

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

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### Key Points

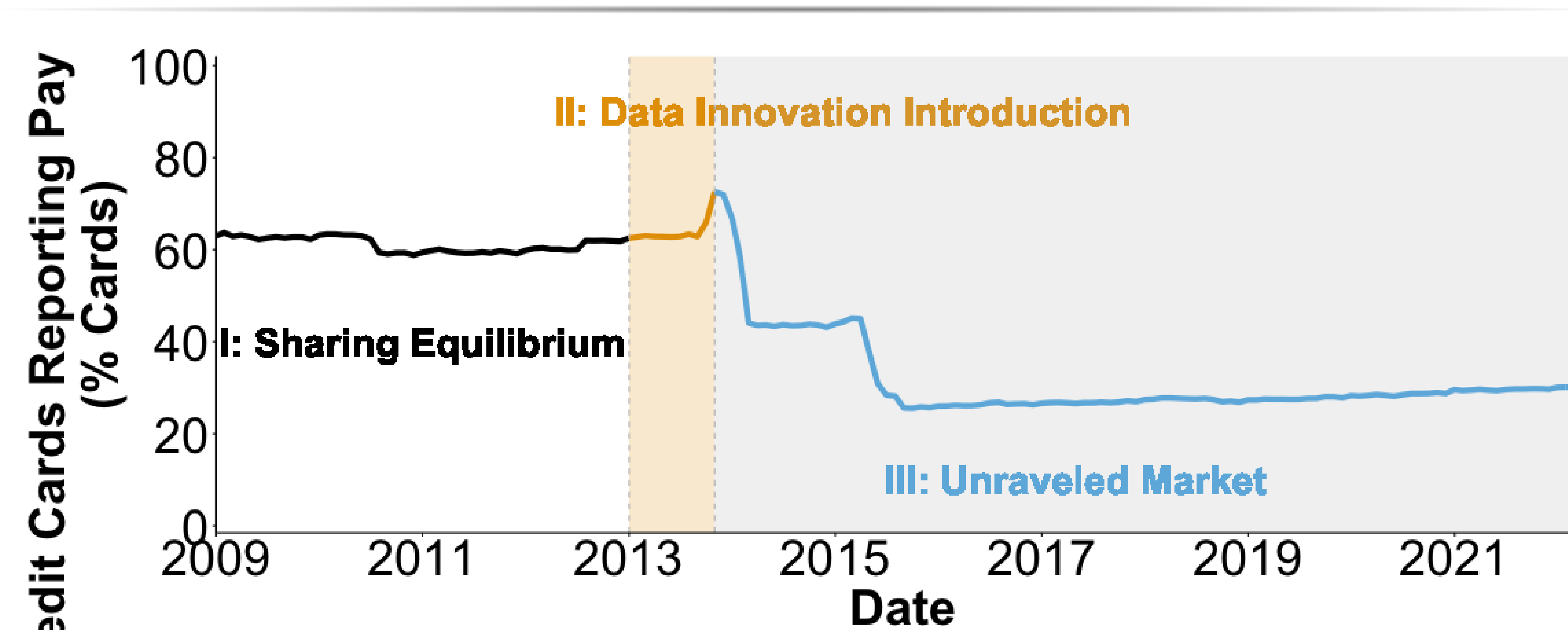
- **Half of US credit cards stopped sharing** data on payment amounts to consumer credit bureau (2013 - 2015). Why?
- **Unraveling followed a data innovation** (“Trended Data”) introduced in 2013 that shows the trends in consumer debt behaviors – especially using payments amounts data.
- **Trended Data** not only improved ability to predict credit risk but also **revealed consumers’ heterogeneous behavioral types** (e.g. high spenders generating interchange revenue, revolvers generating interest revenue) lenders could use to target their marketing efforts.
- **Adverse selection:** Lenders that stopped sharing payments amounts had longer tenure, higher spending & revolving balances.
- **By not sharing payments data, lenders hide consumers’ behavioral types** from competitors. Lenders who stopped sharing appear to hold market power and had most to lose from this innovation by having their profitable consumers poached.

### Data

Consumer credit reporting data from the University of Chicago Booth School of Business’s TransUnion Consumer Credit Panel (BTCCP). BTCCP is a monthly, anonymized, 10% representative sample of consumers in TransUnion data (2000 - 2022).

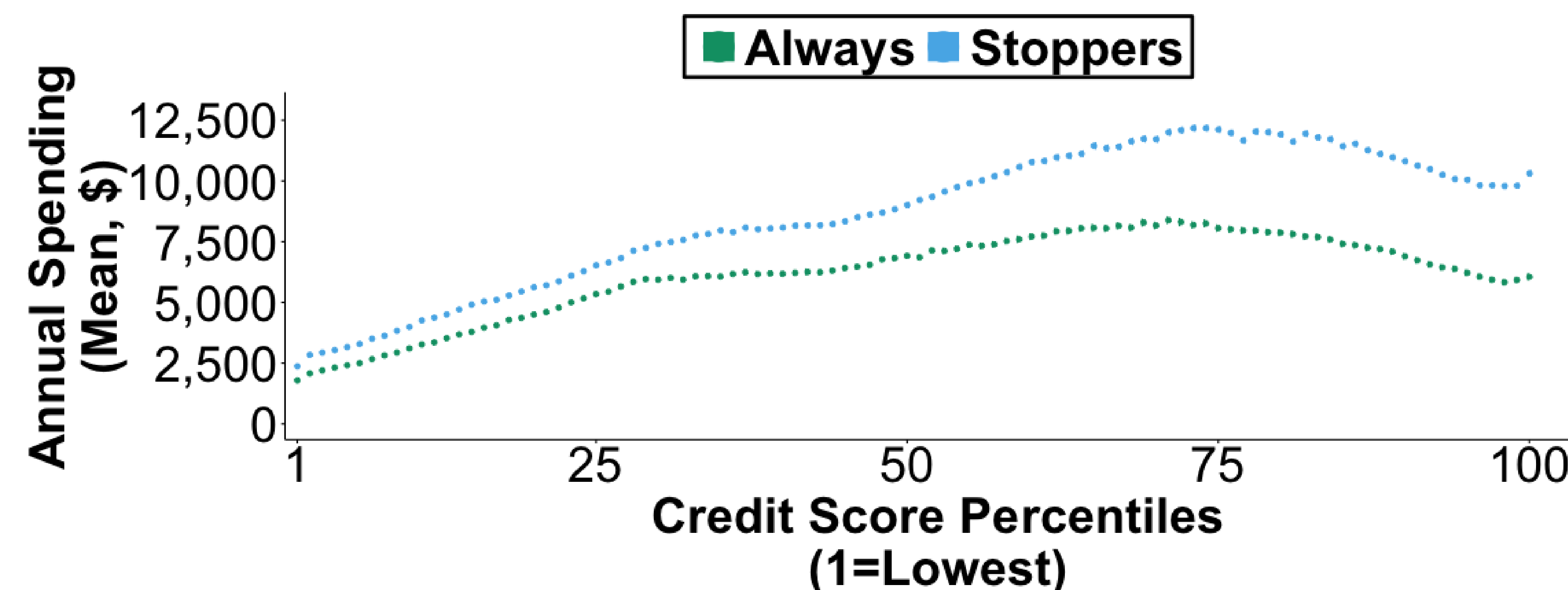


Trended Data’s introduction in 2013 led to lenders stopping sharing credit cards payments amounts data

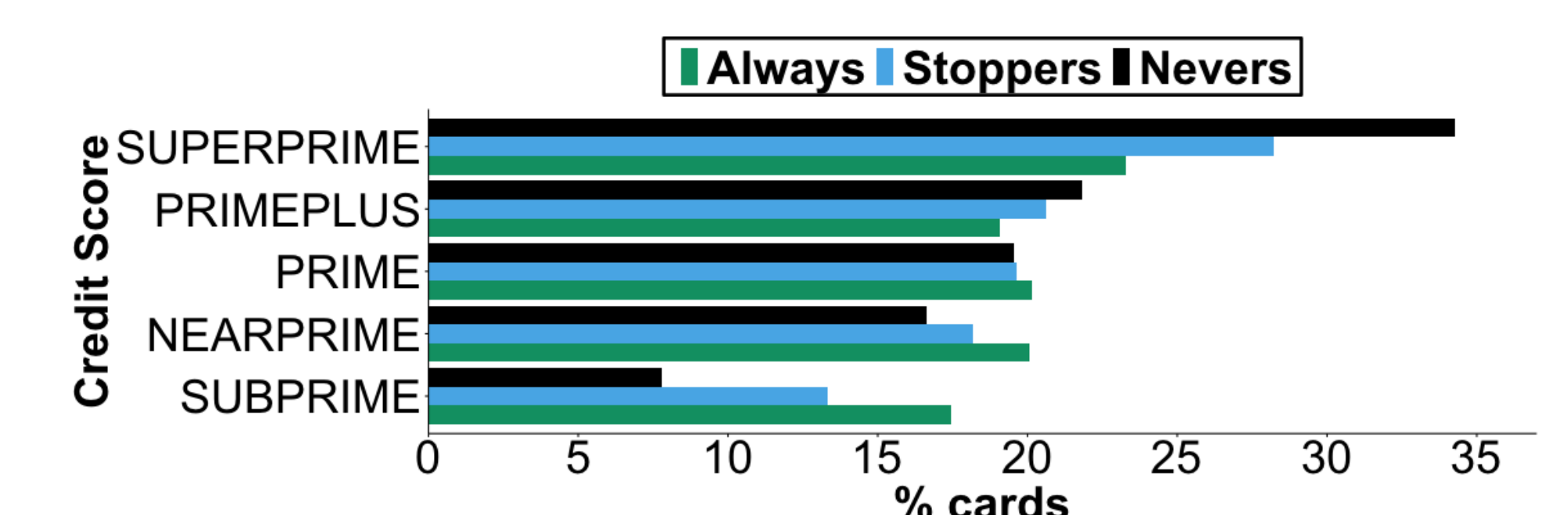


Adverse selection of credit card lenders who *stopped* sharing payments amounts data

- Lenders who stop sharing have consumers with higher expected profitability: Higher spending, longer tenure, higher revolving balances & lower credit risk (relative to lenders who always share payments amounts data). Comparisons based on 2012 portfolios before Trended Data’s introduction & unraveling.



Lenders who *never* report payment amounts data have more superprime consumers



What else is in the paper?

- **Predictive models** estimating how payments data and Trended Data improve the ability of lenders to predict credit default and target profitable types - and how information rents vary heterogeneously across lenders.
- **Differences-in-difference** estimating causal effects of lenders’ decisions to share data on consumers’ credit access by exploiting differential exposures of credit cardholders.
- **Theory model** of how lenders decide a) which consumers to try to acquire and b) whether to share data with their competitors to assist with consumer acquisition.

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