

CONSUMER FINANCIAL PROTECTION BUREAU | NOVEMBER 2020

QUARTERLY CONSUMER CREDIT TRENDS

Payment Amount Furnishing & Consumer Reporting



Consumer Financial
Protection Bureau

This is part of a series of quarterly reports on consumer credit trends produced by the Consumer Financial Protection Bureau using a longitudinal, nationally representative sample of approximately five million de-identified credit records from one of the three nationwide consumer reporting agencies.*

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INTRODUCTION

This Quarterly Consumer Credit Trends report uses the Consumer Financial Protection Bureau's Consumer Credit Panel (CCP) to examine how often lenders report, or furnish, information on borrowers' actual payment to nationwide consumer reporting agencies. Actual payment information shows the exact amount of a borrower's payment within a credit account. We find that actual payment furnishing for installment loan products including mortgages, auto, and student loans has steadily increased between 2012 and 2020. Over the same period, actual payment furnishing for credit card and retail revolving accounts significantly declined.

The information in consumer reports is used to determine whether consumers are approved for credit and the interest rates and terms consumers receive.¹ Financial institutions' decisions regarding which data elements within a consumer's credit account to furnish to consumer reporting agencies have important implications for which factors lenders can use to evaluate potential and existing borrowers. As credit information is a critical input into the financial well-being of millions of consumers, describing trends in furnishing practices can help deepen policymakers' and market participants' understanding of the consumer reporting system's key role in consumer access to credit, especially in the wake of the COVID-19 pandemic when credit standards have tightened and there has been increased strain on consumer finances.²

¹ The information in consumer reports can also be used to inform other decisions made about consumers, such as eligibility for rental housing and employment among other purposes. For more information about the different areas of the consumer economy where consumer reports are used see, Consumer Fin. Prot. Bureau (Jan. 2020), "Know your data: Our latest list of consumer reporting companies," available at <https://www.consumerfinance.gov/about-us/blog/know-your-data-our-latest-list-consumer-reporting-companies/>.

² For more information on the tightening standards on all types of consumer loans and on the increases in the volume of consumer loans in accommodation, respectively, since the start of the pandemic, see Federal Reserve (Jul. 2020), "Senior Loan Officer Opinion Survey," available at <https://www.federalreserve.gov/data/sloos/sloos-202007.htm> and Consumer Fin. Prot. Bureau (Aug. 2020), "Special Issue Brief: The Early Effects of the COVID-19 Pandemic on Consumer Credit," available at <https://www.consumerfinance.gov/data-research/research-reports/special-issue-brief-early-effects-covid-19-pandemic-on-consumer-credit/>.

Consumer reports rely mostly on the credit account data financial institutions furnish.³ Consumer reporting is generally voluntary under the Fair Credit Reporting Act (FCRA). Financial institutions generally decide whether to furnish to consumer reporting agencies and, if so, generally decide what information to furnish.⁴ However, the FCRA contains requirements concerning the accuracy of the information furnished and reported.⁵ U.S. financial institutions regularly furnish information on billions of consumer credit accounts or tradelines to one or more nationwide consumer reporting agencies.⁶ A tradeline is a credit account recorded in a consumer credit report. The tradeline data from consumer reports are crucial inputs to credit scoring models.⁷

The use of actual payment information in credit risk management may provide an additional assessment of creditworthiness that is distinct from a traditional static view of a credit account data. A lender's analysis of actual payment data has the potential to provide complementary value to a consumer's most recent consumer report.⁸ Observed changes in the payments that a borrower makes towards an account may indicate whether a consumer's credit behavior is

³ See, <https://www.consumerfinance.gov/ask-cfpb/what-is-a-credit-report-en-309/>.

⁴ For more information on the voluntary nature of data furnishing, see Consumer Fin. Prot. Bureau (Dec. 2012), "Key Dimensions and Processes in the U.S. Credit Reporting System," Section 3.1.1, p. 15, available at https://files.consumerfinance.gov/f/201212_cfpb_credit-reporting-white-paper.pdf. Cf. <https://www.natlawreview.com/article/court-confirms-crabs-under-no-duty-to-include-tradelines>. To learn how one financial institution decided to stop (but then restart) furnishing see, http://www.washingtonpost.com/archive/business/2003/11/06/giving-students-due-credit-for-history/470980d1-73ef-4bc6-b92d-3493b4002858/?tid=ss_mail&utm_term=.d6ode9a7ba46.

⁵ See, e.g., 15 USC 1681e(b) (requiring consumer reporting agencies to "follow reasonable procedures to assure maximum possible accuracy of the information concerning an individual about whom the report relates"); 15 USC 1681i (requiring a consumer reporting agency to reinvestigate upon receiving a consumer dispute); 15 USC 1681s-2(a)(1)(A) (prohibiting a furnisher from furnishing information that it "knows or has reasonable cause to believe that the information is inaccurate" unless an exception applies); 15 USC 1681s-2(a)(1)(B) (prohibiting the furnishing of information where the consumer has notified the furnisher that the information is inaccurate and the information is in fact inaccurate), 15 USC 1681s-2(a)(8) (requiring a furnisher to reinvestigate a direct dispute), 15 USC 1681s-2(b) (requiring a furnisher to investigate disputes after receiving notice of the dispute from a consumer reporting agency), Available at https://www.ftc.gov/system/files/documents/statutes/fair-credit-reporting-act/545a_fair-credit-reporting-act-0918.pdf. See also, Regulation V, 12 CFR 1022.42 (which implements the FCRA and requires furnishers to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of the information relating to consumers that they furnish to consumer reporting agencies, review those policies and procedures periodically, and update them as necessary to ensure their continued effectiveness).

⁶ For more information see, <https://www.consumerfinance.gov/ask-cfpb/how-do-credit-reporting-companies-get-my-information-en-1263/>. For more information about consumer reporting agencies see, <https://www.consumerfinance.gov/ask-cfpb/what-is-a-credit-reporting-company-en-1251/>.

⁷ For more information see, <https://www.consumerfinance.gov/ask-cfpb/what-is-a-credit-score-en-315/>.

⁸ To learn how one enterprise assessed the relative utility of historical month-over-month payment data for use in its underwriting process, among other data variables within an account tradeline, such as "balance amount owed" and "minimum payment due," see, <http://www.fanniemae.com/portal/research-insights/perspectives/030816-rosenblatt.html>.

improving or worsening. This, in turn, can have implications on consumer access to credit. Separately, this information also may be valuable for credit card and retail revolving lenders for competitive marketing purposes, as we describe below, which may help to explain perhaps why some credit card and retail revolving lenders might be more reluctant to share payment data.

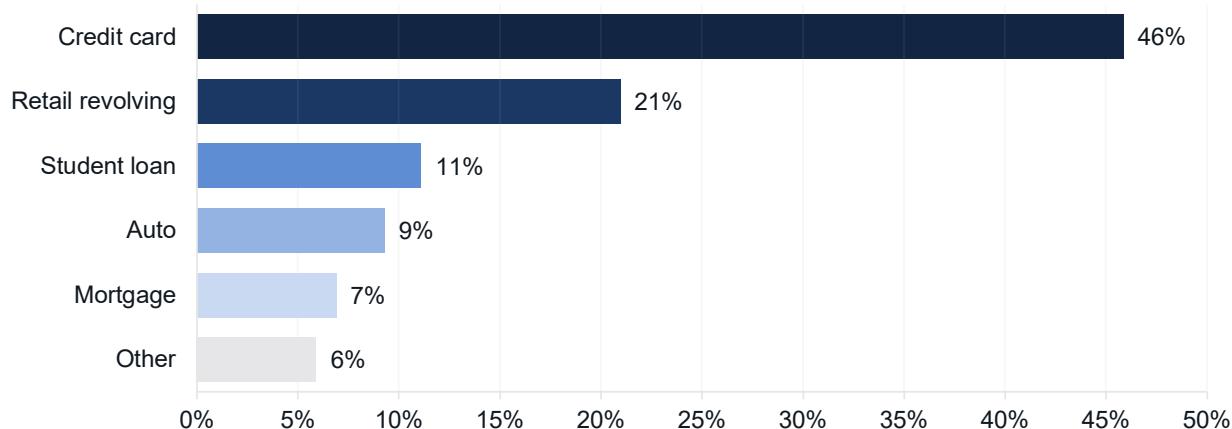
In this report, we first provide background on the consumer reporting market related to actual payment information. Next, we illustrate the prevalence of actual payment data furnishing for the five most commonly furnished loan products between 2012 and 2020 and demonstrate differences in furnishing between revolving and installment loan products. We then focus on the changes in furnishing behavior among the largest credit card issuers over time and explore possible business incentives that may account for the differences in furnishing behavior observed in this report.⁹

⁹ For a review of relevant literature on voluntary information-sharing arrangements, as well as a discussion of related topics such as the economics of information-sharing and competition see, Federal Reserve Bank of Philadelphia (Jun. 2005), “A Century of Consumer Reporting in America,” available at <https://www.philadelphiahfed.org/-/media/research-and-data/publications/working-papers/2005/wp05-13.pdf?la=en>.

ACTUAL PAYMENT FURNISHING FOR THE FIVE MOST COMMON LOAN PRODUCTS

Figure 1 shows the top five loan products by number of tradelines furnished in March 2020.¹⁰ Unsecured revolving credit products, which consist of credit card and retail revolving accounts, account for roughly two-thirds of all furnished tradelines. The three largest installment loan products, consisting of auto loans, student loans, and mortgages, accounted for over one quarter of tradelines. The remaining consumer loan products (e.g., personal loans or home equity loans) represented six percent of furnished tradelines.

Figure 1: TRADELINE DISTRIBUTION BY LOAN TYPE (MARCH 2020)



¹⁰ Retail revolving accounts are lines of credit offered by particular retail stores. These often take the form of store-branded credit cards.

TABLE 1: NUMBER OF TRADELINES BY LOAN TYPE, NUMBER WITH A RECENT PAYMENT, AND PERCENTAGE WITH ACTUAL PAYMENT (MARCH 2020)¹¹

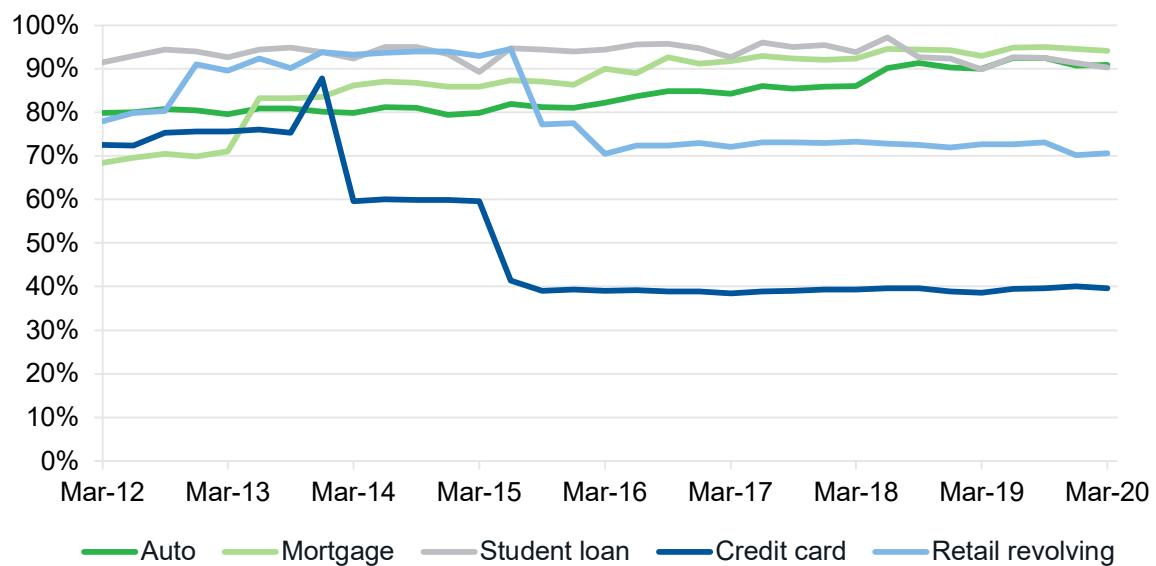
Loan Type	Number of Tradelines (Millions)	Number of Open and Current Tradelines with a Recent Payment (Millions)	Percentage of Open and Current Tradelines with Actual Payment Amount Furnished
Credit card	464	285	40%
Retail revolving	212	80	71%
Student loan	112	50	91%
Auto	94	84	91%
Mortgage	70	66	95%
Other	60	48	93%
All loan types	1,011	613	65%

Table 1 shows the prevalence of actual payment data furnishing by product type.¹² Shares of actual payment amount information were lowest for credit cards and retail revolving loans at 40 percent and 71 percent of tradelines, respectively. The share of installment loans furnished with actual payment information ranged from 91 to 95 percent in March 2020. Combined, credit card and retail revolving represent nearly 70 percent of all furnished tradelines, and therefore lower the overall share of tradelines with actual payment information to 65 percent. By contrast, the coverage of other data variables in a consumer's consumer report, such as balance amount and credit limit, are consistently furnished across loan types.

¹¹ Calculations are based on precise data values. Using rounded numbers from the printed tables may lead to different values due to rounding error.

¹² The share of tradelines with actual payment amount furnished is calculated by dividing the number of tradelines with actual payment information and a recent payment date by the number of tradelines with a recent payment date. Here we define "recent payment" to mean that the date of the last payment is within 31 days of the balance date.

Figure 2: PERCENTAGE OF CURRENT TRADELINES WITH ACTUAL PAYMENT INFORMATION FOR THE FIVE MOST COMMON LOAN TYPES (MAR 2012–MAR 2020)



Since 2012, the share of auto, student loan, and mortgage tradelines with actual payment data has generally trended upward. The share of mortgage tradelines with actual payment data increased most and rose from less than 70 percent in 2012 to 95 percent in 2020. By March 2020, student loan, mortgage, and auto loans contained actual payment information in more than 90 percent of tradelines.

By contrast, the share of retail revolving and credit card loans with actual payment information has significantly declined. While 95 percent of retail revolving tradelines contained actual payment data in 2015, the share declined to 71 percent in 2020. The decline was even larger for credit cards — the share of credit card tradelines containing actual payment data peaked in the fourth quarter of 2013, at 88 percent and has since declined by more than half to 40 percent.

Industry sources have indicated that the potential use of actual payment data is different for unsecured revolving loans than installment loans. Revolving loan providers can use payment amount information to determine whether a borrower pays their balance in full or leaves some portion of the balance to be paid over time.¹³ Those who pay their revolving balances in full each cycle are commonly referred to as “transactors;” those who pay only a portion of the balance in the current cycle and leave revolving balances to be paid in future cycles, are commonly referred to as “revolvers.” The unsecured revolving lending industry makes a distinction between transactors and revolvers, and markets services to each differently. For this reason, unsecured revolving loan lenders may perceive the furnishing of actual payment data as a competitive disadvantage as this may enable competitors to use tradeline data to identify and poach their most profitable customers.¹⁴

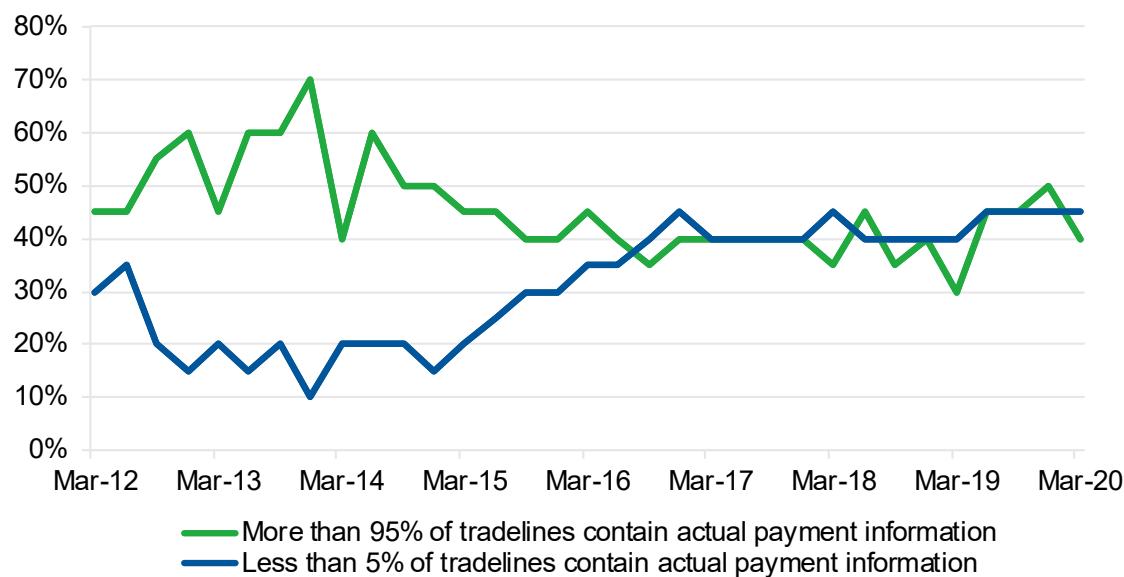
¹³ See, Consumer Fin. Prot. Bureau (Jul. 2019), “Data point: Credit card revolvers,” available at <https://www.consumerfinance.gov/data-research/research-reports/data-point-credit-card-revolvers/>.

¹⁴ “Credit card issuers have traditionally targeted consumers by using information about their behaviors and demographics. Behaviors are often based on credit bureau reports on how a person spends and pays over time; customers are typically categorized as transactors, revolvers or subprime” (McKinsey (May 2014), “New Frontiers in Credit Card Segmentation: Tapping Unmet Consumer Needs,” available at https://www.mckinsey.com/~/media/mckinsey/dotcom/client_service/financial%20services/latest%20thinking/payments/mop19_new%20frontiers%20in%20credit%20card%20segmentation.ashx). For more information, see, Federal Reserve Bank of Philadelphia (Jun. 2002), “An Overview and History of Credit Reporting,” p. 12-13, available at https://www.philadelphiefed.org/~/media/consumer-finance-institute/payment-cards-center/publications/discussion-papers/2002/CreditReportingHistory_062002.pdf.

A CLOSER LOOK AT ACTUAL PAYMENT FURNISHING AMONG LARGER CREDIT CARD LENDERS

In this section, we examine furnishing trends among larger credit card lenders to gain insight into the decline in actual payment information furnishing. We look at the largest credit card issuers that accounted for over two thirds of general purpose credit card tradelines in March 2020. While the overall share of credit card tradelines containing actual payment information has decreased, we can see that issuer furnishing behavior has split between issuers who furnish actual payment information, and those who do not.

Figure 3: ACTUAL PAYMENT FURNISHING FOR THE LARGEST GENERAL PURPOSE CREDIT CARD ISSUERS THAT REPORTED RECENT PAYMENTS (GROUPED BY SHARE OF TRADELINES WITH ACTUAL PAYMENT) (MAR 2012 – MAR 2020)



For the largest credit card issuers, furnishing actual payment information appears to be a binary decision to furnish nearly all tradelines or not at all.¹⁵ In 2013, a majority of the largest credit card issuers furnished actual payment data in nearly all tradelines. As of 2020, only about half of issuers with recent payments furnish these data, but they do so for all the tradelines they furnish. Some issuers also stopped furnishing actual payment amounts at the same time during the same quarter, though it is unclear from this analysis what might have caused these actions to occur simultaneously. Further analysis could investigate if changes in actual payment information furnishing influences the likelihood of borrowers accessing new credit.

¹⁵ One to five issuers during each quarter did not furnish a recent payment or furnished between five and 95 percent of tradelines with actual payment information.

While the decision to furnish is generally made by individual financial institutions, reductions in available actual payment information may carry broader implications for credit markets and consumers. The inclusion of actual payment data could enable a more informed assessment of risk. Limited access to this information could make it more difficult than it otherwise would be to market credit products and price credit for consumers.

CONCLUSION

Analysis of CCP data reveals significant changes in the furnishing of actual payment data since 2012. Across the three most common installment loan types, shares of tradelines with actual payment amount information increased to over 90 percent, with mortgage tradelines experiencing the largest increase in furnishing. By contrast, shares of revolving and credit card tradelines with actual payment data significantly declined over the same time period. This trend may reflect attempts to prevent account poaching of consumers by other credit card issuers. Furnishing actual payment information appears to be an either/or proposition for credit card issuers. Additional research could further inform our understanding of credit information markets and consumer access to credit, such as determining whether the reduction in the supply of payment amount data has an impact on the terms or availability of credit for consumers.