

# PERC

RESULTS AND SOLUTIONS

## ALTERNATIVE DATA INITIATIVE (ADI) PROJECT



*Unleashing the Power of Information*

# The Problem

- An estimated 35 to 54 million Americans have insufficient credit information to qualify for affordable mainstream credit. (Sources: Experian and FICO)
- The number of thin-file and no-file Americans may exceed 70 million, if immigrants are included. (Source: NCRA)
- Most outside the credit mainstream may only access credit from high-priced lenders including check-cashing services, payday lenders, and unscrupulous predatory lenders.
- It is estimated that each year Americans spend \$4.2 billion on fees and charges for payday lenders, check cashing services, and predatory lenders. (Source: Center for Responsible Lending )
- An individual borrower could save \$40,000 to \$360,000 over the course of a career by opening a simple checking or savings account. (Source: The Brookings Institution )



# PERC's Solution

- Nearly all energy utility and telecoms firms report negative customer payment data (delinquencies and defaults) to credit bureaus, either directly or indirectly through collections agencies.
- Under the current system, energy utility and telecoms customers are penalized for late payments, but are not rewarded for timely payments.
- PERC promotes the full reporting of customer payment data—negative and positive data (timely payments and the amount paid)—by energy utility and telecoms firms to consumer reporting agencies (CRAs) as a way of helping millions of Americans quickly build a positive credit history and enable them to access affordable credit.
- In 2004, PERC launched its Alternative Data Initiative (ADI) with the goals of: (1) Exhorting energy utility and telecoms companies to fully report to CRAs; and (2) Moving the market by encouraging demand (use by lenders in underwriting) and supply (collection of data by CRAs).



# The Roadmap

## ADI Phase 1 (Jan 04—Mar 05)

- Testified before House Financial Services Committee.
- Released “Giving Underserved Consumers Better Access to the Credit System,” (National Press Club).

## ADI Phase 2 (Apr 05—Jan 07)

- Released “Give Credit Where Credit is Due” with Brookings UMI, measuring economic and social impacts of full payment reporting to credit bureaus.
- Built broad coalition of supporters including lenders, credit bureaus, CRAs, and consumer advocates.
- Extensive outreach with public and private sectors.

## ADI Phase 3 (Feb 07—Dec 08)

- Survey of energy utility and telecoms firms building business case to report.
- Study measuring impacts of having rental payment data and other public record data reported to CRAs.
- Federal and state outreach.

# Testimonials

“PERC espouses the best qualities of a world class think tank-- intellectual rigor, integrity, and tenacity.”

*Alyssa Lee*

Associate Executive Director  
Urban Markets Initiative  
The Brookings Institution

“Dr. Michael Turner is an articulate expert who possesses a global vision in the field of information policy, and we highly value our collaborations relative to our ongoing research in credit access and credit risk modeling. He and his staff are very thorough and methodical in conducting research and forming conclusions. Their work is theoretically sound and the results of their studies are of practical benefit to stakeholders.”

*Clark R. Abrahams*

Chief Financial Architect  
Financial Services Business  
SAS Institute

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