“Giving Credit When Credit Is Due, The Important Role Of Essential Service Credit Information.”
Global Reach

TransUnion connects businesses and consumers by helping to build credit economies worldwide
We are a trusted partner for businesses and consumers around the world

• Founded in 1968
• Headquartered in Chicago
• Employs almost 4,000 people worldwide
• Provides solutions to more than 50,000 businesses worldwide
• Reaches businesses and consumers in 25 countries on five continents

• Maintains credit histories on an estimated 600 million consumers around the globe
• Processes billions of updates each month
• Helps combat and prevent financial crimes, such as identity theft and credit fraud, by utilizing the industry’s only dedicated fraud victim assistance department
Credit Scoring/Data Terminology

• Essential Data Dimensions
  – Basic source of information
    • Essential service providers
      – shelter, power utilities, services
    • Communication providers
  – Foundation for identification and credit risk assessment
    • Capacity
    • Character

• Credit Scoring/Data Dimensions
  – “No-hits”
    • Those without a credit file
  – Incremental data generates “thicker” credit files
    • More complete credit risk assessment
  – Frequently updated information
    • Reduces “un-scored” consumers
    • Up-to-date credit assessment
History of Essential Service Credit Bureau Information at TransUnion U.S.

• TransUnion began reporting essential service trade line information prior to 1985
  – Majority of the information was negative trade level detail
  – Primarily Northeastern power utility companies reported information

• Today 10% of consumer files within TransUnion’s U.S. database has at least one essential service trade line
  – Thousands of essential service providers report positive and negative data
    • Essential Service data is reported in every state
    • Only a minority of essential service providers report
History of Essential Service Credit Bureau Information at TransUnion U.S.

• Tens of millions of essential service accounts are reported monthly to TransUnion
  – Less than 3% of all essential service accounts are reported
  – 54% power utility
  – 44% telecommunication companies
  – 2% other utility companies (water, waste management, public works)

• Essential service information is an important component within all TransUnion’s solutions
  – Customer acquisition and retention
  – Risk management
  – Fraud identification
Criticisms and Barriers of Including Essential Service Information in a U. S. Credit Bureau

• Privacy Concerns
  – Everyone is entitled to receive essential services
    • Reporting use and payment practices violates one’s privacy
    • Several states restrict reporting to credit bureaus

• Low Income Consumers are Unfairly Penalized
  – Problems making ends meet increases delinquency
  – Poor access to banking products impair ability to pay
    • Poor public transportation compounds the problem
  – Cultural differences by different ethnic groups
    • Repayment of “public utilities” not a priority

• Payment Information Reported not Predictive
  – Everyone eventually pays thus information is not predictive
  – Inconsistent utility repayment not correlated to credit performance

• Incremental Cost Associated with Reporting Information
How Essential Service Information Brings Value to the U.S. Economy

• Additional, More Diverse Consumers are Included
  – Offsets voluntary reporting by lenders
    • Consumers with no or little credit benefit
      – Low income consumers
      – Under banked consumers
      – Rural consumers with limited transportation access

• Better Risk and Identity Assessment
  – More Financial Obligations are Evaluated
  – Offsets selective reporting of lenders
    • Some portfolios omitted
    • Certain loan aspects unreported
  – Completes gaps due to inconsistent and poor borrower identification
  – More frequent reporting combats sporadic and inconsistent use of credit
Essential Service Data Concerns & Myths

• Data is not Predictive
  – Dr. Turner will discuss

• Minority and Low Income Borrowers Unfairly Penalized
  – Dr. Turner will discuss

• Data Hinders Thin File and Underserved Markets
  – Dr. Turner will discuss

• Credit Challenged Consumers are Further Penalized
Essential Service Data Further Penalizes Consumers with Previous Credit Problems

Percent of Consumers with a Public Record or Trade Line Delinquency > $100 by Income

- 50.0%
- 60.0%
- 10.0%
- 20.0%
- 30.0%
- 40.0%
- 50.0%
- 60.0%

ALL <$20000 $20000-29999 $30000-49999 $50000-99999 $100000+

With Utilities
Random Sample
Essential Service Data Does Not Restrict Liquidity to Consumers with Previous Credit Problems

Average Total Balance
Consumers with a Public Record or Trade Line Delinquency > $100 by Income

- With Utility Trades
- Random Sample
Essential Service Data Does Not Prevent Consumers with Previous Credit Problems to Gain Access to New Credit

Percentage with New Mortgages
Consumers with a Public Record or Trade Line Delinquency > $100 by Income
Essential Service Data Does Not Further Penalize Consumers with Previous Credit Problems

Percentage with Satisfactory Mortgages
Consumers with a Public Record Trades or Trade Line Derogs > $100
by Income

With Utilities
Random Sample
Essential Service Data is Predictive

KS for Consumers with a Mortgage
Consumers with a Public Record or Trade Line Derogatory Items > $100
by Income

- ALL <$20000
- $20000-29999
- $30000-49999
- $50000-99999
- $100000+

- With Utility Trades
- Without Utility Trades

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TransUnion U.S.A. Experience

• Essential Data Provides Credit Challenged a Second Chance
  – Percentage of scored challenged consumers increases significantly
  – Credit bureau based scoring systems perform better with “alternative” data
    • Models perform better on challenged consumers with alternative data
      – better rank ordering
      – increased acceptance rates

• Essential Data Does not Penalize Credit Challenged
  – Access to credit is facilitated
    – number of accounts increase
    – credit limits increase
  – Consumers seeking additional credit appear to perform better
    – more satisfactory accounts
    – mortgage delinquency rates are lower