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CWAG Presentation

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July 2018
Credit Report

A full* credit report is a required attachment with any Character & Fitness Questionnaire or Character & Fitness Update form.

You must obtain a full credit report from one of the three nationwide consumer credit reporting companies. Your credit report must be dated within 60 days of the date you submit your application materials.

Federal law requires each of the three nationwide consumer credit reporting companies (Equifax, Experian, and TransUnion) to give you a free credit report every 12 months if you ask for it. To obtain your free credit report call 877-322-8228 or visit www.annualcreditreport.com.

You may also request a credit report directly from one of the nationwide consumer credit reporting companies (charges may apply):

- Equifax - 800-685-1111 or www.equifax.com
- Experian - 888-397-3742 or www.experian.com
- TransUnion - 800-888-4213 or www.transunion.com

*A full credit report should include:

- Creditor’s name and address
- Account numbers
- Type of account
- Payment history
- Balance due
- Outstanding debt
- Age of the account
- Any public record or collection items
Globally, 2 billion, mostly poor, adults are “unbanked,” meaning they do not have bank accounts.

In the United States, roughly 15.6 consumers are unbanked.

Further, approximately 51 million Americans are “underbanked.” The population does not have sufficient access to mainstream financial services and is thus deprived of banking services such as credit cards and loans. The underbanked will typically rely on pawnbrokers and payday lending schemes for quick cash.
Scoring Metrics: Old and New

- Current credit scoring metrics consider only the following:
  1. Identity (to reduce fraud)
  2. Ability to repay, based on income and current debt load
  3. Willingness to repay, based on past credit performance

- New, alternative metrics could include:
  1. Mobile phone payments and cable TV payments
  2. Utilities payments
  3. Retailers with rewards programs or loyalty cards
  4. Rent payments
  5. Bank account information, such as deposits, withdrawals, or transfers
“Millions of Americans lack credit scores or have scores that are too low to gain access to affordable credit. The problem disproportionately affects young people, African-Americans, Latinos and immigrants, many of whom can't establish a credit score without taking on debt.”

Rep. Keith Ellison (D-MN)

“We want to give every American the ability to build a better life. Many hardworking Americans have been shut out when it comes to access to affordable credit.”

Rep. Robert Pittenger (R-NC)
The CFPB’s Commitment to Exploring Alternative Credit

• The CFPB reported that in 2017 there were 45 million Americans with no credit history or credit history that is too thin to generate a score.

• In furtherance of its mission to protect this unserved population, the CFPB requested feedback on the benefits and risks of alternative credit data.

• The CFPB granted a groundbreaking no-action letter to Upstart Network, an online lending marketplace that provides personal loans using non-traditional variables such as education and unemployment.

• Upstart agreed to share information with the CFPB, including loan applications it receives, approval processes, and how its model expands credit access for underserved populations.

• The CFPB will use this information to further its understanding of alternative credit impacts access to credit, as well as “the application of compliance management systems for these emerging practices.”
Attorneys General Must Lead the Way

- Many states have already demonstrated a commitment to helping their citizens understand, build (or rebuild), and maintain credit.
  - *E.g.*, the following webpages: Minnesota AG’s “Credit Scores”; Indiana’s DFS’ “Scoring for Credit”; Washington State AG’s “Credit Scores”; Iowa AG’s “Your Credit Report & Credit Score”.

Generally, state AGs should consider the following:

- Creatively approach alternative credit in a way that allows companies to innovate in this space while aligning their products with regulators’ missions
- Foster meaningful partnerships with alternative credit scoring services—work with them
- Due to the ever-innovating nature of this field, create a dialogue and a flexible, adaptive regulatory framework that adjusts and reacts to industry needs and trends
**Proposed AG Initiative**

- State AGs should consider expanding their already-existing commitment to credit awareness in order to serve the millions of citizens who are unserved by rigid and traditional scoring metrics.

- State AGs can spearhead this effort on the state level by **creating bipartisan initiatives** dedicated to working closely with alternative credit scoring services.

- State AGs can do so by following the blueprint set forth in the CFPB’s no-action letter to Upstart. In doing so, AGs will create sufficient berth for alternative credit scoring services to assist the state’s unserved populations.

- By creating an environment in which alternative credit scoring services share key information with the AG, the AG office will be able to fulfill its own mission by closely monitoring for any gaps or concerns stemming from any legal, risk, or compliance issues.
• **Unserved citizens** will be able to improve their lives and financial wellbeing.

• **State AGs** will have the opportunity to shape and implement necessary initiatives while working with companies that operate at the helm of innovation.

• **Alternative credit scoring services** will be appropriately monitored in a collaborative atmosphere that is safe, controlled, and guarded by the AG’s oversight.
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