

Letter from the president

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Dear Friends,

As PERC completes its first decade—we celebrate our 10th “birthday” in 2012—our commitment to generating information solutions to economic development challenges remains strong and steadfast.

When I launched PERC in Manhattan just after the tragic events of September 11, 2001, I would have been hard pressed to believe how much of a difference a small dedicated staff could make in global policy. Some highlights of PERC’s first ten years include:

Making alternative data (non-financial payment data, including energy utility and telecoms) relevant for credit underwriting in the U.S.;

- Promoting the use of alternative data to promote financial inclusion in developing countries around the world;
- Seeing rental payment data and utility payment data included in credit files at the Credit Reference Center of the People’s Bank of China (that means that up to 700 million Chinese are building a credit history and accessing credit in part due to PERC research);
- Assisting with the development of a credit information sharing network in Kenya;
- Securing a Parliamentary inquiry on credit information sharing in Australia, and pushing reform in Australia and New Zealand—where alternative data will be used for credit underwriting;
- Working with the World Bank and the Brookings Institution to develop the first ever “financial vulnerability index” for areas at risk to natural disasters; and
- Providing timely and meaningful small business performance metrics for the Gulf Coast in the wake of the 2005 natural disasters.

In the wake of the global financial crisis, awareness of the grave economic risk from overextension and the value of credit information to mitigate this risk has never been greater. In fact, as this goes to press, PERC staff are actively engaged in credit information sharing projects in 8 different countries and are working with two multi-laterals on matters affecting dozens more.

We look forward to continued success in our second decade. Driven by a powerful idea—that simple and achievable information solutions exist to confounding development problems—PERC will continue its key role as a change agent, with the help and support of those who share our beliefs and values! To you, on behalf of PERC and our constituents, our gratitude and our continued commitment to change.

Sincerely,

Dr. Michael A. Turner

APCC members attend “Expanding Financial Access Through Regional Public-Private Cooperation” in Tokyo

The workshop addressed more than 35 regulators... representing more than 2 billion people.

This year, we have made tremendous progress as we wedded credit information sharing to a U.S. sponsored APEC financial inclusion agenda.

From September 6-8, APCC members and supporters participated in a forum on “Expanding Financial Access through Regional Public-Private Cooperation,” sponsored by Citigroup, and co-organized by a number of organizations including APCC/PERC, APEC Business Advisory Council (ABAC) and the Asian Development Bank Institute (ADBI) to name a few.

PERC, APCC members and supporters spent some months assisting in programming for panels on day two of the workshop. APCC member GE Capital under Tom Clark also organized a series of panels on SME financing, including a presentation on commercial credit reporting.

Dr. Robin Varghese and APCC members Anthony Hadley of Experian and Celina Leung of TransUnion presented key economic and legal concepts, regulatory frameworks and operational lessons for regulators as they consider how to structure credit reporting in more inclusive ways. Peter Sheerin of the IFC and Gabriel Davel, former CEO of the National

Credit Regulator, South Africa, also presented on panels that provided regulators with useful information and guidelines for reform.

Addressing issues such as financial identity, consumer rights, regulatory frameworks, and alternative data, these panels provided regulators and policymakers from 15 APEC and/or ASEAN member states actionable information to develop and implement a framework for a robust and effective credit reporting system. The workshop addressed more than 35 regulators from Cambodia, the People's Republic of China, Fiji, Indonesia, Japan, Laos, Malaysia, Myanmar, Papua New Guinea, the Philippines, the Solomon Islands, Taipei, Thailand, East Timor, and Vietnam, representing more than 2 billion people (and more than 600,000 if we exclude the PRC and Japan).

The lessons from the forum will provide the basis of recommendations made by ABAC to the finance ministers for their approval in November at the third APEC senior finance officials meeting. APCC will play the central role in drafting the sections of the recommendations that address information sharing. Dr. Michael Turner presented in Honolulu at the meetings leading up to the third APEC senior finance officials meeting.

Measuring costs and benefits of credit reporting and credit scoring in microfinance

Over the summer we reported that PERC was awarded a contract by the International Finance Corporation (IFC) of the World Bank Group to measure the costs and benefits of credit reporting and scoring for microfinance institutions (MFIs). The research project, spanning MFIs in three countries, will deploy a randomized trial approach to answer questions such as:

- Do MFIs have the knowledge and technical capacity to use shared borrower information effectively?
- What are the costs to MFIs of reporting

loan information, of utilizing credit reports, of developing scoring solutions?

- How long will it take an MFI that has adopted program of information and score centered lending to realize their well-known benefits?

PERC has begun the process of recruiting bureaus and MFIs in Mexico and India, and we are considering the dynamic MFI sector of Bolivia as the third case. Dr. Robin Varghese and Patrick Walker have been active in the field in Mexico and India. We expect to launch the first of the randomized trials in the Spring of 2012.

PERC responds to criticism of May 2011 report

The May release of **“U.S. Consumer Credit Reporting: Measuring Accuracy and Dispute Impacts”** received much attention in the press. Results from the study generated conversation in traditional media and received extensive coverage in the blogosphere.

With both positive and negative opinions expressed in articles and blog posts, the coverage was fairly balanced. Those within the industry praised our work by confirming and corroborating its results and conclusions.

Those who criticized the report to take issue with the results on two levels. The first questioned the method, analyses and interpretation of the findings, while the second called into question our intentions, motivations and integrity.

As a response, we issued a **piece** addressing those concerns. In the response, we reiterated that the aim of the report “was to determine the frequency and rate of potentially consequential inaccuracies,” a fact that seemed to elude some critics.

“Overall, we are excited. The commentary, both positive and negative, demonstrates there is a need for what we do at PERC,” said Michael Turner, PERC President and CEO.

Links to both the original study and the General Response can be found below.

- **U.S. Consumer Credit Reporting: Measuring Accuracy and Dispute Impacts**
- **General Response to Criticisms of Recent PERC Report**

Alternative Data Initiative

Over the past ten years, PERC has been—and continues to be—a champion of alternative data. With up to 70 million Americans excluded from the financial mainstream, it is imperative that alternative data—non-financial payment data such as on-time payments and late payments to utilities and telecom companies—is included in credit reports.

PERC has come a long way in promoting alternative data. PERC partnered with the **Corporation for Enterprise Development (CFED)** and the **Center for Financial Services Innovation (CFSI)** on policy maker outreach in support of the greater use of alternative data. Our three organizations came together to launch a sign-on list to show support for full file reporting by utilities and telecoms.

This support list continues to grow with over 60 individuals and organizations having added their name to the list.



Recently, **Be The Change, Inc.** launched a campaign, **Opportunity Nation**, which notes full-file reporting of alternative data a priority. They recognize it as a way to Achieve Economic Independence.

Partnering with CFED, PERC is in the data analysis stage of a new report to examine the impact of including fully reported utility, telecom and other alternative data payment histories in consumer credit files.

The analysis, supported by the **Annie E. Casey Foundation** and major national credit bureaus TransUnion and Experian, will be a follow-up to PERC’s 2007 research summarized in the report **“Give Credit Where Credit is Due,”** which used over eight million consumer credit files from 2005 and 2006. The report will be released in 2012.

Featured Event: Kuala Lumpur—Third Annual Credit Reporting & Risk management workshop

From the 26th to the 30th of September, Bank Negara Malaysia (the Malaysian Central Bank) held its 3rd annual credit reporting and risk management workshop for regulators from more than three dozen countries—namely from Africa, Asia, and Latin America. The workshop was organized and programmed by the Access to Finance division of the International Finance Corporation.

Dr. Robin Varghese participated in these workshops and presented on alternative data. During his presentation, he discussed the research behind the inclusion of non-financial information for risk assessment and showed ways in which it can perhaps, better than any other measure, facilitate financial inclusion. Dr. Varghese also presented some preliminary findings from PERC revalidation of its alternative data research. The research showed that even after the financial crisis, the inclusion of utility data still expands access to finance and considerably helps consumers.



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past & upcoming
events, please visit

www.perc.net/events

Select Past Events

Nov. 8, 2011—Honolulu, HI

On behalf of the Asia Pacific Credit Council, PERC CEO & President, Dr. Michael Turner, presented at the APEC Business Advisory Council Financial Services Capacity Building meeting on Nov. 8th. The event preceded the APEC CEO Summit which was also held in Honolulu.

Oct. 23-25, 2011— Mexico City, Mexico

PERC's Dr. Robin Varghese and Patrick Walker attended the PRONAFIM Conference in Mexico City, Mexico for PERC's microlending project. At the conference PERC, networked with staff from a number of Mexican MFIs and bureaus.

Aug. 23, 2011 - Sao Paulo, Brazil

PERC's Director of Research Patrick Walker attended and presented at Serasa Experian's Vision 2011. He showcased findings on the impact of full file credit reporting on lending, the transition to full file reporting, national case studies, and the general global movement to full file reporting in recent years.

Sept. 25, 2011— Kuala Lumpur, Malaysia

Dr. Robin Varghese, PERC COO and Director of International Operations, attended the Bank Negara Malaysia's third annual credit reporting and risk management workshop in Kuala Lumpur. In addition to participating in the workshops, Dr. Varghese also presented on alternative data.

Meet the newest members of the PERC team...

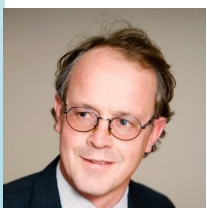


Dr. Sukanya Chaudhuri

Senior Economic Research Fellow

Prior to joining PERC, Sukanya worked as a Business Analyst in the Risk Management Team of American Express. She also taught economics and statistics at the University of North Carolina at Greensboro and Purdue University.

Sukanya received her Ph. D. from Purdue University in Economics. Her dissertation investigates, through laboratory experiments, influences of social recognition on charitable donation, gender difference in risk taking attitude and differential asset sharing due to competition and cooperation. She earned her Masters in Quantitative Economics from Indian Statistical Institute.



Gabriel Davel

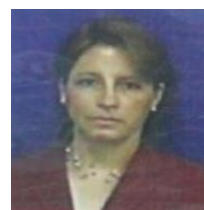
Adjunct Fellow

Working in South Africa, Gabriel has 20 years of experience specializing in financial regulation, development finance and consumer credit.

He was part of the team which established the Small Enterprise Foundation, a leading micro-enterprise lender in South Africa. He later became a partner at Deloitte & Touche in the Financial Institutions Team.

Gabriel was the CEO of South Africa's Micro Finance Regulatory Council from 2000 to 2006, and the CEO of the National Credit Regulator from 2006 to 2010. He was instrumental in a number of initiatives related to curtailing debt stress and over-indebtedness, including the establishment of a National Loans Register and the introduction of Reckless Lending Rules.

Gabriel served as Policy Adviser in the formulation of the National Credit Act and served on South Africa's Policy Board for Financial Regulation. He was a member of the Reserve Bank's task team which produced the Competition in Banking Report, a report on SME Finance, an assessment of Core and Narrow Banking.



Haydé Navarro Alvarez Tostado

Adjunct Fellow

With an extensive career in the financial sector, Haydé has worked at Grupo Financiero Bancomer (now BBVA Bancomer), Buró de Credito Trans Union and Dun & Bradstreet (the largest Credit Bureau in Mexico) and Experian de Mexico.

Today, Haydé works as an independent consultant working within the microfinance sector focusing on credit risk management, credit bureau management, operational risk management, credit bureau use and operation manuals development. She is also a consultant for the largest credit bureau in Mexico, Trans Union and Dun & Bradstreet.

Haydé received her MBA from IPADE Business School and her undergraduate degree from Universidad de Américas, Puebla State, Mexico.



Whytney Pickens

Special Projects Manager

Whytney began her work with PERC over the summer as an external communications intern.

She started working as the Special Projects Manager in September.

In May, Whytney graduated from the University of North Carolina at Chapel Hill with B.A. in Journalism and Mass Communication a minor in Geography and a concentration in Political Science.

PERC thanks **S. Jakelin Bonilla** for her work this summer as the Social Entrepreneur Intern. She assisted the staff in development, administrative tasks and independent research projects.

Jakelin is currently a senior at the University of North Carolina at Chapel Hill where she is majoring in International Studies and Geography with a minor in Entrepreneurship.

To learn more about
PERC's other experts,
visit

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PERC is a non-partisan centrist policy institute devoted to research, education, and outreach on public policy matters. PERC has a broad mandate but emphasizes Issues related to information policy, credit access, and the global information economy.