PERC Newsletter

SPRING 2020

LETTER FROM THE PRESIDENT

Since our last newsletter, the world has been flipped on its head. While the medical crisis caused by the COVID-19 pandemic still rages in many countries across the globe, the economic emergency has only just begun. The necessary shelter-in-place and social distancing policies have reduced or eliminated revenues for many businesses, resulting in job losses and reduced pay. This is especially for those employed in non-essential small businesses. This will have immediate and enduring impacts on consumer and commercial credit markets.

PERC has been working diligently throughout to be a resource in our issue area—access to finance. PERC staff were consulted by Congressional staffers and industry executives considering credit reporting provisions in the CARES Act. PERC offered memos and issued two reports—one on the credit reporting policy issues of COVID-19 and another on lessons learned from the 2005 Gulf Coast natural and man-made disasters that may be relevant for aiding affected MSMEs today. PERC also released an op-ed looking more closely at the Paycheck Protection Program.

What's Inside

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PERC
RESULTS AND SOLUTIONS

In addition, we have been consulted by federal regulators on credit reporting matters by staff at the CFPB and Federal Reserve Bank. In addition to sharing our own views, PERC leveraged our network and shared experiences from private credit bureaus, public credit registries, and regulators from around the world in an effort to facilitate an exchange of information and ideas. Inspired by this, PERC also reached out to the secretariat and membership of the International Committee on Credit Reporting (ICCR) seeking guidance. This resulted in a robust exchange of ideas and information among the ICCR's central bank members, and the subsequent release of guidance from the ICCR on responding to credit reporting issues resulting from the global pandemic.

Lastly, PERC has seen the vital role being played by data—IT, Big Data and AI/machine learning as well as third-party data—in efforts to manage the COVID-19 medical crisis and thereby facilitate an ability for workers to safely return to their jobs to turn national economies back on. PERC will release a special issue in our "Data for Good" series with our partners the U.S. Chamber of Commerce Technology Engagement Center (C_TEC).

We wish to thank our supporters for their unwavering commitment to PERC during these challenging times. Their steadfast pledge means that PERC remain a resource for the 54 million Credit Invisibles in US and Canada, and the billions worldwide.

Sincerely,

Michael A. Turner, Ph.D.

COVID-19 WHITE PAPER ON ECONOMIC DISASTER RECOVERY

Our lessons learned from years of research into Hurricane Katrina disaster relief efforts that can applied to the ongoing COVID-19 pandemic and its economic fallout:

- Speed matters.
- CDOs, non-profits, local governments can aid state and federal efforts.
- Grants are preferable to loans.
- Long-term efforts may be needed.
- Pre-existing economic health of small business owners will matter.
- Disparate impacts are likely.
- Impacts will vary by geography.
- Communities are ecosystems.
- Utilize data and surveys to rapidly monitor, provide feedback and impacts of recovery efforts. This can be used to quickly re-tool efforts if needed.
- Maintaining integrity of credit reporting is key.

Read the full report here.

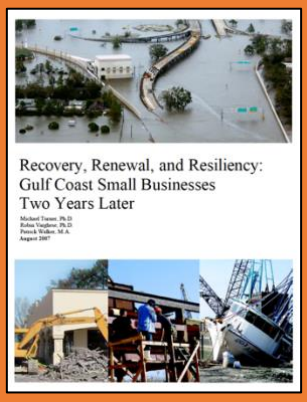
DOMESTIC

JOINT PERC-HUD STUDY ON RENT REPORTING

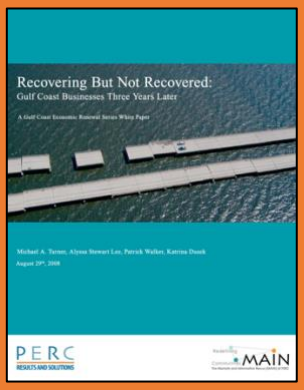
PERC's own Patrick Walker with HUD Secretary Ben Carson discussing recommendations from our report.

PERC's first-of-its-kind joint-study with the Department of Housing and Urban Development (HUD) is out now! The report tested the impact of including full-file (both late and on-time) and positive-only rental payment data on credit files and credit scores from Experian and TransUnion. Three Public Housing Authorities, Seattle, Cook County, and Louisville, contributed tenant payment data. The study found that unscorability and credit invisibility is dramatically reduced, and PHA tenants with scores above 620 increased between 54% and 65%. According to the CFPB, credit invisibility and unscorability affects 1 out of every 5 Americans, but in the lowest-income census tracts, 45% of Americans are unscorability. PERC's almost two decades of research has focused on the responsible use of data to expand financial inclusion and eradicate credit invisibility, which affects those already under-served. Insufficient data in credit files can be a barrier to obtaining housing and can portray low-income tenants as higher risk than they really are. These results received buy-in from the highest levels, and after releasing the report, HUD announced discussions around pilot programs for credit reporting PHA tenant rental payment data. The report was also featured in *The Wall Street Journal*.

READ OUR KATRINA STUDIES

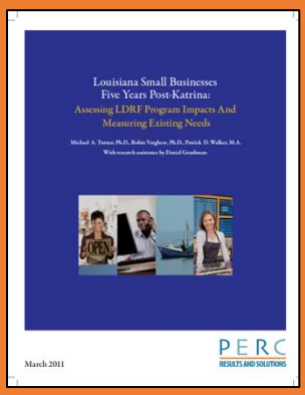


Recovery, Renewal, and Resiliency: Gulf Coast Small Businesses Two Years Later (August 2007)

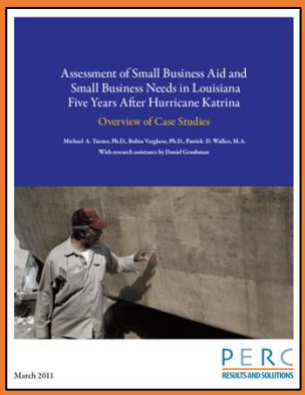


Recovering But Not Recovered: Gulf Coast Businesses Three Years Later (August 2008)

Credit and Financial Impacts of Disaster: What Can We Learn from Credit File Data (August 2008)



Louisiana Small Businesses Five Years Post-Katrina: Assessing LDRF Program Impacts and Measuring Existing Needs (March 2011)



Assessment of Small Business Aid and Needs in Louisiana Five Years After Hurricane Katrina: Overview of Case Studies (March 2011)

PERC CALLS FOR MANDATORY REPORTING OF MOBILE NETWORK OPERATOR DATA

Dr. Turner and his panel at the joint CFPB-FTC workshop on Accuracy in Consumer Reporting.

In PERC's comments to the CFPB & FTC, we called for legislation mandating mobile network operators (MNOs) to credit report payment data. Currently, negative information such as defaults and derogatories are reported via third-parties like collection agencies, but positive information, like on-time payments, are not reported. This essentially functions as a blacklist, where consumers are punished for paying late but not rewarding for paying on time, making the system unfair and unforgiving. In December, Dr. Turner participated in the joint CFPB-FTC workshop on Accuracy in Consumer Reporting on the "Current Accuracy Topics for Traditional Credit Reporting" panel. The comments also called for more research on credit data accuracy, with almost a decade having passed since PERC's 2011 report and the FTC's 2013 report, as well as changes to the system more generally such as the National Consumer Assistance Plan (NCAP) and the CFPB's complaint portal.

PERC IS A 2019 TOP-RATED NON-PROFIT!

"Our interactions with PERC have been nothing but positive. There is a great balance between the theoretical and practical approaches to the issues of building up a credit registry with the final objective of achieving actual positive results. The presence of PERC in our seven year journey (and still ongoing) has been instrumental in any and all of our successes."– Jaime Garchitorena, Credit Information Corporation, CEO

Share your story with us here.

DATA FOR GOOD REPORT WITH U.S. CHAMBER TECHNOLOGY ENGAGEMENT CENTER

Part III of PERC's US Data Ecosystem Series was also published this quarter! Part I & II looked at the need for national privacy legislation and whether identity theft rates could be traced to the number of data breaches in a year. Our third report surveyed the socially beneficial, ancillary uses of core data in the workplace. While the report is titled "Data for Good," these are not simply one-off donations of data to charitable causes. Public safety, health, and financial inclusion and economic development outcomes are made more efficient through the use of data. Read about how data plays a crucial role in fraud prevention, human-trafficking, counterterrorism, and more.

INTERNATIONAL

Patrick Walker participated in the 5th Africa Credit Information Sharing Conference in Nairobi, Kenya, hosted by CIS Kenya, on "Embedding Robust Credit Infrastructure for Accelerate Economic Growth in Africa: Roadmap towards Inclusive and Sustainable Growth." He discussed alternative credit scoring models.

We're looking forward to the time when we can safely get back in the air and spread financial inclusion around the world!

▷ STAY TUNED FOR:

- An analysis of the credit information sharing ecosystem in the Philippines in partnership with MBC
- More analysis on COVID-19 economic recovery and relief efforts, policy issues surrounding small business outreach and the use of data
- An exploration of the competitive consequences from privacy legislation
- Reports on how alternative data (so-called "proven payment data") can eliminate the scourge of credit invisibility and help pandemic economic recovery efforts
- APIP survey results

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