softley, “Experian Boost Adds Streaming Service Payments,” Experian blog, July 27, 2020, <https://www.experian.com/blogs/news/2020/07/27/boost-adds-streaming-service-payments/>. Experian expanded the program to the United Kingdom in late 2020, where it attracted 370,000 enrollments by March 2021 (Experian 2021).
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- ²⁴¹ The NCRAs agreed to a settlement in 2017 to wait 180 days before listing medical debts in consumer credit files, but they remain the most frequent type of collections item (Cooper and Getter 2020; Furey and Kelly 2018). For recent discussions, see Turner, Walker, and Moore (2020) and Wu (2021).
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did not know whether energy utility payments were reported, and only 28 percent thought they were not frequently reported, with even higher percentages among respondents of color and low-income consumers.

²⁴⁵ Turner, Varghese, Walker, and Dusek (2009) note that an online survey found that half of respondents said they would be more likely to prioritize utility payments if they knew they would be reported to credit bureaus.

²⁴⁶ Studies suggest that 10 to 11 percent of Black and Hispanic households lack bank or prepaid accounts, compared with 27 to 28 percent of Black and Hispanic consumers who lack traditional credit scores and 32 to 36 percent of households that do not have mainstream credit products that are likely to be reported to credit bureaus (Appam et al. 1, 7, 9–12, 18–19, 34–38, 48–58; Brevoort, Grimm, and Kambara 2015, 6, 17; FinRegLab 2020a, section 5.1).

²⁴⁷ See the Opportunities—and Challenges—in Particular Product Markets section in this chapter for more discussion of pipeline issues concerning homeownership.

²⁴⁸ Bev O’Shea, “Rental Karma Review: Get Credit for Your Rent,” NerdWallet, September 20, 2021, <https://www.nerdwallet.com/article/finance/rental-karma-review>.

²⁴⁹ Accompany Capital and others, letter to the Biden administration, accessed November 21, 2021, https://creditbuildersalliance.org/wp-content/uploads/2021/04/Open-Letter-to-the-Biden-Administration_final-2.pdf.

²⁵⁰ Accompany Capital and others, letter to the Biden administration. For additional discussion see Credit Builders Alliance, LISC, and Prosperity Now, n.d.

²⁵¹ TransUnion reports the results of a consumer survey in which 67 percent of respondents overall, 69 percent of millennial respondents, and 73 percent of Generation Z respondents said they would choose landlords that had options in place for reporting rent payments to credit bureaus over those that did not (see TransUnion, “Rent Reporting Will Motivate Seven in 10 Renters to Make More On-Time Payments,” press release, June 26, 2019, <https://newsroom.transunion.com/rent-reporting-will-motivate-seven-in-10-renters-to-make-more-on-time-payments/>). For further discussion of millennials’ and Gen Z consumers’ awareness of credit reporting, attempts to build better scores, and experiences with housing and homeownership, see Dan Ennis, “Gen Z Has More Card Debt Than Millennials — and Higher Credit Scores,” *bankingdive.com*, February 3, 2020, <https://www.bankingdive.com/news/gen-z-has-more-card-debt-than-millennials-and-higher-credit-scores/571590/>; Freddie Mac, “A New Survey Shows Generation Z Ambitious Yet Realistic About Homeownership,” November 21, 2019, http://www.freddiemac.com/research/consumer-research/20191120_gen_z_ambitious_yet_realistic.page; Penelope Wang, “Smart Strategies for Millennials to Build Credit,” *Consumer Reports*, October 12, 2019, <https://www.consumerreports.org/credit/smart-strategies-for-millennials-to-build-credit/>. See also Choi et al. (2018).

²⁵² Metro 2® Credit Reporting Resource Guide 5-11 to 5-12 (2020).

²⁵³ *Id.* 2-16 & section 6.

²⁵⁴ Metro 2® Credit Reporting Resource Guide 4-6.

²⁵⁵ See generally Marcia Stewart, How Rent Withholding Works, *nolo.com* (visited Dec. 6, 2021), <https://www.nolo.com/legal-encyclopedia/how-rent-withholding-works.html>; Nolo, State Laws on Rent Withholding and Repair and Deduct Remedies, *nolo.com* (visited Dec. 6, 2021), <https://www.nolo.com/legal-encyclopedia/state-laws-on-rent-withholding-and-repair-and-deduct-remedies.html>; U.S. Department of Housing & Urban Development, Tenant Rights (visited Dec. 6, 2021), https://www.hud.gov/topics/rental_assistance/tenantrights.

²⁵⁶ Cal. Civ. Code § 1954.06(i).

²⁵⁷ See the Overview of Research on Access section in chapter 3. An additional factor may involve consumers who move from a thin-file to a thick-file scorecard based on the addition of UTR data because different factors may

be weighted slightly differently under the thick-file algorithm. Although this may cause scores to drop slightly, the ultimate effect on consumers is difficult to gauge because lenders may impose different requirements or charge different prices to thin file consumers (box 2).

²⁵⁸ For instance, the NCRAs adopted the Metro 2[®] standard in 1997, but furnishers were not required to use it until the NCRAs entered settlements with several states in 2015 to stop accepting reports in previous formats by mid-2018. See FinRegLab (2020a, 10).

²⁵⁹ See Consumer Permissioned Channels section of chapter 4.

²⁶⁰ iPropertyManagement provides state-by-state overviews of eviction timelines, which generally depend upon delivery of a written notice and the expiration of a brief period to allow the consumer to tender payment or move out (see “Eviction Process,” iPropertyManagement, accessed November 14, 2021, <https://ipropertymanagement.com/laws/eviction-process-provides>). State timelines have been temporarily overridden by federal pandemic legislation that requires landlords who are receiving federal subsidies or forbearances on federally guaranteed loans to provide 30 days notice before initiating evictions. Pub. L. 116-136, § 4024(c), 134 Stat. 281 (Mar. 27, 2020).

²⁶¹ After the 2008 financial crisis, federal laws were amended to require mortgage lenders to collect verified information to conduct ability-to-repay analyses. See 12 C.F.R. § 1026.43(c)(3) and FinRegLab (2020a, 44, 63).

²⁶² The GSEs have provided incentives for greater use of these mechanisms to reduce fraud risks by relieving lenders who use the automated verification systems from obligations to repurchase mortgages if the documents are later found to contain errors or misrepresentations. Some sources indicate that they can also shorten processing timelines by 10 to 12 days and save hundreds of dollars (OIG 2019). By early 2019, about 14 percent of mortgages purchased by Fannie Mae had all income, employment, and asset verifications completed through automated systems, compared with 4 percent two years before (OIG 2019). Stakeholders report take-up has further accelerated since the pandemic.

²⁶³ FormFree and Finicity, which both participate in the GSEs’ existing verification programs, also offer separate services to distill expense information and other data points from bank account data (see box 14 and the Broader Rent Reporting Initiatives section in chapter 5).

²⁶⁴ See GAO (2021). The interview sample was not representative but included six banks, four nonbanks, three credit unions, and three financial technology companies; interviewees originated between \$15 million and \$159 billion in mortgage loans in 2019. The Veterans Administration has approved the use of the GSEs’ automated underwriting systems and its own automated system. Its handbook requires verification and analysis of 24 months of rental history for manual underwriting. VA Pamphlet 26-7, chp. 4, §§ 7, 8 (2019). VA loans are packaged with FHA loans into Ginnie Mae securities. About a tenth of 1 percent of VA loans and 2 percent of loans by the US Department of Agriculture go to consumers without credit scores (GAO 2021).

²⁶⁵ According to Black Knight’s repeat sales index, year-over-year home price appreciation increased to 19.40 percent in July 2021, and months of available housing supply in August 2021 was just 2.6, compared with 6 months’ supply in normal times (Goodman et al. 2021). Parrott and Zandi (2021) estimate there is also less housing available for rent and sale than at any time in the past 30 years.

²⁶⁶ The Mortgage Bankers Association pegs such costs at more than 13 times the costs of servicing performing mortgages. Since the 2008 financial crisis, the costs to service a performing loan (\$147 a year) has risen by 2.5 to 3 times, while the costs to service a nonperforming loan (\$1,960 a year) has increased by 4 to 5 times. See Michael Frattoni, “Why Have Banks Stepped Back from Mortgage Servicing?” International Banker, September 2, 2020, <https://internationalbanker.com/finance/why-have-banks-stepped-back-from-mortgage-servicing/>.

²⁶⁷ Kenneth P. Brevoort & Michelle Kambara, CFPB Data Point: Becoming Credit Visible (2017), https://files.consumerfinance.gov/f/documents/BecomingCreditVisible_Data_Point_Final.pdf.

²⁶⁸ See the Direct Reporting Initiatives section of chapter 4, box 15, and the Increased Attention to Systemic Racial Barriers section of chapter 5.

²⁶⁹ See also “Consumer Reporting Agency,” Finicity, accessed November 21, 2021, <https://www.finity.com/consumer-reporting-agency/>.

²⁷⁰ For example, PRBC described itself as a credit reporting agency, PRBC, Response to Agencies’ Request for Comment on the Procedures to Enhance the Accuracy and Integrity of Information Furnished to Consumer Reporting Agencies; while RentReporters directs landlords to review “notices to furnishers” on its website, “Terms of Use,” RentReporters, accessed December 15, 2021, <https://www.rentreporters.com/terms-of-use/>; and Rent Report Team and Rock the Score post information that is typically provided by furnishers to consumers under the FCRA. “Terms of Service,” Rent Report Team, accessed December 15, 2021, <https://rentreportteam.com/terms-conditions/>; and “Terms and Conditions,” Rock the Score, accessed December 15, 2021, <https://www.rockthescore.com/legal/#terms>.

²⁷¹ 15 U.S.C. § 1681a(f); 12 C.F.R. § 1022.41(c). Consumer reports are defined as the communication of information by a consumer reporting agency bearing on a consumer’s creditworthiness, capacity, or certain other characteristics, which is collected in whole or in part for the purpose of serving as a factor in establishing the consumer’s eligibility for personal credit or for various other purposes identified by the FCRA. 15 U.S.C. § 1681a(d).

²⁷² 86 Fed. Reg. 21163 (Apr. 22, 2021); box 20.

²⁷³ The definition of furnisher excludes “a consumer to whom the furnished information pertains,” 12 C.F.R. § 1022.41(c)(3). In the context of data aggregators, some stakeholders argue that banks are not furnishers under the FCRA where an aggregator pulls account records at the direction of a consumer. See FinRegLab (2020a, section 6.1.1.2).

²⁷⁴ 12 U.S.C. § 5533(a).

²⁷⁵ 12 U.S.C. § 5481(5), (6), (15). The Dodd-Frank Act defines “credit” to include “the right granted by a person to a consumer to defer payment of a debt, incur debt and defer its payment, or purchase property or services and defer payment for such purchase.” 12 U.S.C. § 5481(7). See box 3.

²⁷⁶ Financial services stakeholders are divided over whether aggregators should be considered credit reporting agencies, but there appears to be little advocacy for treating data sources as furnishers under the FCRA when data are being pulled with consumer permission. See FinRegLab (2020a, section 6.1.2).

²⁷⁷ 15 C.F.R. § 314.2(h)(1); 86 Fed. Reg. 70272 (Dec. 9, 2021).

²⁷⁸ 12 U.S.C. § 1843(k); 12 C.F.R. § 225.28(b)(2)(v), (b)(14).

²⁷⁹ 15 U.S.C. § 31.4.1(b).

²⁸⁰ Federal Housing Finance Agency, “FHFA Announces Inclusion of Rental Payment History in Fannie Mae’s Underwriting Process,” news release, August 11, 2021, <https://www.fhfa.gov/mobile/Pages/public-affairs-detail.aspx?PageName=FHFA-Announces-Inclusion-of-Rental-Payment-History-in-Fannie-Maes-Underwriting-Process.aspx>.

²⁸¹ Consumer Financial Protection Bureau, “Remarks of Director Rohit Chopra at a Joint DOJ, CFPB, and OCC Press Conference on the Trustmark National Bank Enforcement Action,” news release, October 22, 2021, <https://www.consumerfinance.gov/about-us/newsroom/remarks-of-director-rohit-chopra-at-a-joint-doj-cfpb-and-occ-press-conference-on-the-trustmark-national-bank-enforcement-action/>; and Ted Knutson, “CFPB Director Chopra: I Want to Zero in on Wide-Scale Harm from Big Businesses,” *Forbes*, October 27, 2021, <https://www.forbes.com/sites/tedknutson/2021/10/27/cfpb-director-chopra-i-want-to-zero-in-on-wide-scale-harm-from-big-businesses/?sh=c5655b2426b0>.

- ²⁸² See box 16 concerning transfers of bank account data, and see FinRegLab (2020a, section 6) for a broader analysis of consumer protection concerns regarding the use of cash-flow data for credit underwriting.
- ²⁸³ 2 C.F.R. § 202.2 (p)(1); Office of the Comptroller of the Currency, Bulletin 1997-24, app. at 11 (May 20, 1997), <https://www.occ.treas.gov/news-issuances/bulletins/1997/bulletin-1997-24a.pdf>.
- ²⁸⁴ Over the past 20 years, Fannie Mae and Freddie Mac's share of mortgage originations has ranged from less than 40 percent to more than 60 percent of all first-lien originations. In the second quarter of 2021, FHA and US Department of Veterans Affairs securitizations through Ginnie Mae accounted for about 16 percent of first-lien originations, while unsecuritized mortgage loans held on bank, credit union, and other nondepositories' balance sheets accounted for about 26 percent. The remaining first-lien loans were held in private-label securities. See Goodman et al. (2021, 8).
- ²⁸⁵ H.R. 123, 116th Cong. (2019).
- ²⁸⁶ "Jobs Plus Initiative Program (JPI)," US Department of Housing and Urban Development, accessed November 14, 2021, https://www.hud.gov/program_offices/public_indian_housing/jpi.
- ²⁸⁷ Accompany Capital and others, letter to the Biden administration.
- ²⁸⁸ Focusing only on positive payment history may also weaken the incentives for some UTR companies to facilitate data transfers because a carrot-only system may produce smaller improvements to their own delinquency and collections programs. At the same time, attempts to encourage full-file reporting over the past two decades have not produced substantial movement, and there could actually be some advantages to the narrower approach, such as by reducing the likelihood of consumer disputes and by potentially providing marketing or positive customer relationship-building opportunities. See TransUnion, "Rent Reporting Will Motivate Seven in 10 Renters to Make More On-Time Payments," news release, June 16, 2019, <https://newsroom.transunion.com/rent-reporting-will-motivate-seven-in-10-renters-to-make-more-on-time-payments/>.
- ²⁸⁹ See, e.g., Policy & Economic Research Council, Comments on the December 10, 2019, Accuracy in Consumer Reporting Workshop 10-12 (Jan. 31, 2020).
- ²⁹⁰ Aitken (2017) reports additional statistics from TransUnion. Turner, Varghese, and Walker (2015) report additional statistics from Equifax. See also TransUnion, "TransUnion Analysis Finds Reporting of Rental Payments Could Benefit Renters in Just One Month," press release, June 19, 2014, <https://newsroom.transunion.com/transunion-analysis-finds-reporting-of-rental-payments-could-benefit-renters-in-just-one-month/>.
- ²⁹¹ "Here Are the Different Credit Score Ranges and What They Mean," Chase, accessed December 15, 2021, <https://www.chase.com/personal/credit-cards/education/credit-score/credit-score-ranges-and-what-they-mean>.
- ²⁹² Jim Akin, "What Are the Different Credit Scoring Ranges?" Experian, June 23, 2020, <https://www.experian.com/blogs/ask-experian/infographic-what-are-the-different-scoring-ranges/>.
- ²⁹³ "Borrower Risk Profiles," Consumer Financial Protection Bureau, accessed December 15, 2021, <https://www.consumerfinance.gov/data-research/consumer-credit-trends/student-loans/borrower-risk-profiles/>.
- ²⁹⁴ Joe Resendiz, "What's a Good Credit Score to Have? How to Get It?" last updated October 4, 2021, <https://www.valuepenguin.com/whats-a-good-credit-score>; and Timothea Xi, "What Does 'Tier B' Mean on Auto Loan Processing," The Nest, accessed December 15, 2021, <https://budgeting.thenest.com/tier-b-mean-auto-loan-processing-33752.html>.

²⁹⁵ About 7.5 million files had utility data, with 84 percent from Illinois, Pennsylvania, and Wisconsin. About 0.6 million had telecom data (mostly wireless), with 81 percent from Pennsylvania and Texas. Only 1,500 files had both types of data (PERC and Brookings 2006).

²⁹⁶ Additional details are provided in VantageScore (2021a).

²⁹⁷ The analysis used a common metric called the Kolmogorov-Smirnov statistic that compares the share of total goods (low risks) and the share of total bads (high risks) that are captured for different score cutoffs. The authors assumed that consumers who would not have a credit score absent the utility or telecom data would be rated by lenders as more risky than the lowest score band, though the authors acknowledged that some lenders might proceed with manual underwriting or other alternative processes so that there was some risk that their results overstated the benefits from when consumers move from unscorable to scorable. (PERC and Brookings 2006, 24).

²⁹⁸ The analysis used a common metric called the Kolmogorov-Smirnov statistic that compares the share of total goods (low risks) and the share of total bads (high risks) that are captured for different score cutoffs. The authors generally assumed that consumers who would not have a credit score absent the utility or telecom data would be rated by lenders as being as risky as consumers in the lowest score band, though the authors provided some statistics using alternative assumptions, such as placing unscorable consumers in the second-lowest band. (PERC and Brookings 2006, 12-13, 15).

²⁹⁹ Additional details on the analysis are provided in Bonnie Sinnock, "Rental Data May Improve Credit Model Predictability by 10% or More," National Mortgage News, December 7, 2021, <https://www.nationalmortgagenews.com/news/rental-data-may-improve-credit-model-predictability-by-10-or-more>.

³⁰⁰ Experian later acquired RentBureau. See the Direct Reporting Initiatives section in chapter 4.

³⁰¹ The report does not identify which version of VantageScore was used in the analysis, but it likely was version 2.

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Glossary

alternative/nontraditional credit data: These terms are commonly used to refer to any information that is not typically contained in traditional credit reports and/or credit applications. Alternative data evaluated as part of a credit decision can be financial in nature (such as deposit and UTR payment history) or nonfinancial (such as the date, time, or place of a transaction).

CFPB: The Consumer Financial Protection Bureau is a federal agency with authority to supervise, enforce, and write rules to implement certain federal consumer protection statutes, including the Equal Credit Opportunity Act (ECOA) and the Fair Credit Reporting Act (FCRA). The agency's supervision jurisdiction broadly encompasses major providers of consumer financial products and services.

closed-end credit: Closed-end credit refers to credit products that offer a consumer a one-time loan amount, which is then gradually paid down until the balance is fully repaid and the loan is closed. Examples include installment loans or mortgages.

CRAs: A consumer reporting agency (codified at 15 U.S.C. § 1681a(f)) is any firm that regularly engages in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties.

credit invisible: Individuals who do not have a credit file at one of the nationwide credit reporting agencies are sometimes referred to as credit invisibles, although some sources use the term to include consumers who are unscored by one or more third-party credit models.

credit overlays: Credit overlays refer to minimum requirements lenders put in place before a consumer is eligible to be extended credit, such as a minimum credit score or a minimum number of tradelines.

credit utilization: A consumer's utilization rate refers to the proportion of credit the consumer has used to the total amount available. Credit scoring models may evaluate utilization rates for individual accounts, across accounts, or both.

data aggregator: Data aggregators are intermediaries that facilitate the acquisition and transfer of information between firms, particularly of bank and other financial account data. Historically, they have operated by using consumers' log-in credentials and screen scraping techniques to collect data.

ECOA: The Equal Credit Opportunity Act of 1974 is a federal statute (codified at 15 U.S.C. § 1691 et seq.) that makes it unlawful for any creditor to discriminate against any applicant with respect to any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to contract) or on certain other grounds. The ECOA is

implemented by the Consumer Financial Protection Bureau through Regulation B (codified at 12 C.F.R. Part 1002).

FCRA: The Fair Credit Reporting Act is a federal statute (codified at 15 U.S.C. § 1681 et seq.) enacted to promote the accuracy, fairness, and privacy of consumer information contained in the files of consumer reporting agencies. FCRA regulates the collection, dissemination, and use of consumer information for credit purposes as well as for activities such as employment, insurance, and housing. It is implemented by the Consumer Financial Protection Bureau through Regulation V (codified at 12 C.F.R. Part 1022).

FHA: The Federal Housing Administration sits within the Department of Housing and Urban Development and insures mortgages issued by FHA-approved lenders.

FHFA: The Federal Housing Finance Agency was established by the Housing and Economic Recovery Act of 2008 to supervise and regulate Fannie Mae, Freddie Mac, and Federal Home Loan Banks.

FICO: The Fair Isaac Corporation is a data analytics firm whose third-party credit scoring models are widely used by lenders when assessing credit risk and in connection with mortgage securitizations.

FTC: The Federal Trade Commission is a federal agency charged with protecting consumers and competition by preventing anticompetitive, deceptive, and unfair business practices through law enforcement, advocacy, and education. Its consumer protection function encompasses privacy and data security, including articulation of rules to implement the Gramm-Leach-Bliley Act. The FTC's jurisdiction reaches virtually every area of commerce, with some exceptions for banks, savings and loans, federal credit unions, insurance companies, and common carriers such as airlines. In financial services, the FTC's nonbank jurisdiction overlaps with that of the CFPB, and the two agencies have coordinated in areas like debt collection. Before the Dodd-Frank Act, the FTC had primary responsibility for implementing the Fair Credit Reporting Act and still retains enforcement authority.

full-file reporting: Credit reporting is considered to be full file when both positive and negative payment history are reported to CRAs.

furnisher: Firms that choose to report consumer data to credit reporting agencies are generally furnishers. Firms that provide such information are required under the Fair Credit Reporting Act to implement front-end processes to promote accuracy and to investigate and resolve consumer disputes about the accuracy of specific information.

GSEs: Government-sponsored enterprises are privately held entities created by Congress to improve credit access in certain sectors, including both Fannie Mae and Freddie Mac.

HUD: The Department of Housing and Urban Development is a federal department that oversees various housing-related initiatives, including the Federal Housing Administration and the Office of Fair Housing and Equal Opportunity.

LIHEAP: Established in 1981, the Low Income Home Energy Assistance Program is a federally funded program through the Department of Health and Human Services that allocates funds to assist households struggling to pay energy bills.

Metro 2®: Metro 2® is a data specification created by the Consumer Data Industry Association for firms providing information to nationwide consumer reporting agencies designed to enable electronic furnishing in a standardized format. Metro 2® was adopted in 1997, but furnishers were not required to use it until the NCRAs entered settlements with several states in 2015 to stop accepting reports in previous formats by mid-2018.

mild delinquency: Mild delinquencies generally refer to payments between 30 and 89 days past due.

NCRAs: The term nationwide consumer reporting agency refers to three companies (Equifax, Experian, and TransUnion) that are repositories of consumer credit information. These firms provide credit history reports and show an individual's current credit obligations and past repayment history. NCRA credit reports, as well as generic credit scores derived from that information, are disproportionately used by lenders when evaluating applications for credit.

NCTUE: The National Consumer Telecom & Utilities Exchange is a collection of consumer utility and telecom data owned and controlled by the companies whose data make up the exchange but are managed by Equifax. NCTUE includes information on more than 245 million consumers.

no file: No-file consumers refer to those with no credit files with the three NCRAs.

OCC: The Office of the Comptroller of the Currency supervises national banks, federal savings associations, and certain units of foreign banks that together represent 65 percent of US banking assets.

open-end credit: Open-end credit refers to credit products that can be used repeatedly as the consumer pays back initial credit draws, such as a charge or credit cards.

permissible purpose: Under the FCRA (as codified at 15 U.S. Code § 1681b), users of a consumer report must act with a permissible purpose in obtaining and using a report. One such permissible purpose is "to use the information in connection with a credit transaction," including originating loans, reviewing accounts, and collections. Users of consumer reports generally do not need consumer consent to obtain the information so long as they have a permissible purpose.

predictiveness: Predictiveness refers to how accurately a credit scoring model assesses a consumer's risk of delinquency or default.

Privacy Act of 1974: The Privacy Act of 1974 (codified at 5 U.S.C. § 552a) governs how federal agencies collect and use consumer information and is generally interpreted to require consumer consent before information is shared, including, in some cases, information shared by a public housing authority to a credit bureau.

Project REACH: The Roundtable for Economic Access and Change was launched by the Office of the Comptroller of the Currency in 2020 to improve access to credit for historically underserved populations.

risk-based pricing: Risk-based pricing refers to a common approach for evaluating an applicant's creditworthiness and determining the cost of credit for that individual. In this system, lenders offer different consumers interest rates or other loan terms based on the estimated risk that each individual consumer will fail to pay back the loan. This generally means that an applicant with a good credit score and employment record will be offered a lower interest rate, whereas someone who has previously fallen behind on loan payments or declared bankruptcy will receive an offer with a higher interest rate for a loan of the same kind and amount. Under risk-based pricing, each lender uses its own process to estimate the risk that an individual will not be able to repay a loan, but most lenders rely on third-party credit scores, employment status, income, and outstanding debts, among other factors.

risk tiers: Risk tiers refer to the ways in which lenders, regulators, CRAs, and other credit risk modelers assess credit risk. Generally, risk tiers refer to a band of scores associated with a certain level of risk that these modelers assess a consumer to pose, often ranging from subprime for those with low credit scores to prime for those with credit scores toward the higher end of the range.

screen scraping: Screen scraping refers to the dominant method of data collection by aggregators. To collect data by screen scraping, proprietary software copies information displayed on the data source's customer-facing web pages. Where such information is password protected, the individual whose data is being collected generally provides his or her username and password to firms authorized to acquire and use the data. Those credentials allow the firm acquiring the data to interface with the website or app as if it were the individual account holder, such that the company has the technological ability to access any data that can be seen by the account holder and to conduct transactions in the account.

serious delinquency: Serious delinquencies generally refer to payments 90 or more days past due.

specialty CRAs: Specialty CRAs produce reports that may focus on repayment of specific types of expenses, such as rent, or of specific types of credit obligations, such as short-term loans that are not

typically reflected in NCRA files. Some product-specific firms have been acquired by NCRAs in recent years.

thick file: Thick-file status generally refers to consumers who have more than a particular minimum number of tradelines in their credit files and are distinguished from thin-file consumers below that threshold who may be more difficult to assess for default risk.

thin file: Thin-file consumers may have credit scores but less than an optimal number of tradelines for purposes of assessing default risk. Thin-file consumers may be assessed using slightly different criteria or be subject to different credit terms than thick-file consumers. Some stakeholders also use “thin file” to refer to consumers who have credit files but cannot be scored under a particular model.

TILA: The Truth in Lending Act (codified at 15 U.S.C. ch 14 § 1601) is a federal statute that specifies information that lenders must disclose to borrowers before offering credit. The TILA is implemented by the Consumer Financial Protection Bureau through Regulation Z.

tradeline: A tradeline generally refers to a credit or other account present in a consumer’s credit report, which is distinct from a collections item reflecting a past debt. Most tradelines in NCRA files reflect credit obligations from mortgages, credit cards, installment loans, and certain other types of credit obligations, whereas UTR tradelines are relatively rare.

traditional credit data: Traditional credit data are generally defined as information typically contained in credit bureau reports (including tradelines, collections items, certain public record information, and inquiries by lenders) or collected from consumers via credit applications (such as annual income).

unscorable: Unscorable consumers are those without sufficient information in their credit files to generate a credit score under a particular model.

UTR data: UTR data refer to utility, telecom, and rental payment history information.

VantageScore: VantageScore is a joint venture of the NCRAs to develop credit scoring models. The models are most frequently used by consumer-focused credit score monitoring services and in credit card, auto, and personal loan markets.

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