# A Share Too Far: How Data Innovation Unraveled U.S. Credit Card Information Sharing*

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**Abstract**

We study the consequences of a credit reporting innovation that enhanced the value of credit file data to US credit card lenders. The reporting innovation ("trended data") allowed lenders to observe a history of repayment behavior on each credit card, as opposed to only one month's repayment amount. This paper analyzes lenders' incentives to share data around this innovation and the consequences of resulting changes in data sharing upon individuals' finances.

We document that this credit reporting innovation led to the unravelling of the data sharing equilibrium, with 50% of US credit cards no longer reporting payment information to credit bureaus. The unraveling of information sharing is inefficient because it increases informational asymmetries between borrowers and lenders. The selection of credit card lenders who stop reporting appears consistent with them having more market power and therefore more to lose from increased competition than other lenders. Lenders who stop reporting have a portfolio of borrowers with \$90 (13%) higher spending each month and 13% more likely to repay debt in full than lenders who kept reporting. Without payment information, the borrowers at lenders who stop reporting appear less profitable and riskier than they actually are.

Using a difference-in-difference design, we test the effects of this unraveling on household credit access by comparing individuals whose information stopped being reported with individuals whose information was always or never reported. While the choice of lenders to stop reporting is endogenous, it yields an exogenous source of exposure across cardholders because they cannot anticipate the event. Our preliminary results suggest that the effects of the unraveling of data sharing on credit card credit limits and household borrowing are small. On-going work is investigating effects on implied costs of borrowing.

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