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PERC Study Identifies Credit Reporting as Key to Economic Growth in Latin America

Chapel Hill, N.C. – The Center for Competitive Credit, part of the Political and Economic Research Council (PERC), has released a white paper and full-length study exploring the economic and social benefits derived from credit reporting processes in Latin America.

The paper, titled “Economic Impacts of Payment Reporting Participation in Latin America” finds that those countries with a developed lending infrastructure—including a private credit bureau with most creditors participating in a voluntary comprehensive credit reporting system—outperformed all other countries in the region in terms of growth in lending to the private sector and overall economic growth.

“Lender participation in a comprehensive credit reporting system is a key ingredient in the formula for sustainable economic development,” said Dr. Michael A. Turner, president of PERC. “In those countries in which most lenders shared positive and negative customer data with a private credit bureau,” Turner continued, “lending to the private sector was dramatically higher.”

Simulations using Colombian credit reports and commercial grade generic scoring models showed that higher lender participation in a private comprehensive credit reporting system increased acceptance rates between 100 and 300 percent for a 7 percent default rate. Similarly, higher lender participation reduced default rates on a combined set of financial and non-financial accounts between 13 and 60 percent for a 50 percent target acceptance rate. The report also concluded that private comprehensive credit reporting systems resulted in fewer lender mistakes, a more equitable distribution of credit, and fewer borrower defaults.

“Credit bureaus are key to a well-functioning, modern financial system,” says Dr. Robin Varghese, senior fellow at PERC. “Both national and international policy

makers and financial communities should be interested in this information as they refine their credit reporting and private sector lending capabilities.”

TransUnion played an integral part in the study, providing anonymous consumer credit files, credit characteristics and market research throughout the region. “Through our valued partnership with PERC, we are demonstrating real economic benefits to both businesses and consumers in the markets we serve,” said Maria Olga Rehbein, president, TransUnion Latin America.

The full report is available at <http://www.infopolicy.org/publications.htm>. Drs. Turner and Varghese are available to further explain their findings and provide key information on other global policy issues.

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About PERC: The Political and Economic Research Council is a non-profit, non-partisan organization devoted to research, public education and outreach on public policy matters. PERC’s goal is to educate and engage policy makers, consumers, the financial/economic community and the larger public, in the firm belief that a better informed public makes better decisions. Areas of expertise include information policy, credit access and the global information economy. The Council is funded by both for-profit and not-for-profit organizations that support the Institute’s general mission and agenda.

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