

POLICY AND
ECONOMIC
RESEARCH
COUNCIL

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VOLUME 9, NUMBER 3

FALL 2010

LETTER FROM THE PRESIDENT

As we approach fall, we look forward to the paradoxical routine of great change. The leaves, we know, will inevitably shift colors, the temperature will drop into crispness, the days will shorten. These changes are comforting. At PERC, too, autumn is always a time of exciting change. We consistently adopt new projects and forge important partnerships. Transitions are abundant and as refreshing as the new season.

PERC's changing leaves include an office move to a green design initiative restored tobacco mill in Durham, North Carolina and the arrival of many new staff. While we are saddened to see the departure of new Fulbright Scholar Jaki Bradley, we happily welcome Research Assistant Daniel Graubman and Special Projects Manager Elizabeth Phillips. Two more interns have completed their time with us after a productive summer of development work and new media initiatives. As PERC grows we are thrilled to see the interest of young people in our mission.

Continuity, too, is a comfort of PERC. The core mission of creating innovative information solutions stabilizes a productive stream of work and sustains strong partnerships. PERC has embarked on a third successful year of significant accomplishments with the Asia-Pacific Credit Coalition (APCC), which is committed understanding the role of full-file credit reporting and financial inclusion. We look forward to continuing this APCC agenda as the US assumes the chair of the [Asia-Pacific Economic Cooperation](#) from Japan.

On the international front, PERC is currently exploring further opportunities in Kenya and South Africa after a successful effort to build these nations' financial services infrastructure in 2009 and early 2010. We are also happy to announce a new partnership with the [Organization for Economic Cooperation and Development](#) and plans for continued work with the multilateral partners [International Finance Corporation](#) (IFC), [Inter-American Development Bank](#) (IDB), [Consultative Group to Assist the Poor](#) (CGAP), and other development banks.

Domestically, PERC has undertaken some very interesting work with United States Treasury, Fannie Mae, and Freddie Mac. We expect this pioneering work will extend until 2011 and beyond, and we look forward to sharing news of these developments in future newsletters. In 2010, we have conducted two new surveys of over 900 small businesses in the Gulf

Coast area as an extension of our work with the [Louisiana Disaster Recovery Foundation](#). This year we will produce two new reports regarding the impact of natural and manmade disasters on the economic recovery of these businesses and their owners to mark the five-year anniversary of the devastating hit of Hurricane Katrina.

PERC continues its foundational commitment to financial inclusion through nontraditional and alternative data for credit risk assessment. In addition to the successes with new data furnishers, we are enthusiastic to work with the [Annie E. Casey Foundation](#), the [Corporation for Enterprise Development](#) (CFED), and the [Center for Economic Justice](#) (CEJ). We proudly announce a new quantitative study with CFED and the CEJ measuring the impact of including alternative payment data in consumer credit files.

The emergence of the Consumer Financial Protection Bureau has turned new leaves as well. Given our shared interest in and commitment to going beyond standard research models to find information solutions, we look forward to engaging in outreach with the CFPB on a range of long-standing and emerging issues.

In addition to our collaboration with [Decision Services International](#) and Data Analytics Africa, PERC has entered new partnerships with other organizations to bring new information solutions to the market. Stay tuned for more information and look for many future press releases that reflect this keen shift from acknowledged research organization to a research and development organization. As we identify unmet consumer commercial credit needs, PERC will find unique solutions and forge partnerships with like-minded for-profit entities.

I regard PERC's accomplishments to date with great pride. They show the caliber of our team and the fortitude of our mission. They have been made possible by the extraordinary support of individuals and organizations as dedicated to real-world solutions and real change. As we witness the wonderful shift from summer to fall, PERC looks forward to sharing with you the news of our continued growth and change.

Sincerely,

Dr. Michael A. Turner

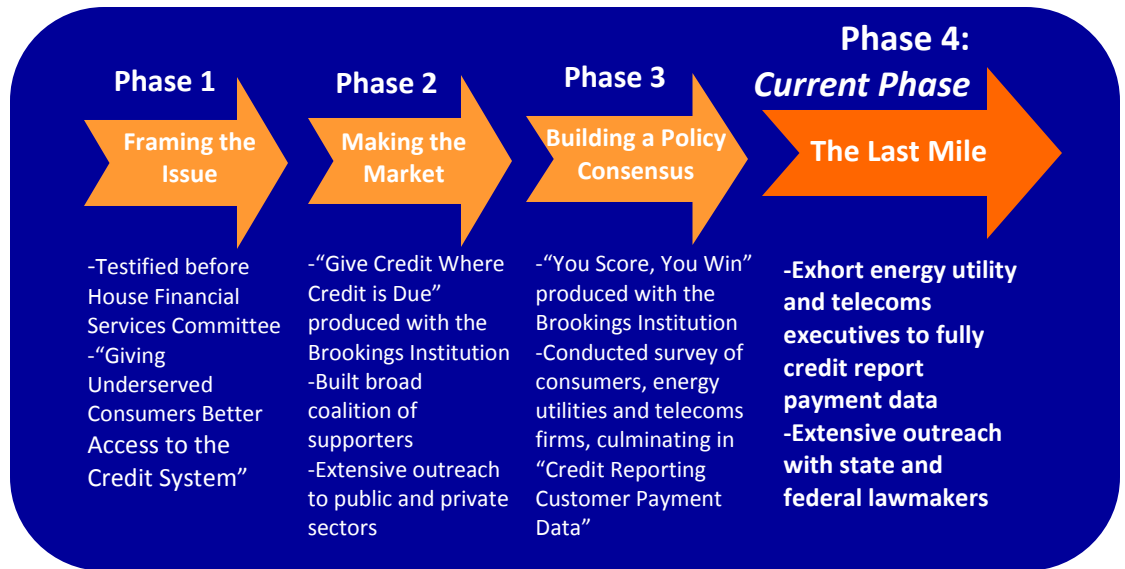
An estimated 54 million Americans are excluded from the mainstream credit system.

PERC Initiatives

Alternative Data Initiative (ADI)

Supported by the [Annie E. Casey Foundation](#) and major national credit bureaus TransUnion and Experian, PERC is conducting a joint study with the [Corporation for Enterprise Development](#) (CFED) and the [Center for Economic Justice](#) (CEJ) examining the impact of including fully reported utility, telecom, and other alternative data payment histories in consumer credit files. This 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 key results from that study included that **alternative data can help up to ten percent of consumers gain credit files**

or credit scores, that nearly ten percent could gain access to mainstream affordable credit, better credit decisions could be made, and these benefits disproportionately accrued to those with thin credit files, low-income households, and ethnic and racial minorities. The 2010 update will examine whether these impacts seen with the 2005/2006 data differ from those that will be seen with 2009/2010 data, specifically, **whether the economic downturn and credit crisis have significantly altered the effects of the inclusion of alternative data.** The new study will answer interesting policy questions that have arisen since the release of "Give Credit Where Credit is Due."



Social Media Initiative

PERC has launched a social media campaign in order to increase visibility on current critical issues and keep our friends and supporters informed about our activities and interesting research and developments on information sharing and the financial sector. We are now a part of the Facebook and Twitter communities. PERC will offer updates on current projects, post pictures and videos of events and conferences, and open conversations about major topics—stay tuned!



To join in, you can follow us on Facebook at www.facebook.com/ThePERC and on Twitter at www.twitter.com/ThePERC.



Asia Pacific Credit Coalition

PERC's Asia-Pacific Credit Coalition has been very active across a host of venues and has been moving forward in its mission of promoting wider information sharing and advancing the adoption of credit reporting standards. Over the past few months, PERC has been working with US Department's of State and Treasury, as well as with partners in ABAC, in the promotion of information sharing as part and parcel of two separate but key initiatives: **SME financing and financial inclusion**, a new initiative that is being launched as the United States takes over chairmanship of APEC in 2011.

In pursuit of these goals, **Dr. Robin Varghese** has been participating in discussions with US Treasury, as well as the Ministries of Finance of Japan, Australia and the Philippines on the financial inclusion agenda and the content for that initiative for the upcoming year. He presented on financial identity and information sharing at the **APEC Business Advisory Council Advisory Group Meeting** in Bangkok on August 26.

Dr. Varghese also delivered a presentation on information sharing and SME financing at the Seminar on **"Getting Credit for Small and Medium Enterprises"** during the Third Senior Financial Officials Meeting in Sendai, Japan on September 21.



Sendai, Japan

PERC is in the process of developing a policymaker education and outreach program for 2011 as APEC moves to the United States.



Who Should Join the APCC?

The APCC members believe that credit reporting should be based on the following general principles:

- Both positive and negative credit and payment data should be reported to consumer reporting agencies;
- Recognizing that the individual is owner of their own credit information, consumer rights and protections are paramount. As such, the OECD Fair Information Principles --including notice, access, choice, correction, and redress-- should be judiciously applied and shall serve as the foundation of any regional consumer credit reporting standard;
- A private credit bureau and a public credit registry are complementary to one another and each play distinct and vital roles in a vital financial services system;
- Reporting of credit and payment data should be done on a voluntary and not mandatory basis; and
- Access to credit and payment data should be universal to all those with a permissible purpose regardless of whether they report the type of firm.

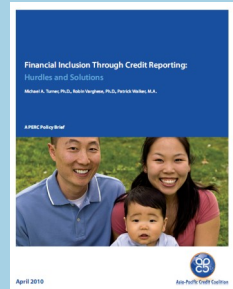
If your organization believes in the same general principles, and is interested in promoting these principles through sponsoring and participating in educational seminars, outreach, briefings, and country specific economic impact analysis, please contact [Dr. Michael Turner](#) to learn more about becoming an APCC supporter.

Project Updates

CFED Annual Assets Learning

PERC participated in CFED's 2010 Annual Assets Learning Conference on September 23rd in Washington, DC. Speaking as a panelist at the "Non-Credit Data and Credit Files" session, PERC Senior Fellow Michael Nathans observed that many types of "non-credit" or "non-traditional credit" data are in fact "credit," as defined by the Equal Credit Opportunity Act. Mr. Nathans also presented the results of a series of PERC studies concerning the benefits of full-file reporting of both positive and negative telecom and utilities credit data to the three nationwide credit reporting agencies, Equifax, Experian, and TransUnion. The data from these studies quantify the improvement to the credit scores of those without traditional debt or a credit score. The benefits of full-file reporting have proven significant in these studies, providing a lift of over 20% to many consumers. PERC's CFED presentation may be viewed [here](#).

Financial Inclusion Through Credit Reporting: Hurdles and Solutions (April 2010) a white paper produced for the APCC, examines logic of information sharing as it relates to financial inclusion and suggests some policy concerns and policy targets designed to promote a financial inclusion agenda. This white paper can be downloaded for free [here](#).



OECD Commissions PERC White Paper

PERC has been commissioned by the OECD to write a white paper on the Economic Value of Personal Financial Data for a Roundtable on Economics of Privacy. The roundtable, part of series that examines data protection for the 30th anniversary of the OECD Fair Information Principles, will examine the current environment for protecting privacy with a focus on the economic dimension. PERC's white paper will discuss how broader information-sharing backed by consumer rights has promoted efficiency and inclusion while protecting privacy.



PERC's 2010 Gulf Coast surveys found that five years following Hurricane Katrina, 63% of small businesses in the New Orleans MSA still reported sales below pre-Katrina levels. PERC is dedicated to finding solutions that help small businesses recover.

LDRF

PERC has wrapped up its primary research for the Louisiana Disaster Recovery Foundation (LDRF) on the impact of relief aid for small businesses and entrepreneurs in Louisiana, as well as a thorough assessment of current unmet needs. The research included case studies of five small businesses and entrepreneurs assisted by community development organizations (CDOs) funded by the LDRF. The research also included a February 2010 survey and an August 2010 survey of small business owners in Louisiana. The August survey provided the unique opportunity to ask small business owners about the impact of the BP Gulf oil spill. Many small business owners whose businesses were aided by LDRF-funded CDOs participated and answered questions regarding the impact of the aid they received. Small business credit file data from Experian was also used in the analysis. Reports outlining the results of this research should be released in the last quarter of 2010 or the first quarter of 2011. Look for the release of these reports at perc.net/publications.

PERC EVENTS IN BRIEF

APEC Third Senior Financial Officials Meeting

On September 21st, PERC's Dr. Robin Varghese presented on "How Information Sharing Can Improve Access to Finance for SMMEs: Some Lessons for APEC Economies" at a seminar on "Getting Credit For Small And Medium Enterprises" in **Sendai, Japan**. Varghese chaired working group sessions on information sharing and credit access for regulators from 21 countries. APCC and PERC met with officials from US Treasury, the finance ministries of Australia, Japan and the Philippines, as well as the Alliance for Financial Inclusion and ABAC.



APEC Meeting, Sendai, Japan

Dr. Varghese also represented the APCC at the **ABAC/ABA/PECC/SEACEN Dialogue** on August 26th in **Bangkok, Thailand**. He was joined by fellow APCC supporter Tony Hadley of Experian in promoting APCC agenda items such as a regional framework for credit information sharing and proposals for initiatives that could have APEC-wide impacts.

CFED Assets Learning Conference

On September 23rd, PERC Senior Fellow Michael Nathans presented PERC research on credit information sharing, including credit file data quality and the social and economic impacts of including non-financial payment data in FCRA-regulated consumer and commercial credit files.

To learn more about upcoming events, please visit www.perc.net/events

World Consumer Credit Reporting Conference

PERC proudly sponsored the **2010 World Consumer Credit Reporting Conference**. This was a two-day event in **Berlin, Germany** where representatives from credit bureaus around the globe and industry-related companies from various credit cultures discussed contemporary issues.



Dr. Robin Varghese

Dr. Varghese presented on May 31st at the **APEC Public-Private Sector Forum on the Development of Bond Markets and Financial Inclusion** on financial identity and information sharing in **Sapporo, Japan**. The meetings were part of the APEC Second Senior Financial Officials Meeting. While in Sapporo he was asked to participate in a meeting with the finance ministries of the United States, Australia, Japan, and the Philippines on a financial inclusion agenda for 2011.

NACM's Credit Congress 2010

Dr. Michael Turner presented at the National Association for Credit Management's annual **Credit Congress**, held in Las Vegas from May 16-19th. Dr. Turner's presentation served as part of the International Utility Group Conference.

FICO World 2010

Dr. Michael Turner served on the keynote panel discussing the 'Regulatory Revolution' at FICO World 2010. On April 16th the panel discussed the relationship between governments and financial services as a result of the economic crisis.

Ashoka Future Forum

2009 Ashoka Fellow and PERC President Dr. Michael Turner attended the Ashoka Future Forum from April 4-7th. The orientation was for leading social entrepreneurs selected and awarded with a fellowship by Ashoka.

ANNOUNCEMENTS

We've Moved!

PERC is pleased to announce its recent move from the Europa Center in Chapel Hill to the Venable Center's "Prizery" in downtown Durham, NC. Our new home is located in a restored historic tobacco mill rebuilt as a three-story structure of slow burn construction. Listed on the National Register of Historic Places and the winner of Preservation Durham's 2008 Pyne Preservation Award, the redevelopment is part of a green design initiative. PERC is excited to be a part of the Venable Center's commitment to sustainable development and urban renewal.

Our new address is:

*302 E. Pettigrew St. Suite 130
Durham, NC
27701*



STAFF NEWS

PERC welcomes **Daniel Graubman** as a Research Assistant. Daniel began his work with PERC as a summer Junior Analyst and was hired in August at the conclusion of his internship. Daniel graduated from the University of Memphis in the Fall semester of 2009 with a BA in Sociology and a Double-minor in Political Science and Chinese. In addition to his undergraduate work, Daniel also completed a graduate course at Johns Hopkins University's Government Studies Advanced Academic Program. Outside of work, Daniel is an avid rock climber.

Elizabeth Phillips joined the PERC team as Special Projects Manager in June 2010. Elizabeth graduated in May from the University of North Carolina at Chapel Hill with a double major in English and Dramatic Art.

Jaki Bradley, former PERC Special Projects Manager, has left PERC to pursue a Fulbright scholarship researching South East Asian theatrical traditions in Kuala Lumpur, Malaysia. We wish her the best of luck.

PERC thanks interns **Matt Tomlinson** and **Jasmin Jones** for their work this summer. Jasmin, PERC's Development Summer Intern, graduated in May from the University of North Carolina at Chapel Hill with majors in international studies and public relations; she now works as the Special Assistant to the Senior Vice President for External Affairs at American Progress. Matt, PERC's New Media Summer Intern, graduated from NC State with a degree in Political Science and is currently serving as a research assistant to Senator Swindell at the NC General Assembly.

PERC

RESULTS AND SOLUTIONS

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ASHOKA

Michael A. Turner, Ph.D.

PERC President



Asia-Pacific Credit Coalition

The Policy and Economic Research Council (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.