

Banks to Offer Credit Cards to Scoreless People ..... 2

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## Banks to Offer Credit Cards to Scoreless People

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Some of the largest U.S. banks plan to start sharing data on customers' deposit accounts as part of a government-backed initiative to extend credit to people who have traditionally lacked opportunities to borrow.

JPMorgan Chase & Co., Wells Fargo & Co., U.S. Bancorp and others will factor in information from applicants' checking or savings accounts at other financial institutions to increase their chances of being approved for credit cards, according to people familiar with the matter. The pilot program is expected to launch this year.

It is aimed at individuals who don't have credit scores but who are financially responsible. The banks would consider applicants' account balances over time and their overdraft histories, the people said.

The effort, if successful, would mark a significant change in the underwriting tactics of big banks, which for decades have enshrined credit scores and credit reports as the main tools to determine who gets a loan. They generally reflect a person's borrowing history in the U.S., including whether they pay their loans on time. Those who pay only with cash or debit cards, or who are new to the U.S., often don't have credit scores.

Some 53 million adults in the U.S. don't have traditional credit scores, according to Fair Isaac Corp., the creator of FICO credit scores. Many are often limited to payday loans and other costly forms of credit.

Black and Hispanic adults in the U.S. are more likely than white or Asian adults to lack credit scores, according to a 2015 report by the Consumer Financial Protection Bureau.

Banks have for years tinkered with ways to approve borrowers with limited or no credit histories, though the efforts have tended to be small-scale and company-specific. FICO announced in 2018 a scoring system that factors in how consumers manage their bank accounts. Few lenders -- and no banks -- signed up for it, according to people familiar with the matter.

JPMorgan, Bank of America Corp. and other big banks in recent years developed risk models based on their own customers' bank-account activity to approve financing for applicants with limited or no credit histories, some of the people said. That has resulted in credit-card approvals for about 700,000 additional customers at JPMorgan since 2016, some of these people said.

The new pilot program is designed to be further-reaching and more organized. About 10 banks agreed to exchange data, according to one of the people familiar with the matter, an unusual level of collaboration. JPMorgan, for example, might approve a credit-card application from a person who has a deposit account at Wells Fargo but doesn't have a credit score.

The plans grew out of Project REACH, or the Roundtable for Economic Access and Change, an effort launched last summer by the Office of the Comptroller of the Currency. After protests following the killing of George Floyd in police custody, the OCC convened bankers, financial-technology executives and nonprofit leaders to brainstorm on how to increase credit access to disadvantaged communities.

The agency at the time was run by Brian Brooks, a Trump pick. Michael Hsu, who is now the acting comptroller, said that he is excited to be part of Project REACH.

"Its mission -- to remove barriers for minorities and underserved people to fully and fairly participate in the nation's economy -- is critically important, especially now," Mr. Hsu said.

JPMorgan is expected to be the first to use the deposit-account data in evaluating credit-card applicants. As soon as this fall, the bank plans to start approving applications based on those inputs from the other banks.

"It's not a Hail Mary," said Marianne Lake, chief executive of consumer lending at JPMorgan. "It's something that we know works."

Banks are discussing using the main credit-reporting firms -- Equifax Inc., Experian PLC and TransUnion -- as well as Early Warning Services LLC as the conduits for this data sharing, the people said. Early Warning Services is a bank-owned organization that oversees the Zelle money-transfer network.

The bank-account data will be reviewed after banks try to check applicants' credit scores and find that they don't have one, according to people familiar with the matter. Not having any returned checks, for example, could improve a person's chances of being approved.

The banks are also discussing eventually working with other data providers and aggregators, such as Plaid Inc. and Finicity, to consider an applicant's history paying rent and utility bills, some of the people said, adding that the banks decided to start with deposit-account data because it is more widespread and easily available.

The banks in the pilot could eventually drop out. They could also open themselves to loan losses if this new method overestimates borrowers' creditworthiness.

Banks might also have to contend with concerns regarding data privacy and transparency. Under the pilot, the fine print on a credit-card application, which usually gives a bank permission to access a person's credit history, will also cover looking up bank-account data, some of the people familiar with the matter said.

For banks, the planned changes address an issue of social importance and provide them with a new commercial opportunity. Consumers approved under these new methods who demonstrate good borrowing behavior could eventually qualify for auto loans, mortgages and other products.

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