

PERC Newsletter

SUMMER 2021

LETTER FROM THE PRESIDENT

Happy Summer to our Supporters and Friends!

It has been a surreal past 16 months, and we're not quite out of the woods regarding the healthcare crisis and the economic fallout from the pandemic. Of course hope springs eternal, and thankfully we have more positive indicators than negative so long as we stay the course. Recent calls for expanding or extending accommodations to borrowers as a consequence of COVID-19 may have significant harmful consequences for the very borrowers proponents seek to protect. PERC explores this in a forthcoming [study](#).

Things are never dull in the world of credit information sharing and credit risk assessment. President Biden's proposal for a public credit bureau to compete with private sector credit bureaus Equifax, Experian, and TransUnion received a [hearing](#) in the House Financial Services Committee on June 30th. While PERC disagrees with the stated need for a public credit bureau, and has a report forthcoming on this topic, we were heartened to hear so many references to "credit invisibles" and the need to finally act to secure widespread reporting of "alternative data."

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PERC
RESULTS AND SOLUTIONS



More than any other institution on earth, PERC has crusaded for the inclusion of broad swaths of predictive, non-financial payment data to be included in consumer credit reports. We have proven the value in terms of ending credit invisibility (a term coined by PERC), and making the consumer and commercial lending systems fairer, more inclusive, and more responsible. While of course we recognize that full-fill data is optimal (positive or on-time payment information along with negative or late payment data), we are pushing for positive mobile or cellphone payment data to supplement the negative data already reported. By enhancing the status quo with positive payment data, lenders have a more complete picture of borrowers and borrowers are able to offset negative data with more positive data making the system more forgiving and fairer - two worthy outcomes.

Overseas, our work continues as PERC has been extremely active in Asia-Pacific, where we continue to have a voice through our involvement with the Asia-Pacific Economic Cooperation (APEC) Business Advisory Council (ABAC) and their Asia-Pacific Financial Forum (APFF). In addition, PERC works within individual APEC member economies to promote broad credit reporting principles consistent with international best practices including those espoused by the OECD and the World Bank Group. PERC will continue our partnership with the Makati Business Club (MBC) on promoting credit reporting reform in the Philippines, and will soon release a report on global trends in credit reporting.

Wishing you all an enjoyable summer as things trend toward normalcy in a growing number of countries across our global community. We look forward to continuing to work with you all to make our slice of the world a better place for everyone.



Sincerely,

A handwritten signature in black ink that reads "Michael A. Turner". The signature is written in a cursive, flowing style.

Michael A. Turner, Ph.D.

DOMESTIC

COMMENTS TO CFPB ON ECOA & REGULATION B

The CFPB requested information to identify opportunities to prevent credit discrimination, promote fair, equitable, and nondiscriminatory access to credit, and address potential regulatory uncertainty under the Equal Credit Opportunity Act (ECOA) and Regulation B. In [response](#), PERC argues that non-financial lenders (including but not limited to mobile network operators or MNOs) should be explicitly recognized as creditors. This would make the credit reporting system fairer, more forgiving, and more inclusive. These institutions already report negative data to credit bureaus and use credit reports for eligibility determination. Past PERC research has shown that reporting non-financial data disproportionately benefits those under-served by traditional financial institutions. We echo our call for a positive data reporting mandate made in earlier publications, particularly in the context of the COVID-19 healthcare and economic crisis. This would help consumers begin rapidly rebuilding their credit by including data from some of the first bills consumers are likely to start repaying once they get back on their feet. It floods the system with positive data at a time it is being overwhelmed with negative data. It preserves the safety and soundness of the national credit reporting system, which is integral to post-pandemic economic recovery. A recent PERC report [found](#) that one proposed solution, the suppression/deletion of negative payment data such as late payments or defaults, would actually harm the most vulnerable consumers instead of helping them. Another report simulating the impacts of the proposed suppression/deletion measures and our alternative data solution is forthcoming.



DATA FOR GOOD: COVID-19 EDITION



Part I of the U.S. Chamber of Commerce's Technology Engagement Centre white paper on Data for Good and the Need for a National Data Strategy features our report on [Data for Good: COVID-19 Special Edition](#). The paper looks at the role of tech in responding to national healthcare and economic priorities during the pandemic. It argues that the immediate and proactive large-scale tech sector mobilization has played a vital role in effectively addressing national healthcare and economic priority needs. But for significant and ongoing tech sector contributions, as bad as things are in the U.S. on both fronts, they likely would have been much worse. The report offers a few key findings that may be useful for policymakers when exploring data constraints on the U.S. tech sector in the context of any future national privacy legislation. It is Part IV in our U.S. Data Ecosystem series - Parts 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, and Part III [surveyed](#) the socially beneficial, ancillary uses of core data in the workplace.

INTERNATIONAL

PHILIPPINE CREDIT INFORMATION STUDY



A new report [released](#) by the Makati Business Club (MBC) and the Policy & Economic Research Council found that the *Credit Information Sharing Act (CISA)* in the Philippines has resulted in an underperforming credit information sharing system. The report, titled *Philippine Credit Information Study*, offered recommendations and possible amendments to CISA in order to improve and modernize the credit information sharing system. The report covered 4 main issues: the Credit Information Corporation (CIC, the public credit registry) as both regulator and competitor of private credit bureaus, compliance enforcement, data quality, and the conflict of interest with CRIF as both a credit bureau and database administrator. The report was presented at the Philippines Credit Information System Forum, attended by over 400 people. The livestream can be accessed [here](#) and our presentation [here](#). A roadmap for change is forthcoming!

The key findings are summarized below:

- CIC “Identity Crisis” Must be Fixed
- Government Should Boost Funding for the CIC
- CIC Data Quality Needs to Be Improved
- CIC is Best as a Traditional PCR
- BSP (Central Bank) may be a Better Regulator of the CIC
- CIC Adding Value Despite Real Constraints
- Some Amendments to the CISA Need to be Considered



Ariane Ong, J.D., joined PERC in December of 2020. Her area of expertise includes the research and policymaking aspects of credit information sharing systems. She earned her J.D. at Ateneo Law School and was admitted to the Philippine Bar in 2019. She graduated *cum laude* with a B.A. in Behavioral Sciences at University of the Philippines, Manila, in 2012. Ariane works as a practicing attorney in Manila.



Bianca graduated from the University of Asia and the Pacific (UA&P) with a degree in Entrepreneurial Management. Prior to working with PERC, she participated in the 2020 MBC-PERC research study in the Philippines Credit Information Systems Act (CISA) as a research assistant for MBC. She is interested in economic development and hopes to someday bring her skills to the private sector as a business leader.

ON THE HORIZON



VIRTUAL EVENTS

AMERICAN INNOVATORS: AMERICA'S NEXT TECH UPGRADE ON OCT 27, 2020
Dr. Turner attended the U.S. Chamber of Commerce Technology Engagement Center's event, which launched our report on [Data for Good: Pandemic Edition](#). The event featured policymakers and technology leaders to discuss how to ensure technology can be a lifeline and accelerator for post-COVID 19 economic growth.

DRIVING CREDIT INFORMATION AS A STRATEGY FOR RECOVERY & INCLUSION ON NOVEMBER 24-25, 2020
Our joint-study with the Makati Business Club, [Philippine Credit Information Study](#), was released at this event. Watch the recording [here](#).

ROUNDTABLE ON FOSTERING FINANCIAL SECTOR CLIMATE LEADERSHIP ON MARCH 30, 2021
Bianca Lee attended this event, organized by the Asia-Pacific Financial Forum's Sustainable Development Finance Network and the APEC Business Advisory Council (Japan), on the developments in and challenges surrounding climate and sustainable finance efforts, especially during the COVID-19 pandemic.

9TH FIDN CONFERENCE ON APRIL 6-7, 2021
Dr. Turner spoke at the Financial Infrastructure Development Network's conference on the lessons from international experience with credit reporting and how to reap the benefits of a sustainable credit information ecosystem.

ROUNDTABLE ON STRENGTHENING RESILIENCE IN THE ASIA-PACIFIC REGION ON APRIL 14, 2021
Bianca Lee attended this event, organized by the Asia-Pacific Financial Forum's Disaster Risk Financing & Insurance and the APEC Business Advisory Council (Philippines), which discussed inclusive consumer-level risk transfer solutions (agriculture and non-agriculture, business interruption insurance against pandemic risk, and insurance-linked securities).

NTU PANEL DISCUSSION ON CREDIT SCORING ON MAY 6, 2021
Patrick Walker discussed our [joint-study](#) with the U.S. Department of Housing and Urban Development on reporting tenant rental payment data at the National Taxpayer Union's panel.

▶ STAY TUNED FOR:

- Virtual ICCR meeting
- A quantitative paper simulating the effects of the proposed suppression/deletion measures on credit data
- A report on public credit registries around the globe
- Results from our APEC survey
- A roadmap for change in the Philippines

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