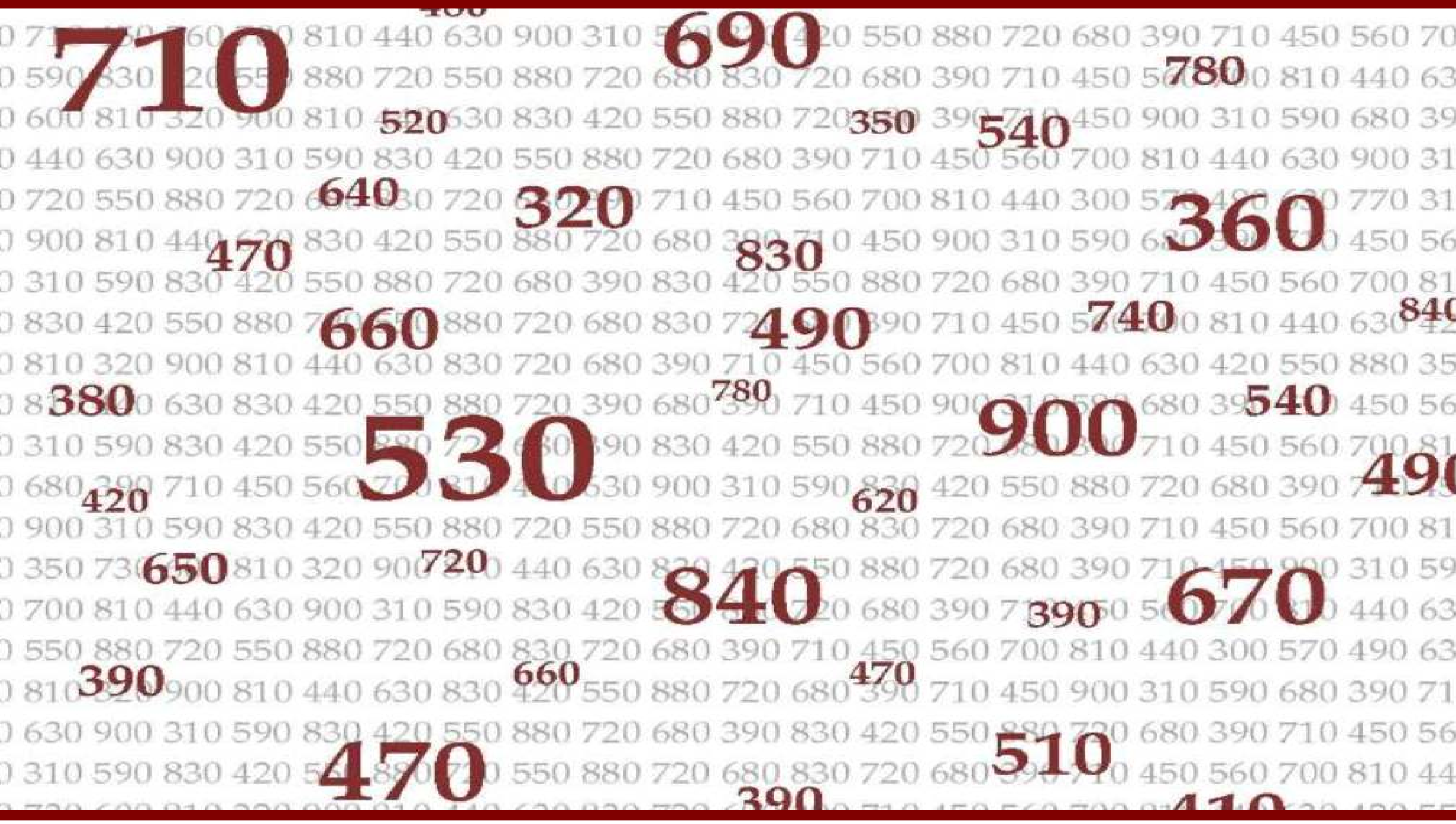
The Value of a Credit Score

Developing an Equitable Model for the Use of Credit Histories in Financially Underserved Communities

February 2009



Appleseed

A Network of Public Interest Justice Centers

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The findings and conclusions of this report are those of Appleseed alone and do not necessarily reflect the opinions of our partners or other outside contributors, or of the project advisors or funders.

Appleseed Project Staff

Executive Director:
Betsy Cavendish

Report Contributors:
Ann Baddour, Senior Policy Analyst, Texas Appleseed
Jeremy Cook, Communications Staffer, Appleseed
Annette LoVoi, Field Director, Appleseed
Jordan Vexler, Deputy Field Director, Appleseed*
* Primary author

Project Advisor:
Juan Jara, M&T Bank

Huron Consulting Group Inc. Pro Bono Support:
Evita Maloney, Analyst
Jamal Salem, Analyst
Jess Strilich, Analyst
Ilya Tsorin, Analyst
Rebecca Vélez, Director, Accounting & Financial Consulting

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EXECUTIVE SUMMARY

Amidst the current financial crisis, many U.S. households – particularly those found in low-income and immigrant communities – face an intensifying struggle to build and protect financial assets. In this struggle, individual credit histories play a far more significant role than many consumers realize. Though often thought of merely as a tool for acquiring loans and credit, everything from insurance rates to utility deposits, wireless service to housing approval – even employment – may be affected by a person's credit score.

That *bad credit* disqualifies consumers from acquiring certain products and services is well understood, even within communities lacking access to critical financial information. What many people do not realize, however, is that having *thin* or *no* credit is often equally – and unfairly – prohibitive. As it turns out, building a credit file is a somewhat opaque and arbitrary process, involving proprietary formulae that typically do not take into account significant aspects of an individual's payment history (e.g. rent, utilities, insurance, etc.)

As part of its commitment to ensuring equal financial opportunity to underserved communities across the country, and to assist such communities in building assets, Appleseed stresses the importance of resolving the disproportionate impact that credit scores have on thin credit communities. Appleseed is circulating this white paper in order to generate discussion and proposals for innovative solutions. As a starting point for such a discussion, Appleseed proposes a multi-tiered approach that focuses on:

- *Consumer Education*, through the development of outreach programs and materials that provide information about building and protecting a credit score. Consumer education would also create awareness about the use of credit histories in nontraditional markets.

- *Market Policy*, by encouraging the development of nontraditional credit scoring formulae and new methods for measuring the financial history of thin credit communities. Such methods may include the positive reporting of billing history, recording payment histories for rent and utilities, and would require substantial cooperation between credit score providers, utility companies, housing companies, and similar stakeholders.

- *Regulatory Oversight*, by soliciting support from federal, state and local lawmakers to introduce reasonable restrictions on the use of credit scores outside of traditional lending and credit markets.

Appleseed believes that the innovative measures adopted at each of these levels will have a mutually positive effect for businesses and consumers. Thin credit communities will be given a more genuine opportunity to enter the final mainstream, while insurers, utility companies, employers, housing providers, and other industry players will develop beneficial relationships with a desirable yet underserved customer base.

INTRODUCTION

The ability of a household in the United States today to manage expenses and to build assets is increasingly influenced by credit scores calculated from individual credit histories. These financial formulae are proprietary to the companies that distribute them, are not well understood by the consumers affected by them, and are often ill-suited to the needs of low-income individuals, immigrants, and other persons who have no credit history or "thin" credit histories. Though often thought of as a tool merely for acquiring loans and credit, the reach and impact of credit scores today extends far beyond these traditional markets. The importance of credit scores is likely to continue rising, as the emerging credit and financial crisis has left creditors significantly more wary of nontraditional borrowers and nontraditional methods of risk evaluation.

An estimated 50 million people in the United States have either no credit or thin credit.

Appleseed has reviewed the uses of credit scores outside of traditional lending markets, and has found that credit scores are increasingly essential to any household seeking financial inclusion in the United States. An individual's credit score can affect his or her access to the most affordable insurance rates, can influence housing and employment decisions, and may even determine the practical availability of basic utilities. Individuals who have never given any thought to their credit histories may be surprised to learn that a score they have never known – the calculation of which is a trade secret – may affect how much they have to pay for insurance on their homes or automobiles, or whether they will get a job or be permitted to rent desirable housing, or how much they will have to deposit with their utility companies for basic services. These decisions take place against the backdrop of a relatively unregulated environment, with few industry standards and only limited legal restrictions on the use of credit scores outside of a lender-borrower relationship.

As the reach of credit scores has extended into these nontraditional areas, it has simultaneously become apparent that favorable scores providing the greatest financial advantages are unavailable to those who stand to benefit the most from their salutary effects. The negative impact of credit scoring is felt most heavily by individuals and families in low-income or immigrant communities, many of whom have "thin" credit histories and, consequently, either no credit scores or limited history credit scores that are viewed less favorably by those who weigh them. The total thin and no file population in the United States has been estimated at around 50 million people.[1] Because the most favorable credit scores are reserved for those with a strong traditional credit history, and because credit scores do not reflect favorable past performance in areas like payment of rent or utilities, low-income and immigrant persons – and indeed,

[1] Fair Isaac, 2008.

entire communities – who have not had extensive access to traditional credit can find themselves locked out of employment and housing opportunities, the best insurance rates, and the most favorable utility service terms. These effects are all felt in addition to the long-established influence of credit scores on access to conventional loans and traditional credit markets.

If you have little credit history or no credit history and you are applying for:				
Insurance	Gas or Electricity	Contract Cell Phone Service	Rental Housing	Employment
You may encounter:				
An increased insurance premium	The equivalent of a two-month utility payment deposit or even up to a $1000 security deposit	A security deposit that ranges between $500 and $1000	A denial of your application	A denial of a job opportunity

Appleseed anticipates that the impact of credit scores on financial access and inclusion will become more pronounced in the months and years ahead. The emerging credit and financial crisis, epitomized by the collapse of Lehman Brothers on September 15, 2008 and largely attributed to defective subprime lending practices, has already had an observable effect on traditional lending practices and standards. Lenders have tightened their standards across the board for the extension of credit, and have placed renewed emphasis on traditional credit files and credit scores in setting standards and making underwriting decisions. Although Appleseed has not yet had an opportunity to assess observable trends in nontraditional areas, it is predictable that the growing importance of credit scores in traditional lending markets will reverberate to nontraditional fields like employment, housing, insurance, and utilities.

Available research suggests that consumers with favorable histories in nontraditional credit fields, such as rent and utilities payments, typically resemble individuals having positive credit scores.

The use of credit scores to exclude persons with thin or no credit files from favorable employment opportunities, better housing, lower insurance rates, and lower utility rates is cause for substantial concern. These practices disadvantage persons with thin or no credit, and suppress upward economic mobility, while lacking a sound factual or empirical basis. The restrictive practices appear to be based on a perceived connection between ***poor*** credit scores (*i.e.* low scores resulting from an unfavorable credit history) and negative economic consequences. However, studies purporting to link poor credit scores to harmful effects, such as higher rates of insurance claims, have not been shown to have similar predictive value with respect to persons having thin or no credit files. Even assuming the validity of these studies and accepting that negative credit history can usefully predict certain future negative transactions, they do not illuminate the larger question of how to deal with consumers who do not have a negative credit history, but simply have little or no history in traditional credit markets that could be used to calculate their credit scores.

If anything, the available research on thin credit communities suggests that individuals having little or no traditional credit history, but having a favorable history in nontraditional credit fields like payment of rent and utilities, are much more like individuals having positive credit scores than those having negative credit scores. Yet these thin credit communities do not receive the same benefits as those having high traditional credit scores, and are often lumped into the same category as those having poor credit scores.

In short, there is an observable phenomenon in the United States today where households with thin credit, most often low-income and immigrant households, but also perhaps young people, are being deprived of financial advantages in a wide variety of areas due to credit scores that (1) have only limited ability to influence, and (2) have little if any predictive value with respect to those households. The response to this phenomenon, at both the governmental and private industry levels, has been sporadic and has resulted in a patchwork of approaches offering at best only limited solutions to the symptoms, while leaving the core issues unresolved. As a consequence, thin credit sectors are left with few options and genuine remedies, and their ability to build assets within the financial mainstream, to move up the economic ladder, and to reap the benefits of economic inclusion is sharply curtailed.

As part of its commitment to open up access and financial opportunities to underserved communities, and to assist such demographic groups in building assets, Appleseed believes it is important to address the disproportionate impact that credit scores are having on thin credit communities. Appleseed is circulating this white paper in the hopes of generating discussion and proposals for innovative solutions on this topic. As a starting point for that discussion, Appleseed proposes a multi-tiered approach, focusing on:

1. **Consumer education regarding the role of credit scores in nontraditional areas**

2. **Advancement of industry solutions that use alternative financial data to reduce the unwarranted effects of thin credit files on access to favorable**

3. **Consideration of legal measures to prevent improper use of credit scores to limit the economic access of thin credit communities**

First, at the educational level, Appleseed encourages the development of outreach programs and educational materials to inform individuals with thin credit, particularly those in lower income and immigrant communities, about credit scores and the use of credit scores in nontraditional areas. There are actions that informed individuals can take to protect and build their credit scores, and for many communities there are opportunities that informed individuals can employ to begin the process of developing their credit files. If nothing else, awareness of the issue permits individuals to make informed market choices, and to seek out employers, landlords, insurance companies, and utilities that do not differentiate or discriminate on the basis of thin or no credit.

Second, at the private industry level, Appleseed believes that current, innovative efforts to develop nontraditional credit scoring formulae and methods of measuring the financial history of those with thin credit should be accelerated. A number of providers have begun experimenting with approaches that would measure credit scores not just by reference to performance in traditional lending and credit markets, but also based on factors such as utility credit histories (*i.e.* an individual's past payment history to utility companies) and rent payment histories. A growing body of empirical literature indicates that the use of such measuring tools would increase rather than limit the access of persons with thin credit to more favorable opportunities. Cooperation is needed between credit score providers, large utility companies, major housing providers, and similar stakeholders in nontraditional thin credit markets to develop a suite of alternative measuring tools that reflect payments outside of traditional lending and credit markets. Furthermore, commitments should be secured for these stakeholders to provide reliable reporting of both positive and negative payment histories by consumers, as opposed to the status quo, where often only negative payment histories in these nontraditional fields will show up in an individual's credit history and score.

Third, at the legislative and regulatory level, Appleseed encourages consideration by federal, state, and local lawmakers and regulators of reasonable restrictions on the use of credit scores outside of traditional lending and credit markets. In particular, Appleseed believes that restrictions on the inappropriate use of credit scores to penalize households with thin or no credit histories, in the absence of more empirically sound risk factors, merit serious evaluation. Households with thin or no credit histories should receive the same rates and terms in insurance, utilities, and other areas as those having positive traditional credit scores, with neither penalties nor rewards being given based on the length of one's credit history.

Appleseed believes that further discussion and the development of positive, innovative proposals at each level of this multi-tiered approach will have a dual positive effect.

Those with thin credit will be able to secure the benefits of a favorable credit score and to gain inclusion and build assets in areas where they may presently be excluded due to the absence of a traditional credit history. Just as importantly, insurers, utility companies, employers, housing providers and others who presently do not have a reliable method to evaluate consumers with thin or no credit scores, will have new tools to enable them to do business with desirable customers in underserved markets. Accordingly, in the face of an emerging credit and financial crisis that threatens to penalize thin credit communities through over-reliance on traditional credit scores, Appleseed urges that appropriate consideration be given to addressing the specific circumstances of individuals with thin or no credit files.

BUSINESS AND COMMUNITY IMPACT:
The Problematic Use of Credit Scores in Nontraditional Industries

The subject of credit scores and their effect on the availability and affordability of credit has received growing attention in recent years.[2] The discussion has focused primarily on the impact of credit scores in traditional lending markets and, to a lesser degree, insurance markets. Although traditional lending arenas are unquestionably important to any discussion of building assets, Appleseed believes that there is an important gap in the growing body of literature on credit histories and credit scores. In particular, Appleseed is concerned that the existing literature fails to capture the full scope and effect that credit scores and credit histories are having on economic opportunities, because it fails to capture the growing role of credit scores in nontraditional arenas like employment, telecommunications and utilities.[3]

Recent immigrants, lower income communities, and young people are among the demographic groups most affected by thin or no credit files, incurring higher fees and deposits for a number of services as a result.

Appleseed has undertaken an initial review of industry practices with respect to the use of credit scores and credit histories in the fields of insurance, utilities, cellular telecommunications, employment, and housing. This initial review has necessarily been non-systematic, as empirical data on credit score and credit history usage in several of these fields is scarce. Nevertheless, Appleseed's review is sufficient to draw a preliminary but credible conclusion that the use of credit scores and credit histories has expanded well beyond traditional lending, and is continuing to increase.

The rising importance of credit scores and credit histories in nontraditional areas has had an observable effect on communities with disproportionate number of individuals having no credit history or thin credit histories, such as recent immigrants, lower income communities, and young people. Appleseed's review supports the conclusion that such individuals are often materially disadvantaged when credit scores are used as part of the

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[2] See, e.g., Board of Governors of the Federal Reserve System, Report to the Congress on Credit Scoring and Its Effects on the Availability and Affordability of Credit (August 2007).

[3] This is not to say that the use of credit scores outside of traditional lending has been ignored. In the context of discussing other issues relating to credit scores, some reports have also described the use of credit scores in nontraditional fields. See, e.g., Consumer Federation of America, National Credit Reporting Association, Credit Score Accuracy and Implications for Consumers (December 17, 2002), at 10. Outside of the field of insurance, however, a systematic review of these practices appears to be lacking.

review process for insurance, utilities, cellular telecommunications, employment, and housing. Just as they tend to experience lower credit availability and to incur higher interest rates and more onerous borrowing terms in traditional lending markets, individuals with little or no credit history may be required to pay higher insurance premiums and higher utility deposits, and can have reduced access to better cellular telecommunications options, employment opportunities, and housing opportunities.

Appleseed has found no research linking *thin or no* credit to the negative outcomes predicted by a *bad* credit history.

The disadvantages experienced by thin credit communities in these areas is cause for particular concern from a public policy standpoint, as Appleseed has found no empirical evidence to support offering less favorable terms to thin credit individuals, as compared to individuals with traditional, favorable credit histories. While some studies have found a correlation between ***poor or bad*** credit histories and certain negative outcomes, like higher rates of insurance claims, Appleseed has found no corresponding studies linking a ***thin or no*** credit history to such negative outcomes. To the contrary, the available data suggest that individuals who have thin traditional credit histories, but who have performed well in payment of bills not reflected in their credit histories, like rent and utilities, are more akin to individuals with good traditional credit histories than to those with poor traditional credit histories. Thus, the spread of credit score and credit history usage beyond traditional lending fields has the effect of further limiting opportunities for individuals from thin credit communities, without any factual justification.

The Use of Credit Scores in Nontraditional Fields

Appleseed has conducted an initial review of industry practices relating to the use of credit scores and credit histories in five fields: insurance, utilities, cellular telecommunications, employment, and housing. This review was non-systematic, as Appleseed could find few empirical studies of the use of credit scores and credit histories in these fields. What studies exist are largely confined to the field of insurance, where "insurance scoring" – the use of credit scores to assess insurance risks – has received significant attention. Outside of the insurance field, Appleseed was able to draw conclusions by reviewing (1) the limited surveys and empirical literature available, (2) the publicly identified practices of industry providers, and (3) the anecdotal literature of consumer experiences and publicly reported incidents in each field. Although these conclusions are necessarily less scientific than conclusions drawn principally from empirical data and studies, Appleseed nevertheless believes that its findings are reliable based on the relatively broad scope of publicly available information in each area.

Insurance. The use of credit scores in the field of insurance is widespread. "Insurance scoring," the use of credit scores to determine availability of insurance products and to set insurance rates is widely practiced and has been the topic of significant attention and heated debate. In recent years, the practice of insurance scoring has been studied by various states, including Maryland, Michigan, Missouri, Texas, and Washington, by the Federal Trade Commission, and by private industry groups like EPIC Actuaries and the Casualty Actuarial Society.[4] These studies have reached varying conclusions with respect to the existence and significance of a statistical correlation between poor credit scores and an increased likelihood of filing an insurance claim, with most concluding that at least some statistically significant correlation exists. The studies have differed on whether the use of such credit scores has a disparate impact on certain groups, particularly racial minorities.[5]

What does not appear to be in dispute, however, is that many insurance companies have come to view credit scores as a useful tool in assessing risk, and a growing number of insurance companies in various states are using credit scores as one factor, though rarely the only factor, in setting insurance rates for customers. What is less clear is the degree to which this practice carries over to thin credit files. Practices vary from company to company, and from state to state. While a number of insurance companies have acknowledged that credit scores or credit histories are one factor they take into account in evaluating risk and setting rates, specific information concerning how each insurance company uses credit scores in each state is not readily available. Appleseed believes further evaluation of industry practices is needed to determine how insurance scoring is being used specifically in the context of thin credit files, to determine the extent to which insurance scoring has had a negative effect on individuals with thin credit histories or no credit histories.

In that regard, it is important to note that not all insurance scoring practices necessarily translate into negative consequences for individuals with thin credit files. The effect of insurance scoring on individuals with thin credit files depends on whether the insurance scoring model penalizes unfavorable credit scores, or rewards favorable credit scores. Under the penalty model, an individual with an unfavorable credit score is either excluded from coverage or required to pay a higher rate, while all others are unaffected by their credit scores. Under the reward model, an individual with a favorable credit

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[4] See, e.g., Insurance Information Institute, Credit Scoring (May 2008); Texas Department of Insurance, Use of Credit Information by Insurers in Texas (December 31, 2004 and January 31, 2005); Frank M. Fitzgerald, Office of Financial and Insurance Services, The Use of Insurance Credit Scoring In Automobile and Homeowners Insurance (December 2002)

5 See Norma Garcia, "FTC Study Confirms That Credit-Based Insurance Scores Mean African Americans & Hispanics Pay More for Auto Coverage" (available at http://www.consumersunion.org/pub/core_financial_services/004740.html) and Dave Kaiser, "Credit-based Insurance Scoring Remains a Key Legislative, Regulatory Issue" (available at http://www.insurancejournal.com/magazines/west/2005/11/07/features/62355.htm)

score is rewarded with a lower rate, while all others must pay the higher rate. An individual with a thin credit file or no credit file does not typically have an unfavorable credit score; he or she simply has no credit score or a limited credit history score. Thus, the penalty model would not directly disadvantage individuals with thin credit, because they do not have unfavorable scores that would trigger reduced availability or higher rates. Conversely, the reward model would directly harm individuals with thin credit, as they do not have favorable credit scores to trigger the better insurance rates. In short, by limiting the best rates to individuals with traditional favorable credit scores, the reward model has the effect of penalizing individuals with thin credit files who may otherwise be similar in their risk profiles to individuals with favorable traditional credit scores.

Of the 81 companies evaluated, at least 36 expressly consider customer credit histories or credit scores to set the amount of utility deposits, as a criterion in determining whether a utility deposit will be required, or as an option in determining whether a utility deposit will be waived.

Utilities. The use of credit scores as a pricing factor is also common in the area of basic utilities. Appleseed undertook an online review of the application processes, deposit policies, and credit policies of more than one hundred utility companies, focusing primarily on electrical utilities, but also including natural gas and water utilities. Eighty-one of these companies disclosed sufficient information regarding their policies to be included in this white paper. Appleseed's findings regarding those eighty-one companies are set forth in Appendix A. Of the eighty-one companies evaluated, at least thirty-six expressly consider customer credit histories or credit scores to set the amount of utility deposits, as a criterion in determining whether a utility deposit will be required, or as an option in determining whether a utility deposit will be waived. The other forty-five companies either specifically state that they do not rely on credit histories or credit scores as part of their determination of deposits, or do not state one way or the other what role credit histories or credit scores play in the determination of deposits. Based on its review, therefore, Appleseed has concluded that a materially significant proportion of utility companies providing basic utility services consider credit histories or credit scores as a factor in their utility deposit decisions.

Unlike insurance companies, utility companies do not use credit scores as a factor in setting utility rates. In September 2004, TXU Energy, a Texas utility company, announced that it would begin setting individual electrical rates based on customer credit scores. This proposal was met with significant negative press and unfavorable action by the Texas Public Utility Commission. As a consequence, TXU did not implement its plan, and it appears that no other utility company has announced similar plans.

Nevertheless, credit scores do have an effect on utility pricing, and it is an effect that has implications for individuals with thin or no credit files. Utility companies performing a credit check frequently have a deposit requirement tied directly or indirectly to a consumer's credit score. Most present it as a mandatory deposit, which may be waived at the customer's request based on a favorable credit score. Some only require a deposit for customers with poor credit histories or insufficient data in their credit histories. A small number of companies specifically tie the amount of the deposit to the customer's credit score. The amount of the deposit varies, with a common formula being some variation of an amount equal to two months' average or estimated monthly bills, but with some companies using fixed amounts and others using entirely different formulas.

Utility companies performing a credit check frequently have a deposit requirement tied directly or indirectly to a consumer's credit score.

It should be noted that a significant number of utility companies that evaluate credit histories or credit scores as a factor in determining deposits also offer alternative means to obtain a waiver of the deposit. One common method, for example, enables customers to obtain a waiver if they can provide a letter of credit from a prior utility company establishing a good payment record over a period of one or two years. Appleseed recognizes that such alternative methods can be more inclusive than a pure credit score-based approach, as individuals with thin or no credit files may be able to demonstrate a favorable payment history with another utility company.

Nevertheless, many utility companies that use credit scores as part of their application process follow a model similar to the reward model for insurance companies; only customers with traditional favorable credit scores receive the benefit of a reduced utility deposit or no deposit. Thus, in the area of utilities, individuals with thin or no credit files may suffer a detriment in that they can be required to deposit hundreds of dollars with the utility company, despite otherwise having risk characteristics similar to those of individuals with favorable credit scores who are not required to make a deposit.

Wireless Telecommunications. The use of credit scores is common among wireless telecommunications providers, and credit checks appear to be routine for most or all contract wireless telecommunications services. Appleseed reviewed the practices of most major wireless providers, including Verizon, AT&T, Cingular, Sprint, and T-Mobile. Appleseed found that all of these providers routinely perform credit checks when new customers sign up for a contract wireless telecommunications service, in which the customer will be expected to make monthly payments over an agreed contract term. Conversely, the providers do not typically perform credit checks for "pay as you go" services, where customers purchase minutes for their phones, recharge their phones as needed, and do not sign contracts of fixed duration.

Consumer credit history can affect the availability of contract services or result in a security deposit as high as $500 to $1,000.

Like base utilities, it appears that credit scores are not used to set rates for wireless telecommunications services. Instead, a customer's credit history can affect the availability of contract services (*i.e.* the provider may refuse contract services to individuals who do not have favorable credit scores), or can result in a security deposit to obtain contract services. The amount of the security deposit, when a security deposit is required, appears to vary by company, location, and customer. Appleseed found anecdotal reports of security deposits as high as $500.00 to $1,000.00.

Based on the anecdotal evidence available, the practice of credit checks in the wireless telecommunications industry appears to reach individuals with thin or no credit histories. The requirement of a security deposit seems to be common for individuals with limited credit histories, and there have been some reports of refusal of service. Thus, in the area of wireless telecommunications, individuals with thin or no credit files suffer a detriment in that they can be denied service or can be required to deposit hundreds of dollars with their provider, despite otherwise having risk characteristics that may be similar to those of individuals with favorable credit scores who are not required to make a deposit and are not denied contract services.

Employment. Appleseed could find only limited empirical evidence regarding the use of credit checks in the area of employment. The Society for Human Resource Management ("SHRM") conducts periodic surveys inquiring about the use of credit checks by employers. SHRM discovered that 35 percent of the responding employers it surveyed were checking applicants' credit in 2003, up from 19 percent in 1996.[6] Similarly, the 2003 National Retail Security Survey conducted by the University of Florida found that 41 percent of retailers used pre-screening credit checks, and another 10 percent of retailers planned to begin doing so.[7] Thus, while not a majority practice, the use of credit checks by employers appears to be significant already, and is rising in popularity.

According to a recent surveys, 35 percent of employers checked applicants' credit in 2003, up from 19 percent in 1996, while 41 percent of retailers used pre-screening credit checks.

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[6] See Liz Pulliam Weston, "How bad credit can cost you a job" (available at http://moneycentral.msn.com/content/Banking/Yourcreditrating/P87306.asp).

[7] See Credit Builders Alliance, "Employment and Credit" (available at http://www.creditbuildersalliance.org/toolkit-hot-topics/employment-and-credit.html).

There are also extensive anecdotal reports of credit checks being conducted, and employment being refused on the basis of unfavorable credit histories. Although no systematic conclusions can be drawn due to the anecdotal nature of the evidence, it appears that credit checks occur frequently as part of the employment screening process in occupations where employees may have access to money, as in the banking and gaming industries, where employee theft is a concern, as in the retail industry, and in occupations that are sensitive from a security standpoint, such as defense contractors, law enforcement, and federal employees.

It cannot be determined from the available evidence what specific impact these background credit checks are having on individuals with thin or no credit histories. The few studies that Appleseed could locate did not attempt to determine the relative impact of unfavorable credit scores versus thin credit histories, and the anecdotal evidence does not contain sufficient instances of individuals who identifiably had thin credit histories rather than unfavorable credit histories to draw any reliable conclusions. Indeed, even if an attempt had been made to study this issue empirically, it is unlikely that it would be possible to draw any systematic conclusions regarding the impact of credit scores on individuals with thin credit histories in the area of employment. Different employers likely ascribe different significance to different credit results, so a thin credit file might be a disqualifying factor to some employers, but an issue of no concern to others. In light of the rising use of credit checks in the area of employment, however, it is plausible to infer that a thin credit history will have at least some effect on the availability of desirable employment opportunities.

Housing. Aside from the obvious impact that a credit score can have on an individual's ability to obtain financing to purchase a home, individuals seeking to rent housing may also be subject to a credit check by their prospective landlords. Appleseed could not locate any empirical studies or scientific surveys pertaining to the use of credit checks by landlords. However, companies that provide tenant screening services have, for promotional purposes, provided estimates of the number of tenants they have screened for landlords. For example, in an article published in the New York Times in 2003, one major screening service estimated that it was performing approximately 50,000 prospective tenant screenings each month, and that it had screened almost one million tenants since 1995.[8] Such promotional estimates must, of course, be viewed with caution, but at a minimum it can fairly be said that many landlords choose to conduct credit checks as part of the screening process for prospective tenants. Again, there are also extensive anecdotal reports of credit checks being conducted, and rental housing being refused on the basis of unfavorable credit histories.

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[8] See Dennis Hevesi, "When the Credit Check Is Only the Start," New York Times (October 12, 2003).

A major screening service estimated that it was performing approximately 50,000 prospective tenant screenings each month, and that it had screened almost one million tenants since 1995.

As with employment checks, it cannot be determined from the available evidence what specific impact these background credit checks in the area of rental housing are having on individuals with thin or no credit histories. The articles and anecdotal reports that Appleseed located did not identify the circumstances under which rental housing was refused based on an unfavorable credit score, versus when it was refused based on a thin credit history. Again, it is unlikely that it would be possible to draw any systematic conclusions regarding the impact of credit scores on individuals with thin credit histories in the area of rental housing. Different landlords likely ascribe different significance to different credit results, so a thin credit file might be a disqualifying factor to some landlords, but an issue of no concern to others. It again seems plausible to infer that a thin credit history will have at least some effect on the availability of desirable rental housing.

UNEQUAL TREATMENT, UNSUPPORTED:
The Absence of Empirical Support for Thin Credit Discrimination

That credit scores are being used to make decisions outside of traditional lending fields would not necessarily be problematic in and of itself, if the use of such credit scores were shown to have a reliable predictive effect in these fields. For example, while the subject remains controversial, there have been studies indicating that unfavorable credit scores may have a reliable predictive effect in the field of insurance.[9] These studies identify a statistically significant correlation between lower credit scores and higher insurance claims; individuals with lower credit scores are statistically more likely to make a claim. Indeed, several of the studies suggest that credit scores are among the most predictive factors of future insurance claims.[10] Assuming for discussion purposes that these studies are accurate, they would tend to support the conclusion that unfavorable credit scores may have value in nontraditional areas like insurance, as they enable insurance providers to better assess actual risk and to set rates reflective of that risk.

Even with respect to traditional unfavorable credit scores, however, it is not clear that such credit scores have predictive value in every area where they are being used. As described in the preceding section, for example, the use of credit checks is substantial and increasing for employment decisions in the retail industry, on the theory that a low credit score may be a good predictor of the likelihood of employee theft. Yet a 2003 study by Jerry Palmer and Laura Koppes at Eastern Kentucky University found no correlation between employee credit reports and negative performance or termination for dishonesty.[11] Negative credit scores may therefore have adverse consequences for individuals in areas where their predictive value has not been reliably established.

With respect to individuals having thin or no credit histories, the claim of reliable predictive value is even more tenuous. Indeed, it is unclear whether the use of credit scores has any reliable predictive value in nontraditional fields like insurance, utilities, employment, or housing. As discussed earlier, a person with no credit history or a poor credit history does not have a traditional unfavorable credit score; he or she instead has a limited credit history score, or no score at all. Appleseed's literature review did not

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[9] See footnote 3, infra.

[10] See id. These studies have been the subject of criticism. Appleseed has not attempted to evaluate the validity of the studies, as this paper is directed at individuals with thin credit histories, not those with unfavorable credit histories. For purposes of this paper, it is sufficient to recognize that there may be a statistically significant correlation between unfavorable credit histories and certain negative economic consequences, but the existence of that correlation and its significance have been the subject of some dispute.

[11] See Ben Arnoldy, "The spread of the credit check as civil rights issue," Christian Science Monitor (January 18, 2007).

disclose any studies identifying a statistically significant correlation between such thin credit histories and negative economic consequences. To the contrary, the available literature suggests that traditional credit scores tend to understate the performance of individuals with thin credit histories, and that more reliable predictive conclusions can be drawn by assessing the payment history of these individuals in areas not reflected in credit scores, like rent and utilities. Individuals with thin credit histories who reliably pay their rent and utilities tend to perform more like individuals with traditional favorable credit scores than like individuals with traditional unfavorable credit scores. Accordingly, the use of thin credit histories as a decision point in nontraditional areas is a practice that is at best empirically untested, and appears to be contradicted by the data available at this time.

It is unclear whether the use of credit scores has any reliable predictive value in nontraditional fields like insurance, utilities, employment, or housing.

In 2007, pursuant to the Fair and Accurate Credit Transactions Act of 2003, the Board of Governors of the Federal Reserve System submitted its Report to the Congress on Credit Scoring and Its Effects on the Availability and Affordability of Credit (the "Federal Reserve Report"). The principal focus of the Federal Reserve Report was to determine whether the expanded use of credit scoring was having a disproportionate effect on the availability and affordability of credit to certain populations, particularly minorities. The report concluded that credit history scores are generally predictive of credit risk, that the credit characteristics included in credit history scoring models do not serve as a proxy for race, ethnicity, or sex, and that credit scoring likely has contributed to improved credit availability and affordability. Thus, the report has been cited in support of the expanded use of credit scores.

At the same time, however, the Federal Reserve Report did identify certain disparities with respect to communities having thin credit history profiles. In particular, the report noted that recent immigrants "have somewhat lower credit scores than would be implied by their performance," and recommended that, "[e]xpanding the information supplied to credit-reporting agencies to include rent, other recurring bill payments, nontraditional uses of credit, and the credit histories of the foreign-born in their countries of origin may provide a broader picture of the credit experience of recent immigrants and other individuals." (Federal Reserve Report, at S-2).

The findings of the Federal Reserve Report are confirmed and reinforced by the work of the Center for Financial Services Innovation ("CFSI") and the Brookings Institution ("Brookings"). CFSI and Brookings have, through separate reviews and studies, found that where individuals have no credit history or a thin credit history, they do not predictably perform in a manner similar to those with an established poor credit history.

To the contrary, individuals with thin credit files who nevertheless perform well in other financial areas, such as rent payments and utility payments, are likely to be good credit risks more akin to individuals with traditional favorable credit scores.

CFSI reviewed a RentBureau analysis of almost 45,000 lease records to determine how past payment behavior relates to write-off events with a current lease.[12] That analysis showed that past rental payment behavior is highly predictive of future behavior. For example, renters with no late payments had a subsequent write-off rate of 18 percent, versus 65 percent for renters with eight late payments.[13]

Tens of millions of individuals, many of whom appear to be similar in risk profile to individuals with favorable credit scores, are subject to scoring evaluations that result in higher insurance premiums, higher utility deposits, reduced availability of insurance, utilities, and wireless communications, and reduced housing and employment opportunities.

Brookings, as part of its Urban Markets Initiative, examined a sample of approximately eight million Trans Union credit files, with a strong focus on consumers outside the credit mainstream, including populations with thin credit files and "unscoreable" segments whose risks could not be determined due to insufficient information.[14] Brookings used alternative and nontraditional data to evaluate the risk profile of these individuals. Among its findings, Brookings concluded that, "[t]hose outside the credit mainstream have similar risk profiles as those in the mainstream when including nontraditional data in credit assessments," with the evidence showing that most individuals in the thin file segment "are not at high risk in terms of lending."[15] Put simply, most individuals with thin credit histories do not have a risk profile that is consistent with treating them as though they had an unfavorable credit score.

In light of the absence of a clear statistical correlation between thin credit histories and negative economic consequences, the potential implications of using credit scores in nontraditional arguments to make decisions about individuals with thin or no credit

[12] See Rachel Schneider & Arjan Schütte, Center for Financial Services Innovation, The Predictive Value of Alternative Credit Scores, at 16.

[13] Id.

[14] Political and Economic Research Council, The Brookings Institution Urban Markets Initiative, Give Credit Where Credit Is Due: Increasing Access to Affordable Mainstream Credit Using Alternative Data, at 2 (2006),

[15] See id. at 2; Schneider & Schütte, The Predictive Value of Alternative Credit Scores, at 16.

history are significant. The size of the market of individuals with no credit history or thin files has been estimated at 35 million to 70 million persons.[16] Many of these individuals come from recent immigrant and lower income communities, as well as young people. Thus, tens of millions of individuals, many of whom appear to be similar in risk profile to individuals with favorable credit scores, are subject to scoring evaluations that result in higher insurance premiums, higher utility deposits, reduced availability of insurance, utilities, and wireless telecommunications, and reduced housing and employment opportunities. Especially in the absence of factual support for these evaluation practices, the economic consequences of the practices cannot be viewed as reasonable, fair, or just.

The use of thin credit files as a negative evaluative factor also raises concerns of disproportionate impact based on race or ethnicity. An Issue Brief by the National Council of La Raza, citing a study by the Center for Community Capitalism, observed that 22 percent of Latino borrowers have no credit score, as compared to 4 percent of white borrowers and 3 percent of African American borrowers.[17] The EEOC has likewise cautioned in its E-RACE release that the use of credit scores as the basis for employment selection decisions, even when facially neutral, may significantly disadvantage applicants and employees on the basis of race and color.[18] Discriminatory outcomes based on economic status and ethnicity, even when unintended, are cause for serious concern and sometimes legal action in a society that values equality of opportunity and that has enshrined these values in our civil rights laws. Appleseed therefore views this as an issue that calls out for further evaluation and corrective action.

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[16] See Katy Jacob and Rachel Schneider, Center for Financial Services Innovation, Market Interest in Alternative Data Sources and Credit Scoring (December 2006).

[17] Beatriz Ibarra & Eric Rodriguez, Latino Credit Card Use: Debt Trap or Ticket to Prosperity?, Issue Brief No. 17 (2007).

[18] See http://www.eeoc.gov/initiatives/e-race/why_e-race.html.

GOVERNMENT AND INDUSTRY:
Patchwork Response to the Thin Credit Issue

The expansion of credit score usage into nontraditional fields has outpaced government regulations on the fair use of credit histories and credit scores. Likewise, while there have been efforts within the credit monitoring industry to develop innovative solutions to address the issue of thin credit communities, those efforts face numerous challenges and lag well behind the expanded use of credit scores in multiple fields.

Governmental Regulation of Credit Score Use in Nontraditional Fields
The use of credit scores in nontraditional areas like insurance, employment, and rental housing is regulated, but such regulatory efforts have been sporadic and patchwork. At the federal level, the principal restraint on use of credit scores is the Fair Credit Reporting Act, 15 U.S.C. §§ 1681 *et seq*. ("FCRA"), which regulates the collection, dissemination, and use of consumer credit information. Many states have also passed state law equivalents to the FCRA, containing similar terms and restrictions. The FCRA and its state law counterparts do not prohibit any of the credit score uses described above, but contain certain applicable notice and consent requirements.

The FCRA does not differentiate its treatment of consumers with favorable credit scores, those with unfavorable credit scores, and those with thin or no credit files.

Under Section 604(a)(3) of the FCRA, 15 U.S.C. § 1681b, consumer reporting agencies may furnish a consumer report for, among other permissible uses, a credit transaction, employment, insurance underwriting, and other legitimate business needs in connection with a business transaction initiated by the consumer. The language of Section 604(a)(3) is broad enough to support the above-described uses of credit reports in nontraditional fields, albeit subject to some restrictions. Where a consumer report is furnished in connection with employment, for example, there must be disclosure to the consumer and written or oral consent. 15 U.S.C. § 1681b(b)(2). Likewise, where an adverse action is taken based on a consumer report, the consumer must be provided with notice of the adverse action, the contact information of the credit reporting agency that provided the credit report, and a statement that the consumer has a right to a free copy of his or her credit report within sixty days of the adverse decision. 15 U.S.C. §§ 1681b(b)(3), 1681m.

The FCRA does not differentiate its treatment of consumers with favorable credit scores, those with unfavorable credit scores, and those with thin or no credit files. Given that the FCRA expressly authorizes the use of credit reports in areas like insurance and employment, however, there is a serious question as to whether additional legislation or regulations prohibiting the use of credit reports with respect to certain classes of consumers, such as those with thin credit files, would be possible.

Beyond the FCRA, the most active area of legal regulation has been at the state level, in the area of insurance scoring. Two competing approaches have emerged. First, the National Conference of Insurance Legislators ("NCOIL") model statute authorizes the use of insurance scoring as an underwriting factor, so long as it is not the sole factor.[19] The NCOIL model statute does contain specific protections for individuals with thin or no credit files; it does not allow the use of insurance scoring as an underwriting factor in circumstances where the consumer has no credit history or a credit score cannot be calculated from the consumer's limited credit history. At least forty-two states have adopted legislation based in whole or in part on the NCOIL model.[20]

A competing model statute from the Public Interest Research Group ("PIRG"), called the CLEAN Credit and Identity Theft Protection Act (the "CLEAN Act"), includes an outright prohibition on the practice of insurance scoring.[21] Only a handful of states have adopted some form of prohibition on insurance scoring as an underwriting factor similar to those set forth in the CLEAN Act, but many other states have introduced bills closely mirroring the CLEAN Act.[22]

The National Association of Mutual Insurance Companies ("NAMIC") maintains a useful summary of state laws directed at credit-based insurance scoring. That summary may be found at http://www.namic.org/compliance/CreditBasedInsuranceScoring.pdf.

Outside of the FCRA and restrictions on insurance scoring, there has been little activity at the federal or state level in connection with nontraditional uses of credit scores. In response to TXU's proposed use of credit scores to set electrical rates, Texas amended its Public Utility Regulatory Act[23] to prohibit retail utility providers from denying an applicant's request to become a residential electric service customer based on the applicant's credit history or credit score, and prohibiting the use of credit history or credit scores to determine prices for month-to-month electric service, basic local telecommunications service, and non-basic network services. The amendments still

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[19] The full text of the NCOIL's Model Act Regarding Use of Consumer Credit Reports in Insurance Underwriting is available online at http://www.csg.org/programs/ssl/documents/Credit.pdf.

[20] See Ian O'Neill, "Disparate Impact, Federa/State Tension, and the Use of Credit Scores by Insurance Companies, 19 Loyola Consumer Law Review 151, 161-62 (2007).

[21] The full text of the CLEAN Act is available online at http://www.consumersunion.org/pdf/model.pdf.

[22] See O'Neill, 19 Loyola Consumer Law Review at 162.

[23] The amended provisions are set forth in Section 17.008 and 17.009 of the Texas Utilities Code.

contain an exception for security deposits, so Texas utilities, like those in other states, can still use credit scores to determine security deposits for utility service.

Several states, including California, Louisiana, Massachusetts, Minnesota, Oklahoma, Rhode Island, and Washington, have also adopted restrictions on the use of credit reports in employment decisions, over and above the restrictions found in the FCRA. Typical restrictions include:

1. **Requiring advance written notice to the consumer of the use of a credit report for employment purposes, with an option for the consumer to request a contemporaneous copy at no charge.**

2. **Requiring credit agencies to track requests used for employment purposes.**

3. **Limiting the types of data that credit agencies can report for employment purposes (i.e. no information on age, marital status, race, color, or creed).**

4. **Requiring credit agencies to have strict procedures in place to keep publicly available information up to date and accurate.**

Other regulatory initiatives are ongoing. The Kansas Corporation Commission, for example, has recommended banning utilities from using consumer credit scores to determine who should pay a deposit for utility service. However, other than the provision of the NCOIL model statute barring the use of insurance scoring as an underwriting factor in circumstances where the consumer has no credit history or a credit score cannot be calculated, there has been little direct legislative or regulatory attention given to the specific circumstances of individuals with thin or no credit histories.

Industry Efforts to Address the Issue of Individuals with Thin or No Credit Histories
It is encouraging that some of the most significant innovations taking place in the field of credit scoring have been at the industry level, as industry leaders have attempted to identify methods to develop more reliable credit scores for individuals with thin credit files. These efforts have primarily focused on using alternative data to develop reliable credit scores for individuals having thin credit files. A number of companies have already developed products incorporating alternative data and analytical models into assessments of creditworthiness. These products include: Fair Isaac's FICO Expansion Score (using historical data on utility payments and insurance payments); First American Corporation's Anthem (Assisting Nontraditional Homebuyers in Emerging Markets; taking into account payment histories for rent, insurance, utility bills, and childcare expenses); Lexis-Nexis' RiskView (using public record attributes such as employment and address history and property and asset ownership); Link2Credit and First Score Direct (using historical telecommunications payment data); eFunds DebitBureau (using checking account history); and Payment Reporting Builds Credit ("PRBC") (using self-reported rental payments, bill tracking, and verification by third parties).[24] At this point, there is little consensus about which alternative data points are most relevant, though rent payments and utility payments are both viewed as useful, and studies are ongoing.[25]

Some of the most significant credit scoring innovations are taking place at the industry level, with a number of companies having already developed products that incorporate alternative data and analytical models into assessments of creditworthiness.

There are, however, a number of barriers to more widespread use of alternative credit data.[26] It has been estimated that just under five percent of all credit files at this time have one or more alternative trade lines, and alternative data form less than one percent

[24] See Katy Jacob and Rachel Schneider, Center for Financial Services Innovation, Market Interest in Alternative Data Sources and Credit Scoring, at 4-5 (December 2006); Rachel Schneider & Arjan Schütte, Center for Financial Services Innovation, The Predictive Value of Alternative Credit Scores, at 5-7.

[25] Jacob & Schneider, Market Interest in Alternative Data Sources and Credit Scoring, at 10-11.

[26] See Jacob and Schneider, Market Interest in Alternative Data Sources and Credit Scoring, at 11; Brookings, Give Credit Where Credit Is Due: Increasing Access to Affordable Mainstream Credit Using Alternative Data, at 40-41.

of all trade lines in a major credit bureau's database.[27] Availability of data, reliability of data, and independent verification of data are therefore all substantial barriers.[28] For example, with respect to rental payments, ownership of rental units is very diverse, with only a minority of rental units owned by large companies that could efficiently report rental payment histories. Likewise, the providers of alternative data may not be the most likely users of the data, providing insufficient incentives for them to report customers' payment histories. Privacy laws and regulations may also inhibit the collection of some data.[29] Appleseed recognizes that any realistic discussion of industry solutions will need to include careful consideration of these types of logistical and legal barriers to the development of alternative credit scores.

[27] See Brookings, Give Credit Where Credit Is Due: Increasing Access to Affordable Mainstream Credit Using Alternative Data, at 40.

[28] See Jacob and Schneider, Market Interest in Alternative Data Sources and Credit Scoring, at 11.

[29] See Information Policy Institute, Giving Underserved Consumers Better Access to the Credit System: The Promise of Non-Traditional Data. Also See Sara Burr and Virginia Carlson, The Brookings Institute, Utility Payments as Alternative Credit Data: A Reality Check.

RECOMMENDATIONS FOR FURTHER DISCUSSION:

A Multi-Tiered Proposal to Use Credit Scores More Fairly

The problem of credit scores being used in nontraditional areas, in ways that may unfairly disadvantage individuals with thin or no credit histories, does not lend itself to simple solutions. The expanded use of credit scores did not spring up overnight; it has been a gradual evolution as industry providers have, rightly or wrongly, come to view credit scores as useful predictors of future behavior in fields outside of traditional lending. In an unstable economic environment where serious negative consequences are attributed to the perceived weakness and instability of lower income and subprime categories of borrowers, it is likely that reliance on traditional credit scores will continue to expand in the near future.

As demonstrated by the preceding chapters, an overreliance on credit scores without adequate empirical foundation can have serious negative consequences, particularly for individuals with thin or no credit histories. To prevent those consequences, and to ensure that credit scores do not become an inadvertent tool to deprive thin credit communities of opportunities to build assets, Appleseed encourages the pursuit of innovative solutions at every level to ensure that credit scores are only used in justifiable, responsible, and empirically sound ways. As a starting point for this discussion, Appleseed proposes a multi-tiered focus, developing solutions at the educational, industry, and governmental levels.

Educational Initiatives

Appleseed encourages the development of educational and community outreach programs to help consumers in thin credit communities understand the growing scope and importance of credit scores in nontraditional areas. Educational initiatives of this type may benefit individuals with thin credit files in several ways. Initially, even within the traditional credit scoring model, individuals with thin or no credit history may be able to change their behavior to build their credit files and create more reliable credit scores for themselves. Based on data tabulated from the 2004 Survey of Consumer Finances, for example, the National Council of La Raza reports that more than 80 percent of respondents use credit cards, but only 56 percent of all Latino households reported using credit cards.[30] Although credit card use has been on the rise in the Latino community,[31] it appears that a substantial percentage of Latino households are not yet taking advantage of available traditional credit options, like credit cards, to build their credit scores. Because Latino households also have a disproportionately high rate of individuals with no credit scores, this is an area where education and outreach on the importance of credit scores and how to build a traditional credit score could make a

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[30] Beatriz Ibarra & Eric Rodriguez, Latino Credit Card Use: Debt Trap or Ticket to Prosperity?, Issue Brief No. 17, at 3 (2007).

[31] Id.

difference.

With improved access to information, individuals with thin or no credit history may be able to create more reliable credit scores for themselves.

Likewise, some of the alternative data measuring tools currently in place at the industry level, like the PRBC program, use self-reporting of alternative data and third party verification to develop reliable alternative credit scores.[32] Some mortgage lenders, including Countrywide Financial Corp. and Citigroup Inc., have similarly launched test programs to help thin credit consumers build their own credit files based on self-reporting of nontraditional payments that are verified by a third party.[33] Educated consumers may opt into these programs, reporting their payment histories in areas like rental payments and utility payments, and enabling third party verification of their payment histories. Only informed consumers can take the steps necessary to build either traditional or alternative credit scores that may give them access to the same benefits enjoyed by consumers having traditional favorable credit scores.

There are, of course, limits on what a consumer can do to build his or her own credit score. Even within those limits, however, education and outreach efforts can assist consumers to make informed decisions. Not all providers in the marketplace treat credit scores in the same way. In a competitive marketplace, an educated consumer can seek out insurance companies, utilities, telecommunications providers, employers, and landlords who do not differentiate or discriminate on the basis of thin credit status. Indeed, a more knowledgeable customer base that favors providers who do not disadvantage thin credit customers could have the beneficial effect of creating market competition in the thin credit field; providers would have market incentives to attract customers from thin credit communities through pricing and access policies that do not disadvantage consumers for having thin credit files. These market incentives can only emerge, however, if providers are faced with customers who demonstrate an understanding of the thin credit issue and who make decisions based on providers' differing treatment of thin credit consumers.

Accordingly, Appleseed encourages further research and development of educational and community outreach programs that:

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[32] See Jacob and Schneider, Market Interest in Alternative Data Sources and Credit Scoring, at 4-5; Schneider and Schütte, The Predictive Value of Alternative Credit Scores, at 5-7.

[33] See Kate Berry, "The Prime Opportunity Among the 'Thin Files'," American Banker, Volume 172, Issue 219 (November 13, 2007).

1. **Inform individuals of the scope and effect of credit reporting practices in communities where thin credit is widespread, as well as advocates and community organizations that work with low income and immigrant groups.**

2. **Educate individuals with thin credit regarding how they can better take advantage of traditional credit tools, like credit cards, to develop and increase their traditional credit scores.**

3. **Educate individuals with thin credit regarding voluntary, self-reporting alternative credit scoring programs like PRBC that they can use to develop reliable alternative credit scores that may offer some of the same advantages as traditional favorable credit scores.**

4. **Advise consumers regarding how different providers in nontraditional markets use credit scores, and how such providers treat thin credit customers, so that consumers can make informed decisions in choosing their providers.**

Industry Initiatives

Appleseed has been impressed by the efforts of industry innovators to develop programs that provide reliable alternative credit scores for individuals with thin credit files, and encourages the continued development of these programs. There is significant evidence that the market is interested in and open to the use of such alternative credit scores as a more effective tool to measure the risks associated with thin credit consumers. CFSI, for example, interviewed key banking decision-makers to gauge industry interest in using nontraditional data to develop alternative credit scores.[34] CFSI found that a majority of lenders interviewed were cautiously interested in alternative data, with many either already using or evaluating the use of alternative data sources. Most believed that many individuals with thin credit could be eligible for better rates or products if nontraditional methods could be used to establish their creditworthiness.[35] Although these findings preceded the immediate credit crisis, they reflect some measure of interest and confidence among lenders in alternative data sources.

In addition to a high level of industry interest in using alternative credit scores, there is extensive evidence that such alternative credit scores offer a genuine alternative to traditional credit scores, in terms of providing reliable predictors of future behavior.

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[34] See Katy Jacob and Rachel Schneider, Center for Financial Services Innovation, Market Interest in Alternative Data Sources and Credit Scoring (December 2006); Rachel Schneider & Arjan Schütte, Center for Financial Services Innovation, The Predictive Value of Alternative Credit Scores.

[35] See Katy Jacob and Rachel Schneider, Center for Financial Services Innovation, Market Interest in Alternative Data Sources and Credit Scoring, at 6-8 (December 2006).

Both CFSI and Brookings studied alternative credit scoring, and both concluded that alternative scores are reliable indicators of creditworthiness. CFSI reviewed the results of internal studies by some of the major vendors offering alternative credit scoring, as well as an analysis by RentBureau regarding the correlation between historical rental payment data and the likelihood of continuing payments.[36] Based on its review, CFSI concluded that there is "strong proof of the predictive value of the alternative credit scores," finding that they improve lenders' ability to reliably rank order risk, to evaluate applicants for credit, and to increase approval rates while controlling for acceptable levels of risk.[37]

In terms of providing reliable predictions about future payment behavior, there is extensive evidence that alternative credit scores offer a genuine alternative to traditional credit scores.

Brookings' analysis is the most extensive. It reviewed approximately eight million Trans Union credit files of consumers outside the credit mainstream, and concluded that alternative data, if widely incorporated into credit findings, "can bridge the information gap on financial risk for millions of Americans."[38] Among its findings, Brookings determined that: including energy utility data in all consumer credit reports increases the acceptance rate by ten percent; including telecommunications data increases the acceptance rate by nine percent; including alternative data is especially beneficial for members of ethnic communities, with increased acceptance rates of 22 percent, 21 percent, and 14 percent for Hispanics, African Americans, and Asians, respectively; including alternative data also increases acceptance rates for younger individuals, older individuals, and lower income individuals; using nontraditional data decreases credit risk and increases access by improving credit scores and by enabling individuals with thin files to be scored; using nontraditional data can improve scoring models; and including more data can reduce bad loans.[39] From these findings, Brookings concluded that including alternative data in credit scores promises "to bring millions into the credit mainstream and improve their chances of building assets."[40]

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[36] See Rachel Schneider & Arjan Schütte, Center for Financial Services Innovation, The Predictive Value of Alternative Credit Scores.

[37] Id.

[38] Brookings, Give Credit Where Credit Is Due: Increasing Access to Affordable Mainstream Credit Using Alternative Data, at 2.

[39] Id. at 2-3.

[40] Id. at 4.

As noted earlier, there are barriers to the development and widespread use of alternative credit scores. These barriers pertain to availability of data, reliability of data, verification of data, diversity of ownership among the institutions (landlords, utility companies, etc.) that would be relied upon to provide alternative data, legal barriers to reporting certain data protected by privacy laws, and uncertain market incentives for these alternative data providers to report positive payment histories. That said, there are hopeful indicators that potential alternative data providers, like utility companies, may be induced to begin reporting both positive and negative payment histories on a consistent basis. Utility companies that have experimented with widespread reporting of utility payment histories have reported positive results. Nicor Gas, for example, reports that it has experienced a 20 percent drop in delinquencies since 1998, when it began reporting customer payment histories to the major credit bureaus.[41] WE Energies and Verizon likewise reported substantial reductions in delinquencies when they began reporting customer payment histories.[42]

Much work remains to be done in order for alternative credit scores to evolve from niche products into readily available, reliable indicators of risk for a majority of thin credit consumers. To that end, Appleseed encourages further research and development, in cooperation with industry innovators, regarding:

1. **Identifying which alternative data provide the most reliable results as tools for alternative credit scoring.**

2. **Determining how to increase the availability of alternative scoring data in areas like payment of rent and utilities.**

3. **Educating potential providers of alternative data on the benefits they may realize, such as reduced delinquencies, from reporting both positive and negative payment histories on a regular basis.**

4. **Encouraging self-reporting and verification by consumers who wish to develop alternative credit scores.**

5. **Identifying and addressing legal barriers that may inhibit the reporting of alternative data.**

Government and Regulatory Initiatives

Education, outreach, and industry innovation can go a long way towards bridging the gap that presently exists between thin credit communities and economic opportunities that are tied to favorable credit scores. But these efforts are not likely to provide a

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41 Id. at 41.

42 Id.

complete solution. Given the pervasive role that credit scores have come to play in nontraditional markets, and the absence of empirical support for many current uses of credit scores, it is likely that some enhanced level of legal protection will need to be considered to protect thin credit individuals from inequitable treatment on the basis of their credit status.

The NCOIL model statute appears to offer a positive framework to consider emulating in other areas, at least as a starting point. As described earlier, the NCOIL statute bars the use of insurance scoring as an underwriting factor in circumstances where the consumer has no credit history or a credit score cannot be calculated. Thus, while permitting consideration of negative credit scores as an underwriting factor, which may be defensible in light of studies linking lower credit scores to higher claims rates, the NCOIL statute still protects thin credit consumers by disallowing the use of thin credit status as an underwriting factor to deny coverage or to set higher rates.

Legislative and regulatory measures should halt existing inequitable treatment of thin credit individuals, while encouraging better decision-making within the market.

This same model could readily be applied in the context of utilities and wireless telecommunications, and some variation of it could perhaps be used in the areas of rental housing and employment. At present, the absence of a credit history or the inability to calculate a credit score is often a negative factor in determining utility security deposits and the availability of services, and may be a negative consideration in employment and rental housing decisions. Existing empirical evidence does not support these negative consequences. Accordingly, legislators and regulators should consider prohibiting the use of credit histories as a factor in pricing or availability of services where the consumer has no credit history or a credit score cannot be calculated. Such a measure would both halt existing inequitable treatment of thin credit individuals, and encourage providers to support alternative credit scores that would permit them to make more educated decisions in distinguishing between consumers in thin credit communities. Whether more stringent restrictions are required, such as the outright prohibition on consideration of credit scores employed in statutes like the CLEAN Act, is a separate topic that also merits further study and consideration.

Legislative or regulatory action may also be needed to facilitate the collection of alternative data to develop alternative credit scoring models. For example, CFSI reported that privacy issues made collection of alternative credit data difficult for Experian in a pilot program it conducted in Los Angeles to gather a variety of alternative credit data.[43] Likewise, at present, many utility companies cannot report payment histories on their own; they can only make a report to the credit bureaus after pursuing collections through a collection agency. As a result, only negative payment histories are reported, not positive histories. This restriction needs to be lifted if utility credit histories are to become a widespread tool to develop alternative credit scores. In short, privacy laws at the federal and state level are likely to impede the collection of some alternative credit data that might otherwise be helpful in developing alternative credit scores. Further review is warranted to determine the scope of these privacy protections, the degree to which they are likely to impair collection of alternative credit data, and whether it is feasible to amend privacy laws or interpretive regulations to allow appropriate collection of alternative credit data while still preserving the privacy of individuals' financial information.

Appleseed encourages further consideration by federal and state legislative and regulatory bodies concerning:

1. **Whether to extend NCOIL-type protections for thin credit consumers to additional areas beyond insurance, such as utilities, wireless telecommunications, employment, and rental housing.**

2. **Whether it is appropriate in some instances to prohibit the consideration of credit scores and credit histories.**

3. **What steps can be taken to facilitate efforts to develop alternative credit scores using alternative sources of data.**

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[43] See Katy Jacob and Rachel Schneider, Center for Financial Services Innovation, Market Interest in Alternative Data Sources and Credit Scoring, at 11 (December 2006).

CONCLUSION

It is a core American value that individuals should have the chance to compete equally for economic opportunities in a free and open marketplace. Today, however, individuals who have no credit history or a thin credit file do not stand on equal footing with those who have an established credit history. Individuals with thin credit files may pay higher insurance premiums and higher utility deposits, may be denied access to the most favorable products and services, and may suffer a competitive disadvantage in the pursuit of better employment and housing opportunities. Such inequitable treatment is unjustified by any demonstrated empirical connection between thin credit files and negative economic consequences. Moreover, these outcomes have pernicious ethnic and economic overtones, as thin credit individuals are disproportionately represented within recent immigrant communities, Latino communities, and lower income communities. Intended or not, the expanded use of credit scores in nontraditional fields is having a clear, demonstrable effect in depriving whole segments of society of economic and financial opportunities and the ability to build assets.

The purpose of this white paper was to bring attention to the role that credit scores are playing in disadvantaging persons with thin credit and even communities where thin credit is widespread. Having identified a serious and growing problem, Appleseed believes that it is incumbent upon community leaders, industry leaders, and policy makers to collaborate in developing constructive solutions. These solutions will almost certainly need to come through multiple avenues, including education and outreach, industry development of alternative credit scoring tools, and legislative or regulatory action to halt the more harmful uses of credit scores to the detriment of thin credit consumers. Appleseed is committed to working with leaders at each level to develop these solutions and to achieve productive results. The United States faces serious economic challenges in the months and years ahead, yet in facing these challenges, it remains important to preserve the vision of equal opportunity for all.

APPENDIX A

REPRESENTATIVE SAMPLING OF DEPOSIT REQUIREMENTS FOR VARIOUS UTILITY COMPANIES

Utility Company	State	Deposit Amount and Terms
Alabama Power	Alabama	Twice the average monthly bill, not to exceed $150. May be waived based on a good credit history with another utility company.
Allegheny Power*	Maryland Pennsylvania Virginia West Virginia	Typically one-sixth of estimated annual charges. May be waived based on good utility payment history or favorable credit score.
Ameren	Illinois	Deposit not required unless there is a delinquent payment history.
Anchorage Municipal Light & Power	Alaska	Twice the average monthly bill. May be waived based on letter of good credit from a prior utility company.
Appalachian Power Company	Virginia West Virginia	Not to exceed the equivalent of the customer's estimated bill for the two highest consecutive months usage, or two times the estimated monthly consumption of the property.
Arizona Public Service*	Arizona	Not to exceed twice the average monthly bill. May be waived based on good credit rating, good credit history with another utility company, or a letter of good credit from another utility company.
Bangor Hyrdro Electric Company	Maine	Not to exceed the highest two bills or estimated bills.
Central Vermont Power Service	Vermont	Not to exceed two-twelfths of reasonably estimated charges for the ensuing twelve months. Limited to customers representing a credit risk, who cannot show creditworthiness. Creditworthiness may be shown by a bank reference, a letter from a prior utility establishing a good credit record for the past two years, or other reasonable means of demonstrating creditworthiness.
CLECO	Louisiana	$100 for homeowners; $150 for renters.
Columbia River Public Utility District	Oregon	May be waived based on a letter of satisfactory payment history from another utility.

Columbus Southern Power	Ohio	Estimated average monthly cost of consumption plus 30%. May be waived for financially responsible freeholders.
Connecticut Natural Gas	Connecticut	Up to one-quarter of a year's estimated usage.
Consolidated Edison Company of New York	New York	Two months' estimated charges.
Consolidated Electric Cooperative*	Ohio	May be waived based on a letter of credit from prior electric company or a credit check.
Consumers Energy	Michigan	Required only under specific circumstances, such as nonpayment of prior bills or lack of service with another utility in the past six years.
Dayton Power & Light	Ohio	A little more than one month's estimated bill. May be waived based on letter of credit from a prior utility.
Delmarva	Delaware Maryland	2/12 of estimated annual bill.
Dominion Virginia Power*	Virginia	$180. Required if credit history is not satisfactory or adequate credit data are not available.
dPi Energy	Texas	No deposit; no credit check.
DTE Energy	Michigan	Required only under specific circumstances, such as nonpayment of prior bills or lack of service with another utility in the past six years. When required, amount is twice the average monthly bill.
Duke Energy*	North Carolina South Carolina	$100 to $250, based on projected energy usage. May be waived based on credit check.
Duquesne Light Company	Pennsylvania	One-sixth average annual bill for existing customers. Required where creditworthiness has not been established or where customer has delinquent credit history with utility.
Electric Power Board*	Tennessee	$200. May be waived based on credit score.
Entergy Arkansas*	Arkansas	$195. May be waived in whole or in part based on credit score.
Entergy Louisiana*	Louisiana	$50 to $150, depending on region, whether customer owns or rents, and utilities to be used. May be waived based on credit check.
Entergy Mississippi	Mississippi	$200.

Eugene Water and Electric Board*	Oregon	Twice the highest historical bill for each service. May be waived based on letter establishing a favorable credit history from another utility, or by customer's credit history with a recognized credit bureau.
FirstEnergy*	New Jersey New York Ohio Pennsylvania	Credit history may be used to determine whether a security deposit is required.
Flint Energies*	Georgia	Varies. Deposit amount based on credit score.
Florida Power & Light*	Florida	Varies. Deposit amount based on credit score.
Georgia Power*	Georgia	Typically twice the average monthly bill based on prior history. May be waived based on credit score.
Golden Valley Electric Association	Alaska	Only required for customers with impaired credit. Maximum of twice the average monthly bill at that location or two times the average bill for that class of service.
Gulf Power	Florida	Twice the estimated average monthly bill.
Indiana Michigan Power Company*	Indiana	Not to exceed one-sixth annual bill. May not be required based on various criteria, including prior favorable credit history with the company or another utility company, stable employment, home ownership, or a credit check.
Kansas City Power & Light*	Kansas Missouri	Not to exceed twice the estimated average monthly bill. May be required where customer has unsatisfactory credit rating or insufficient information to establish a credit rating.
Kentucky Power	Kentucky	Not to exceed 2/12 of actual or estimate annual bill. May be waived based on satisfactory payment history with the company or another utility company.
Kentucky Utilities*	Kentucky	$115. Required from all customers not meeting satisfactory credit criteria. Satisfactory credit determined by utilizing independent credit sources and historic and ongoing payment and credit history with the company.
Kissimmee Utility Authority	Florida	$125 electric; $25 water. May be waived with a letter of credit of at least two years good credit history with a prior utility.

Klickitat Public Utility District*	Washington	$150 to $1,000. May be waived based on satisfactory credit records from a prior utility or a favorable credit report.
LCEC*	Florida	Two months of usage based on prior 12-month payment history or $200, whichever is greater. Not required for customers with a satisfactory credit check.
Long Island Power Authority	New York	Two months' estimated charges.
Louisville Gas & Electric*	Kentucky	$120. Required from all customers not meeting satisfactory credit criteria. Satisfactory credit determined by utilizing independent credit sources and historic and ongoing payment and credit history with the company.
Lower Valley Energy	Wyoming	Amount equal to average two months' consumption.
Magnolia Electric Power Association	Mississippi	None required for residences that are owner occupied and a permanent structure. $75 for residential mobile homes located on owned property. Two months of bills, not to exceed $175, for residential rental houses and apartments. $175 for residential mobile homes located on leased land.
Memphis Light, Gas & Water*	Tennessee	$125 from credit risk applicants
MidAmerican Energy Company	Iowa Nebraska (gas) South Dakota	Iowa: Highest one-month bill in preceding 12 months or highest projected one month's usage. Nebraska: Not greater than the highest billing for service for 1 month in the previous 12 month period, or maximum projected one-month billing. Required for customers who have no prior account record and are unable to provide information acceptable as a basis for determining credit worthiness. South Dakota: Not to exceed one-sixth of estimated annual billing. For customers with unsatisfactory credit only.
Montana-Dakota Utilities Company*	Montana North Dakota South Dakota Wyoming	Security deposit may be waived based on satisfactory credit rating or satisfactory credit history with the company or another utility company.

Nashville Electric Service*	Tennessee	Two months projected bill. May be waived based on satisfactory credit, which may be proven by financial information or satisfactory payment history from any utility for a minimum of one year.
National Grid	Massachusetts	Twice the average monthly bill. May be required based on delinquency, reorganization, or bankruptcy.
Nebraska Public Power District	Nebraska	$150. Not required for customers who have established satisfactory payment records for previous service.
Nevada Power	Nevada	Not to exceed 150% of average monthly bill. May be waived based on satisfactory credit history with another utility.
New York State Electric & Gas*	New York	Two times estimated average monthly bill. For residential accounts, only required for customers with delinquencies. For non-residential accounts, may use credit reports to determine likelihood of future delinquencies.
Northern Indiana Public Service Company*	Indiana	Two highest months of usage within the past 12 months. May be waived based on credit check.
NSTAR*	Massachusetts	Twenty percent of estimated annual usage. May be waived based on credit reference from another utility company within Massachusetts, deposit requirement of less than $200, or an "A" credit rating.
Otter Tail Power Company	North Dakota	Two months' average bill. Not required for customers who have a good credit history with the company.
Pacific Gas & Electric*	California	Not to exceed twice the average monthly bill. Application of deposit depends on credit score.
Pacific Power	California	Twice the average monthly bill. May be waived based on a good credit history with the company.
Pepco	D.C. Maryland	$5 to $100. Not ordinarily required. May be required if there is a history of delinquent payments.
Progress Energy*	North Carolina South Carolina	Credit check will be performed to determine deposit requirements.

Public Service Company of New Hampshire	New Hampshire	Minimum of $5; not to exceed the estimated monthly bill for two high-use months. May be waived upon establishment of satisfactory credit relations.
Public Service Company of New Mexico	New Mexico	One and one-half times the highest bill in the preceding 12 months. Not required for customers having a good credit history with the company.
Public Service Electric and Gas Company	New Jersey	Two months' estimated monthly bills. May be waived upon establishment of satisfactory credit relations with the utility.
Puget Sound Energy	Washington	Not to exceed two-twelfths of estimated annual charges.
Rapahannock Electric Cooperative	Virginia	Not to exceed two months' estimated charges.
Reliant Energy*	Texas	Deposit may be required depending on payment history and credit score.
Salt River Project*	Arizona	$275. May be waived based on a credit check.
Santee Cooper	South Carolina	Two consecutive billing periods; not less than $100. May be waived based on an approved letter of credit.
Snohomish Public Utility District	Washington	Amount equal to highest two-month bill at the residence. May be waived based on letter of credit from a prior utility.
South Carolina Gas & Electric*	South Carolina	Amount equal to approximately one month's service. May be waived if creditworthiness is established, with credit reports being one way to establish creditworthiness.
Southern Company*	Mississippi	Twice the average monthly bill. May be waived based on established credit or credit score.
Southern Maryland Electric Cooperative*	Maryland	$5 to two-twelfths estimated annual charge for service. May be waived based on a letter of good credit from another utility company or based on a favorable credit report.
Sussex Rural Electric Cooperative	New Jersey	$100 to $250 depending on type of service and estimated usage. May be waived based on letter from former utility establishing a good payment history.
Tampa Electric*	Florida	Twice the average monthly bill. May be waived based on a credit check.

Tri-County Electric Cooperative	Texas	One-sixth the actual or estimated annual billing. May be waived based on a satisfactory letter of credit from a previous electric service provider.
Tucson Electric Power	Arizona	Approximately twice the average monthly bill. May be waived based on letter of good credit from a prior utility company.
TXU Electric Service Company*	Texas	Deposit may be required depending on payment history and credit score. Deposit may be waived for lower-income individuals over the age of 62 and for customers with a favorable payment history.
Wellsboro Electrinc Company	Pennsylvania	One-sixth average annual bill for existing customers. Required where creditworthiness has not been established or where customer has delinquent credit history with utility.
West Penn Power Company	Pennsylvania	May be required for customers who do not meet established credit standards.
Westar Energy	Kansas	Twice the average monthly bill. Required if customer does not have credit history with the company, or meets certain delinquency criteria.
Wiregrass Electric Cooperative*	Alabama	$25, $75, or $200, depending on credit score.
Xcel Energy*	Colorado Michigan Minnesota New Mexico North Dakota South Dakota Texas Wisconsin	Deposit may be required in Colorado, New Mexico, and Texas. May be waived based on credit check.

Listings marked with an asterisk (*) are companies whose policies identified credit scores or credit reports as a factor in determining either the amount of the utility deposit or whether a deposit would be required or waived. Of 81 companies reviewed, 36 identified credit scores or credit reports as a factor in utility deposits.

APPENDIX B

YOUR CREDIT, YOUR LIFE

How Credit Affects Every Part of Your Life

1. **Your Credit: Overview**
   a. *What is credit and creditworthiness?*
      i. Your credit is a measure that lenders and other businesses use to determine your ability to borrow money and obtain services. If you have ever applied for a bank loan, cell phone contract, insurance or even an electric bill, your credit was most likely assessed by these companies at the time you applied.
      ii. Lenders and other businesses frequently use your credit score and credit history to assess your creditworthiness. Good credit is vital to your ability to apply for and receive lower interest rates, lower premiums on insurance, and lower deposits for setting up utility and cell phone service.
   b. *What are credit scores and how are they used?*
      i. There are different formulas for determining your credit score. Generally, the length of your payment history, total outstanding debt, late payments, the number of times you apply for credit in a given time period, and the number of active credit accounts you have all are taken into consideration.
      ii. When you apply to businesses for service, they obtain copies of your credit report from one or more of the three national credit bureaus to assess your creditworthiness and their ability to provide you with service. In many cases, lenders may use their own formula to calculate your score.
   c. *What is the difference between a* bad *credit history and a* thin *or* no *credit history?*
      i. Bad credit reflects that you have not been paying your bills on time or that you have filed for bankruptcy in the past. Thin or no credit history means that you do not have enough active credit accounts or have not established a history of formal payments that the major credit bureaus collect. It is generally recommended that you have at least two active accounts; for example, a loan you are repaying, and a revolving credit line (such as a credit card). Having thin or no credit history is not the same as having bad credit. However, in many cases, companies may treat someone with no credit history as they would treat people with a bad credit history and will deny you services.

2. **The Surprising Ways Your Credit is Used**
   a. *Traditional Lending*
      i. Banks and other businesses use your credit score to determine your ability to pay back loans. Once your credit assessment is complete, the bank will determine an interest rate for your loan. A bad credit history normally translates into higher interest rates which result in higher payments.
      ii. Credit card companies use your credit history to determine how much credit to make available to you as well as the interest rate and finance charges for balances on the card.
   b. *Use of Your Credit History for Non-lending Purposes*
      i. Insurance companies use your credit history to assess the premiums you will be charged for insurance products. In some cases, insurance companies can decide not to extend insurance to you based on your credit.
      ii. Gas and electricity companies use your credit history to determine how much you have to pay up front as a security deposit to obtain gas and electric service.
      iii. Cell phone companies use your credit history when you apply for contracted cell phone plans. Depending on your credit history, these companies can either require you to apply a security deposit to your approved account or deny you a cell phone contract, in which case your only option is to get a pay-as-you-go plan.

iv. Landlords and housing management companies might use your credit history to assess whether to rent you an apartment or house.
v. A growing practice for employers has been to conduct credit checks on potential employees. Some employers view job applicants with no credit history to be a greater risk.

If you have little credit history or no credit history and you are applying for:				
Insurance	Gas or Electricity Bills	Contract Cell Phone Service	Rental Housing	Employment
You may encounter:				
An increased insurance premium	The equivalent of a two month utility payment deposit or even up to $1000 security deposit	A security deposit that ranges between $500 and $1000	A denial of your application	A denial of a job opportunity

3. Building Your Credit

a. For those with thin and no credit files, it can be more challenging to get a first loan. You may have to work directly with a lender to obtain a small loan to build your credit.

b. *How can you improve your credit?*
   i. Pay your bills on time.
   ii. Keep your outstanding debt low. Generally, you should not spend more than 33% of your credit limit.
   iii. Limit the amount of credit cards, even store credit cards, you apply for.
   iv. Avoid unnecessary fees from using cash advances, balance transfers, and returned payments.
   v. Pay more than the minimum payment if you are unable to pay your credit card bill in full.
   vi. Maintain two active credit lines.

4. Know Your Rights: The Fair Credit Reporting Act

a. You have the right to know what is in your credit history file.
b. You have the right to obtain your credit report once a year from nationwide consumer reporting agencies free of charge.
c. You must provide consent and be notified if information in your credit file has been accessed for any purpose.
d. You have the right to dispute the accuracy of the information filed in your credit report. The consumer reporting agency must conduct a reasonable investigation pursuant to your claim. If the investigation determines that the disputed information is incomplete or inaccurate, the agency must correct or delete this information from your credit history.

5. Your Credit: Inform Yourself

a. You can obtain your free annual credit report at: www.annualcreditreport.com
b. There are three national credit bureaus:
   - Equifax: www.equifax.com
   - Experian: www.experian.com
   - TransUnion: www.transunion.com

c. There are alternative methods that can help you gain access to credit and other services and in turn build your credit history. One agency that provides this assistance is:
   - Payment Reporting Builds Credit (PRBC): www.prbc.com

d. Practitioners: For more information and tools for building consumers' credit, go to:
   - Credit Builder's Alliance: http://www.creditbuildersalliance.org