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Letter from the President

As I write this, PERC has active projects on five continents. This is truly amazing! Few organizations in our fields of policy research and economic development can make such claims, especially when one considers PERC's relatively diminutive size.

PERC's worldwide footprint is a testament to the hard work and commitment of PERC staff and our supporters. Over the years, PERC has become a leader in global thought on our core issues, and is being proactively sought after for policy guidance by policymakers, regulators and industry leaders across the planet.

In Africa PERC staff returned to Nairobi, Kenya after more than a year to assess a pilot test of 38 banks reporting to a single licensed credit bureau. PERC delivered the results separately to the Kenyan Bankers Association and the Central Bank of Kenya. The results were encouraging and demonstrated clear progress in Kenya as it continues to build its financial services infrastructure.

In Latin America PERC recently undertook two projects. At the behest of the Inter-American Development Bank (IDB) and Mexican Banking Commission, PERC analyzed the state of the consumer credit reporting market in Mexico and commented on the likely impacts pending legislation. And, working with Equifax, PERC developed a white paper for use in Chile summarizing the social and economic consequences of a proposed redaction of inquiry information from consumer credit files.

In Asia PERC remains active

through the work of the Asia-Pacific Credit Coalition (APCC), which is committed to an aggressive schedule of workshops this year about the role of full-file credit reporting and financial inclusion, with a particular emphasis on the need for a regional standard and the value of alternative data. In China, after a second successful conference with Peking University—the most recent conference focused on multi-level lending in China (microfinance)—PERC has forged a relationship with SinoCred (www.SinoCred.info) to help China develop its financial services infrastructure, broadening and deepening credit access to enable millions more Chinese to build assets and create wealth.

In Australia, PERC continues its work promoting national reform in consumer credit reporting laws. Working with local allies led by Dunn and Bradstreet Australasia and the ARCA coalition, PERC is championing regime transition from negative-only to full-file, including non-financial payment data such as telecoms and energy utility data. PERC will be actively engaged in Australia—both in advocating reform and in co-developing commercially viable solutions—during the rest of 2010.

Domestically, PERC has been continuing its efforts to include monthly payment data in FCRA-regulated consumer credit files. PERC, the Corporation for Enterprise Development (www.cfed.org) and the Center for Financial Services Innovation (CFSI) undertook a successful campaign to engender support for the inclusion of energy utility and telecommunications payment data in credit reports.

To date, there are nearly 60 organizations that have signed-on to this campaign, and the list is growing weekly. To add your organization's name to our list of supporters, please click on the following link (www.perc.net/become-a-supporter). PERC will continue its aggressive schedule of outreach to energy utility and telecoms executives to exhort them to fully report. PERC will also engage in advocacy efforts in Washington, DC with its partners to promote federal legislation reaffirming the rights of companies to report payment data to consumer reporting agencies.

Finally, PERC is nearing completion on two studies examining the state of small businesses in areas in Louisiana that were ravaged by natural disaster in 2005. Supported by the Louisiana Disaster Recovery Foundation (www.louisianahelp.org), PERC has conducted field research with a sample of organizations that received grants or assistance from the LDRF to gauge the impact of this assistance. PERC has also surveyed over 600 other small business owners in Louisiana—both LDRF grant recipients and those that received no assistance, in an effort to measure the efficacy of different disaster recovery and economic development assistance programs. PERC will present the results in April.

Sincerely,



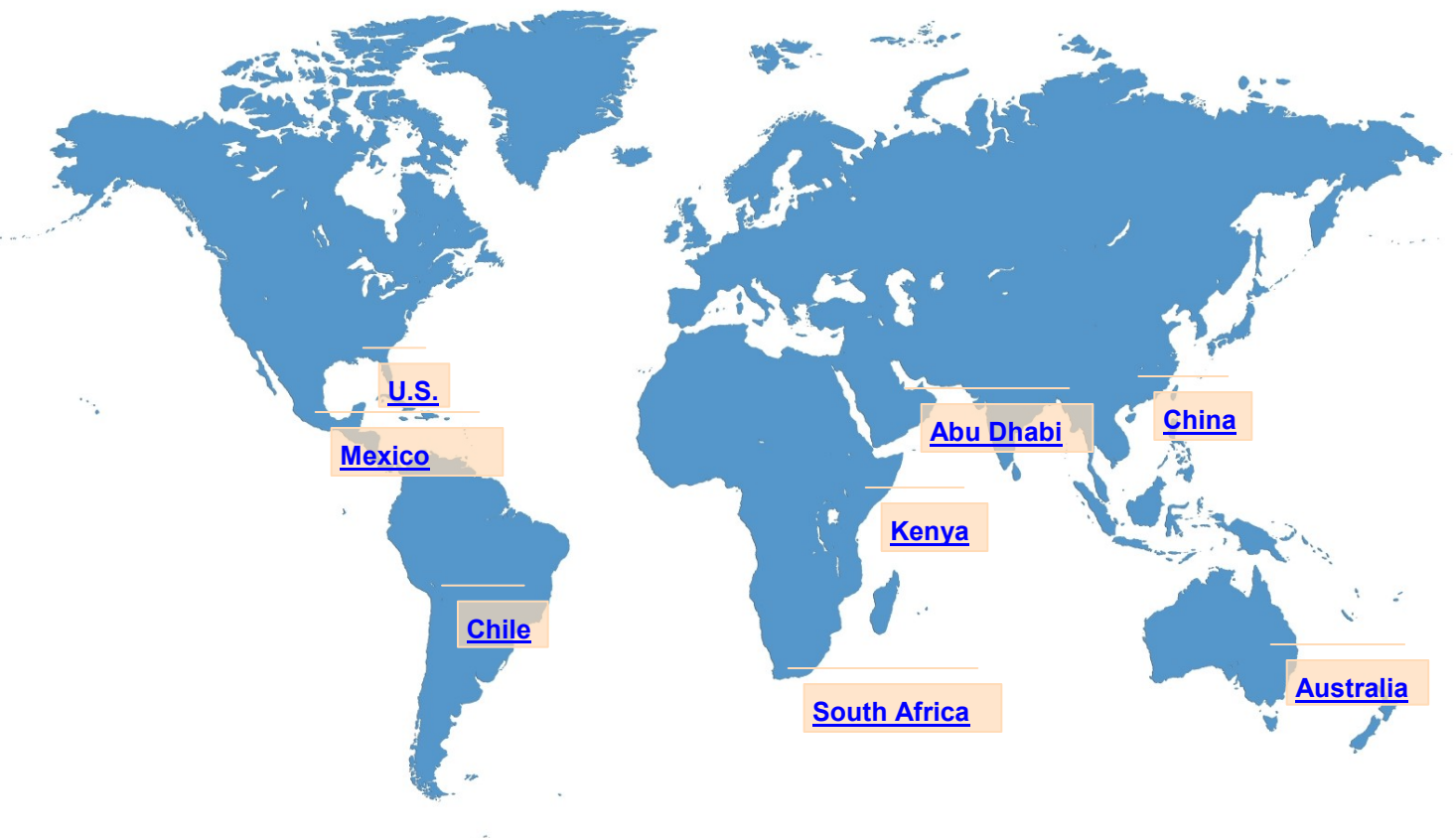
Michael A. Turner



PERC in Action

In 2010 alone, PERC has worked on five continents.

To read more specifically about our international projects, click on the links below.



PERC Developments Around the Globe

Kenya

PERC is excited to part of an innovative effort by Data Analytics Africa to promote small value lending using ATM systems data in Kenya. This new lending model will use a mobile banking interface to make loans quickly and easily accessible to millions of Kenyans. Moreover, the model, when fully developed, will be open to various lenders in order to drive down interest rates via competition. The pilot is set to launch in March. If successful, the model will be replicated in other countries in the region such as Nigeria and Tanzania.

Data Analytics Africa is also working on the development of a credit bureau that collects alternative data in order to expand financial access to many outside the mainstream. DAA and PERC are exploring the possibility of collecting telecom payment and prepayment data from Safaricom and Zain, and payment transfer data from M-Pesa and Zap.

PERC's has also been heavily engaged in Kenya's development of a credit information sharing system. Working with Financial Sector Deepening Kenya, the Kenyan Bankers' Association and the Central Bank of Kenya, PERC has been assisting Kenya policymakers in their development and implementation of a new credit reporting system. To evaluate the penultimate phase of the implementation project, Dr. Michael Turner and Dr. Robin



Varghese went to Kenya from Feb. 21st to March 4th. The implementation assessment, sponsored by FSD Kenya, took place after the first test run of the system. The test run was organized by the Kenya Credit Information Sharing Initiative, a joint project between the Kenya Bankers Association and the Central Bank of Kenya.

Banks were requested to deliver 12 data sets with over 200 mandatory variables to a licensed credit reference bureau. PERC reviewed the results of both the test run and the preparations for the test run. Our initial findings were presented first to a meeting of members of the Kenya Bankers Association and then to the banking supervision teams of the Central Bank of Kenya.

Mexico

Dr. Robin Varghese recently assisted the Comisión Nacional Bancaria y de Valores with an assessment of the likely impact of a proposed law on credit reporting. The new law seeks to expand the sharing of data between bureaus and make a richer data pool available to lenders in order to expand lending and improve risk assessment. The research was funded by the Interamerican Development Bank, and comprised engagements with various regulators, credit bureaus, major lenders and value added service providers in Mexico.

SinoCred

The States Council in China has made public draft regulations that would dramatically impact consumer and commercial credit reporting in China. One of the primary changes is the codification of the government monopoly in consumer credit reporting via the Credit Reference Center (CRC) of the People's Bank of China (PBOC). To help non-Chinese firms interested in understand and pursuing the business opportunities this new law will create, particularly with respect to the development of financial services infrastructure in China in an effort to broaden and deepen credit access for asset building, PERC is partnering with SinoCred-a Chinese intermediary organization based in Beijing. For further information on how SinoCred can help your organization in China, visit

www.SinoCred.info.

South Africa

In September 2009 PERC concluded a study, *Increasing Financial Access for Undeserved South Africans through Alternate Data*. We surveyed the landscape of alternate data in South Africa in order to identify types that are potentially useful for expanding credit access in South Africa for FinMark Trust. Our research into credit access and interviews with lenders showed that the major concern in lending that divides those who have access to formal credit markets and those who do not is the ability to verify income. Those with formal employment are able to access credit markets at levels 3 to 4 times greater than those in the informal sector.

PERC believes that alternate data, or non-credit payment data, such as payments and prepayments on rent, gas, electric, insurance, telecommunications and other recurring obligations, can serve as a proxy for income flow and help to evaluate the risk of a potential borrower. In South Africa,

payment histories from rental housing, municipal services, and prepaid public and private services (including power, water and telecommunications) especially may be able to serve as a proxy for income stability. That is to say, the regularity of these payments and prepayments can be used as indicators of a revenue stream or access to resources that can enable lenders to determine whether a loan applicant can afford a loan.

Interviews suggest that a statistical test of alternate data, specifically rental data, municipal and other government service data, and prepaid cell phone data, can serve to measure the costs of sharing this information against the benefits of credit access. PERC is currently in the development and funding stage of the second phase of this project, which would test municipal service and rental data.

Chile

In March PERC released a white paper exploring the implications for borrowers, lenders and the overall economy of Chile if proposed legislation prohibiting the collection and use of credit inquiry data was implemented.

The report drew on past research, the value of credit inquiry data in other markets and global trends. The white paper, "The Consequences of Prohibiting Credit Inquiry Data in Chilean Credit Files," finds strong evidence that the removal of credit inquiry data in the otherwise negative-only Chilean credit files would result in reduced access to credit for Chilean borrowers, likely particularly for the credit underserved in Chile.

Abu Dhabi

Dr. Robin Varghese presented on the value of full-file and alternative data at the 2009 annual Arab Credit Reporting Initiative (ACRI) conference on November 9th in Abu Dhabi. The conference was attended by policy makers from all over the Middle East and organized by the IFC and the Arab Monetary Fund. Policymakers reported on the success and hurdles of their efforts to implement credit reporting systems in the region and were presented lessons from experiences outside their region.

China

PERC and the Peking University ACOM Financial Information Research Center (PAFIRC) co-organized a two-day international conference (Nov. 19-20, 2009) on multi-level lending (microfinance by MFIs and commercial banks) in China. The event was co-hosted by the China Society of Finance and Banking and by Peking University. There were more than 200 attendees including Kroll Factual Data, RentBureau, TransUnion and Veda Advantage—all of which were sponsoring organizations.

PERC and conference supporters were able to participate in a closed door session with senior Chinese government officials to discuss multi-level lending and developments with consumer and commercial credit reporting reform in China. The event was a stunning success by all measures, and attendance was above that of the inaugural event from the previous year.

Asia Pacific Credit Coalition (APCC)



Asia-Pacific Credit Coalition

Damian Karmelich of Dunn and Bradstreet Australasia, and Tom Clark of GE Capital represented the Asia-Pacific Credit Coalition (APCC) at the first APEC Business Advisory Council (ABAC) meeting of 2010, held on Feb.12 in Melbourne, Australia.

Mr. Karmelich shared information regarding the Australian experience as this member economy has begun the transition from a 'negative-only' credit

reporting regime (lenders share only 'negative' or derogatory payment data with consumer credit bureaus) toward a 'full-file' (negative and positive data) and comprehensive (multi-sectoral) regime. Australia is a critical case among the 21 APEC member economies, and its experience will be influential throughout the region.

Tom Clark shared data and information on the importance of information-based risk assessment tools in setting margins for SME loans, and how robust information sharing in the consumer and commercial sectors will promote SME capital access and growth, thereby stimulating economic growth throughout the APEC region.

The **second ABAC meeting will be held in Taipei, Chinese Taiwan**. He APCC will be represented at that event, as well as a series of upcoming APEC-related events during 2010.

APCC will be supporting a series of practical workshops for regulators and policymakers from APEC member economies. Topics will include financial identity, SME credit access and consumer credit information sharing and development.

For more information, please visit the APCC's website at www.APECcredit.org.

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.



“We’re pleased to continue our relationship with PERC, which has in the past provided research vital to understanding the evolving condition of small businesses throughout the Gulf Coast region. The forthcoming analysis will measure the efficacy of small business development programs and guide our efforts moving forward.”

- Landon Williams,
Director of Housing
and Small Business
Development, LDRF

PERC Initiatives Update



PERC Researches Small Business Needs and Impacts of Small Business Aid in Louisiana

The Louisiana Disaster Recovery Foundation (LDRF) asked PERC to assess the needs of small businesses in Louisiana and examine the impact of aid delivered by community development organizations (CDOs) it has supported. The project got officially underway with a September 2009 kick-off meeting in New Orleans. By November, PERC had interviewed five small business owners / self-employed individuals that were assisted by CDOs using LDRF funding. These case studies, ranging from a start-up in the footwear industry to fishermen in the bayou, represent the first phase of the project. A draft report of the first phase, with a summary of the case studies, was completed in February 2010.

The second phase, a survey of small business owners and the self-employed of Louisiana, got underway late January 2010, with all surveys completed in February.

In all, 650 business owners were surveyed, including owners who had sought aid and those that had not.

The final phase will include analysis of application data, small business credit file data, other data sets, results of the survey, and the case studies and will be completed by summer 2010, prior to the fifth anniversary of Hurricane Katrina’s landfall.

This effort continues PERC’s research into the impacts of disasters on small businesses and their owners. PERC published findings based on business owner survey results combined with business credit file data on the second and third anniversary of Hurricane Katrina’s Gulf Coast landfall. Those reports provided valuable insights into the disaster’s aftermath that were widely reported and used to refashion aid and recovery efforts.



PERC Initiatives Update Cont.

Alternative Data Initiative Phase 4

PERC President Dr. Michael Turner was joined by Laura DeSoto of Experian at the Telecommunications Risk Management Association's Winter Regional Conference in Las Vegas on Feb. 16-18, 2010. Dr. Turner and Ms. DeSoto presented results from PERC's recent research on the business rationale for telecommunications and energy utility firms to fully report customer payment data to all three major national consumer reporting agencies (CRAs)-Experian, Equifax and TransUnion-for inclusion in FCRA regulated credit files.

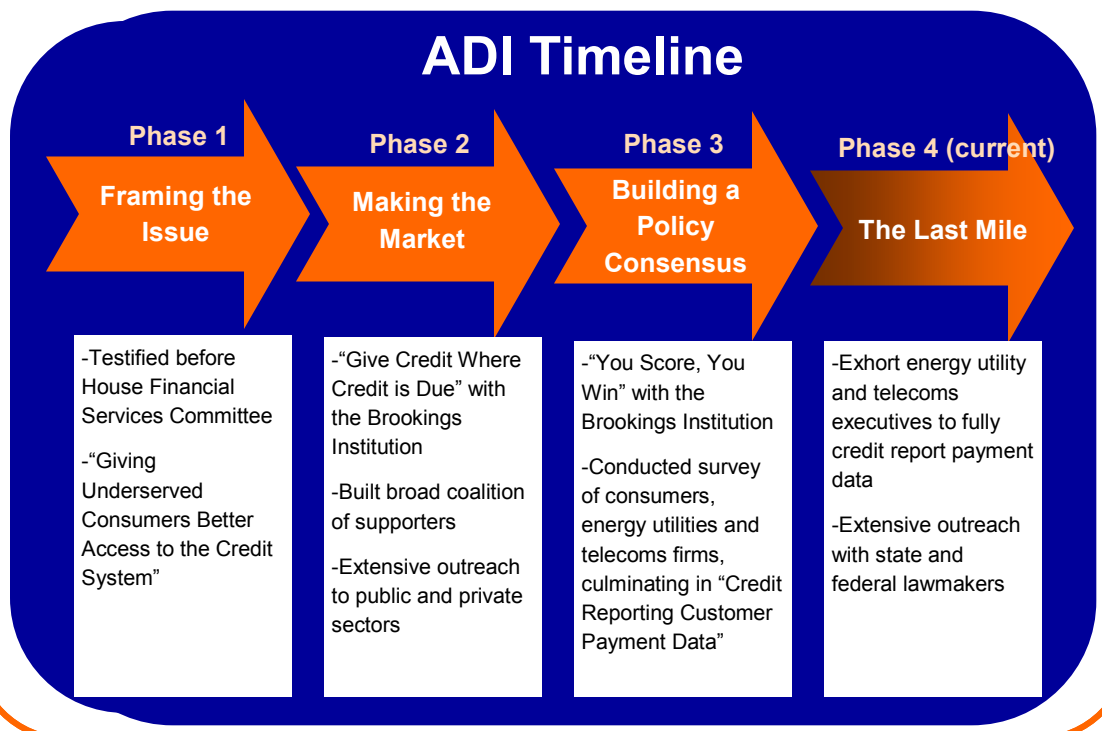
Dr. Turner and other PERC staff will continue to engage in relevant industry trade gatherings, as well as undertake direct outreach to senior level industry executives to help them understand the benefits to their firm and their customers from credit reporting payment data.

PERC continues to work with the Corporation for Enterprise Development and other ADI supporters to promote a federal

policy solution that would make statutory the implied right of firms in these industries to fully report payment data to credit bureaus.

Currently, most firms either only report negative data (delinquencies, charge offs) or report indirectly through collections agencies. The result is that consumers are being punished for non-payment but aren't being rewarded for timely payments. PERC seeks to rebalance this reporting asymmetry and promote payment reporting as a means of helping those 35 to 54 million Americans who are 'credit invisibles' (they have no credit file or too little information to be scored) overcome the 'Credit Catch 22' (that you must already have credit experience in order to qualify for credit) and access affordable sources of mainstream credit by thickening their credit files and building a good credit history.

To support PERC's policy efforts, please add your organization's name to our growing list by visit [Become A Supporter](#).



What's New at PERC

Dr. Turner Interviewed on Privacy Piracy:

Turner and Frank Agree that Credit Reporting Payment Data is Powerful Tool to Combat ID Fraud and Identity Theft

Mari Frank, a nationally recognized expert on identity theft and how to combat it, who has published books designed to help victims cure the consequences and has appeared on many national media outlets carrying her message, interviewed PERC President Dr. Michael Turner on DATE. While the majority of the interview was about PERC's work promoting the reporting of so-called "alternative data"-that is regular monthly payment information that is currently excluded from FCRA-regulated consumer credit files (or underreported)- to help as many as 70 million people in America alone build a credit history in order to access affordable sources of mainstream credit, Ms. Frank made several compelling arguments about alternative data and ID theft. First, Ms. Frank proclaimed her long-time support for having energy utility and telecommunications customer payment data fully

reported to the big three national credit bureaus. She reasoned that many victims of identity theft discovered the fact only when applying for credit and seeing energy utility, telecommunications, rental and other regular monthly non-financial accounts in collections.

According to Frank, by the time the accounts go to collections the damage has been done and it's too late for the victims. However, Frank argued, if these payments were regularly reported and fully included in consumer credit reports, consumers would be able to immediately spot suspicious accounts, stopping ID theft at an early stage and saving themselves a lot of undue grief and harm. This would make perpetuating ID theft exponentially more difficult and would reverse the trend regarding America's fastest growing crime. To hear Dr. Turner's interview with Mari Frank in full, click [HERE](#).

PERC's Annual Appeal

This year, PERC started a new fundraising channel, the *PERC 400*.

The *PERC 400* consists of a small group of individuals who are aware of PERC's initiatives and supportive of our work. In 2010, we hope the *PERC 400* will help support several projects, including the Alternative Data Initiative (ADI) which strives to rescue the estimated 70 million financially excluded Americans by migrating this 'credit invisible' population (many of whom are excluded not because they are risky but because their credit files lack sufficient information) into the mainstream.

Additionally, we hope the *PERC 400* will help us support our global microfinance efforts to provide low-income entrepreneurs with access to credit so they can lift themselves and their families out of poverty. In 2009, PERC made great strides towards this goal, with projects ranging from persuading the People's Bank of China to include nonfinancial data in consumer credit reports to creating new financial opportunities for East Africans by helping launch the first alternative data credit bureau in Africa.

To continue fighting financial exclusion, PERC asks readers to consider joining the *PERC 400* and include the Policy and Economic Research Council in your giving. To become a supporter and make a tax-deductible gift to PERC, follow this link: [Donate to PERC](#).

PERC also welcomes the opportunity to be connected with funders, including foundations, corporations or wealthy individuals who might be able to fund an entire PERC project with a single gift, and with other individuals who share PERC's goals. To contact PERC about an opportunity like this, please email Special Projects Manager Jaki Bradley at bradley@perc.net.

Many organizations aspire to have a global impact. **PERC has changed the world and continues to do so in innovative ways that directly and positively improve lives.**

-Maria Goodman Pincetich

PERC Events in Brief

Recent Events

AITEC Banking & Mobile Money COMESA 2010 Conference

Dr. Michael Turner and Dr. Robin Varghese attended the conference held February 24-25, 2010 in Nairobi, Kenya and presented an update on the consumer credit information-sharing implementation process in East Africa. The presentation was shared with leaders of Kenya's financial sector.

Telecommunications Risk Management Association (TRMA) 2010 conference

PERC President Dr. Michael Turner addressed TRMA at its 2010 winter conference held Feb. 16-18 in Las Vegas, Nevada. His presentation focused on the costs, benefits and social and economic impacts of full-file credit reporting.

Multi-Level Lending in China Conference

PERC and the Peking University ACOM Financial Information Research Center co-organized this conference, held in Beijing, China from Nov. 19-20, 2009.



5th SEACEN/ABAC/ABA/PECC Public-Private Dialogue for the Asia-Pacific region

Dr. Robin Varghese sat on the panel of experts on July 27-28, 2009 in Bangkok, Thailand. PERC represented the APCC, promoting agenda items such as a regional framework for credit information sharing, as well as proposals for initiatives that may have APEC-wide impacts.

Upcoming Events

Ashoka Future Forum

As a 2009 Ashoka Fellow, Dr. Michael Turner will attend the Ashoka Future Forum from April 4-7, 2010. This orientation is for 'leading social entrepreneurs' selected and awarded with a fellowship by Ashoka. To learn more about Ashoka and Dr. Turner's fellowship, visit the [Ashoka Fellows](#) website.

FICO World 2010

Dr. Michael Turner will serve on the keynote panel discussing the 'Regulatory Revolution' at FICO World 2010, formerly called InterACT. The panel, on April 16, 2010, will discuss the relationship between governments and financial services as a result of the economic crisis. For more information on FICO's annual decision management conference, held this year in Miami, Florida, visit [Fico World 2010 Overview](#).

NACM's Credit Congress 2010

Dr. Michael Turner will present again at the National Association for Credit Management's annual Credit Congress, held in Las Vegas from May 16-19, 2010. Dr. Turner's presentation will serve as part of the International Utility Group Conference. For more information, visit NACM's conference website at www.creditcongress.nacm.org.

Compuscan Conference 2010

In Mombasa, Kenya, Dr. Michael Turner will speak to financial service providers from all over Africa regarding the value of comprehensive credit reporting. This conference, from October 13-15, 2010, promotes PERC's mission to expand financial opportunity to individuals and small businesses worldwide. For more information, visit Compuscan's website at www.compuscan.co.za.

Recent Publications



[The Consequences of Prohibiting Credit Inquiry Data in Chilean Credit Files](#)

February 2010

This white paper assesses the repercussions of proposed Chilean legislation to prohibit the sharing of credit inquiry data.



[NCLC Supports the “3 Ps” of Lending: Pawn Shops, Predatory Lenders and Pay Day Lenders](#)

November 2009

This Policy Brief challenges some of the assertions the NCLC makes regarding the full file reporting of utility customer payment data and makes the case that, on the whole, consumers, and particularly underserved consumers, would benefit from the full-file reporting of their utility and telecom payments to credit bureaus

Forthcoming Publications

Credit Underserved and Alternative Data: Measuring the Impacts of Credit Reporting Energy Utility and Telecom Payment Data on the Credit Underserved

This study quantifies the impact of including energy utility and telecom payment data in FCRA-regulated consumer credit files. Particular emphasis is given to those with little or no credit history and low credit scores.

Assessing the Status of Credit Information Sharing in Kenya: Results from the First Test Run of the Implementation Program

Slightly more than a year after the national law was enacted mandating the creation of a credit reporting system, 38 banks participated in a test run to provide credit file data to a licensed credit bureau in Kenya. This report highlights the key results from the pilot test.

Economic Development in Louisiana: Gauging Small Business Need and Aid Impacts

This report summarized results from a 2-group survey of small business owners in Louisiana, those who received or applied for grants or assistance from LDRF and a representative group of small business owners who did not. The report's primary focus is on which economic recovery and development programs succeeded and failed and why, the existing unmet needs of the small business community and options for meeting those needs based on the learnings from LDRF's grants and assistance recipients.

Small Business Viewpoint: An In-depth Exploration of Participants from Select LDRF Funded Programs

In this report, PERC looks into a select number of LDRF small businesses that received LDRF grants or assistance. This analysis sheds light on the successes and failures of specific programs and offers insights as to why certain programs, even small-dollar programs, made a major impact where others were failures.

Staff News

Michael G. Nathans, founder of Pay Rent, Build Credit, Inc., (PRBC) and longtime champion of enabling consumers to have their regular bill payments used in credit underwriting, has joined the PERC team. He will serve both as a member of the PERC Advisory Board and as a Senior Fellow, dedicating his efforts to PERC's activities in the areas of alternative data and consumer credit reporting. "We are honored and privileged to include Michael Nathans on our roster of experts," said PERC President and CEO Dr. Michael Turner. "He is one of the true visionaries in consumer credit reporting, and he brings with him a wealth of insights and experience." To read Michael Nathan's bio, please visit www.perc.net/experts.

Former PERC Research Fellow **Katrina Dusek** gave birth to a son, Jack Gregory Dusek, on August 1, 2009. We wish Katrina, who now works with the UNC Population Center, success and happiness as she enters this new phase of her life.

PERC welcomes **Jaki Bradley** as its new Special Projects Manager. Jaki graduated from UNC-Chapel Hill in May 2009 as a Carolina Scholar majoring in Journalism & Mass Communication and Dramatic Arts.



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.

Our vision: Using information solutions, PERC seeks to increase financial inclusion globally by more than any other institution.



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