**Credit Reporting Agency and Credit Report**

* A credit bureau — sometimes called a credit reporting agency — is a business that collects data about you and how you've used credit. The three major credit bureaus are Equifax, Experian and TransUnion.
* These credit agencies can collect and sell information on your consumer credit behavior without your consent.
* The information credit bureaus collect is typically used:
* To calculate credit scores.
* To make lending decisions, such as whether to offer you a credit card or loan and at what interest rate.
* In some pre-employment background checks.
* To evaluate lease applications.
* In setting some insurance rates.
* To decide whether you must pay a utility deposit.
* TransUnion serviced the Central U.S., Experian the West, and Equifax managed the South and East.
* A credit report is a detailed record of an individual’s credit history, compiled and maintained by credit reporting agencies. It contains information about a person's borrowing and repayment activities, and is used by lenders, landlords, employers, and others to assess the creditworthiness and financial responsibility of an individual.
* Key components of a credit report include:

1. **Personal Information**: This section includes identifying details such as name, address, Social Security number, date of birth, and employment history.
2. **Credit Accounts**: Also known as trade lines, this section lists all current and past credit accounts, including credit cards, mortgages, car loans, student loans, and other types of credit. It provides details such as the account type, credit limit or loan amount, account balance, and payment history.
3. **Public Records**: This section includes information from public records, such as bankruptcies, tax liens, and civil judgments, which can negatively impact credit.
4. **Collections**: If an account has been turned over to a collection agency, this will appear in the collections section. This typically happens when an account is significantly past due.

* Credit reports are used to calculate credit scores, which are numerical representations of an individual's creditworthiness.
* Revenue for credit bureaus and rating agencies is forecast to creep upward at a CAGR of 0.7% during the outlook period, reaching $17.8 billion in 2029.
* With Texas becoming a new technology hub and Florida touting a large consumer population, credit bureaus and CRAs expanded into these states.
* Market share concentration is medium for the Credit Bureaus & Rating Agencies industry in the US, with the top four companies generating 58% of market revenue in United States in 2024.

**Credit Underwriting and Issuance**

* **Credit card companies determine your credit limit through a process called**[**underwriting**](https://www.investopedia.com/terms/u/underwriting.asp)**, which uses mathematical formulas to assess your credit quality.**
* **Credit underwriting is a loan or credit card lender insurance company’s way of assessing financial fitness.**
* **credit underwriting process is important so that Lenders Don’t Get Burned, Borrowers Get Protected Too, Financial Inclusion Gets a Boost.**
* **Underwriting standards for credit cards generally include:**

**• Identification and assessment of the applicant’s repayment willingness and capacity, including consideration of credit history and performance on past and existing obligations. While underwriting is based on payment history in most instances, there are cases, such as some application strategies, in which guidelines also consider income verification procedures. For example, assessments of income like self-employment income, investment income, and bonuses might be used.**

**• Scorecard data.**

**• Collateral identification and valuation, in the case of secured credit cards.**

**• Consideration of the borrower’s aggregate credit relationship with the bank.**

**• Card structure and pricing information.**

**• Verification procedures.**

* **Credit underwriting process include folowing steps:**

1. **Application Submission,**
2. **Credit Report Review,**
3. **Credit Score Evaluation,**
4. **Income and Employment Verification,**
5. **Debt-to-Income (DTI) Ratio Analysis,**
6. **Asset Verification,**
7. **Collateral Evaluation (if applicable),**
8. **Underwriting Decision,**
9. **Communication of Decision,**
10. **Loan Agreement and Disbursement**

* **When the decision is approved after credit underwriting then the credit card is issued and an account is setup and the cardholder can use it for future purchases up to credit limit.**

**Credit Card processing and payment networks**

* In the US, the four major card networks are familiar names: **Visa, Mastercard, American Express, and Discover**. Of these, Visa and Mastercard – which, collectively, lay claim to around 87% of the global credit card market share – are ‘open’ networks, while American Express and Discover are ‘closed’ networks.
* Peer-to-peer (P2P) payment networks enable businesses and individuals to transact electronically send funds to each other.
* Payment networks such as Visa or Mastercard act as intermediaries: facilitating transactions between cardholders, merchants, and both the issuing and acquiring bank.
* To make a card transaction through Visa, a customer must first obtain a payment card – be it debit, credit, or prepaid – from a Visa-affiliated financial institution, such a bank or credit union.
* The processing of credit card is done as follows:

 **Transaction Initiation**: When a cardholder makes a purchase, the merchant's point-of-sale (POS) system or online payment gateway sends the transaction details to the payment network.

 **Authorization**: The payment network routes the transaction to the cardholder’s issuing bank to verify that sufficient funds or credit is available. The issuing bank approves or declines the transaction.

 **Approval/Decline**: The authorization response (approval or decline) is sent back through the payment network to the merchant.

 **Clearing and Settlement**: Approved transactions are cleared and settled, meaning the funds are transferred from the cardholder’s bank to the merchant’s bank. This process typically takes one to three business days.

 **Fees**: Various fees are involved, including interchange fees (paid by the merchant to the card issuer), network fees (paid to the payment network), and processing fees (paid to the payment processor).

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| **Year** | **Small Business credit condition**  **(%)** |
| 2017 | 4 |
| 2018 | 4 |
| 2019 | 4 |
| 2020 | 76 |
| 2021 | 42 |