

Establish a Public Credit Registry - Summary

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THE PROBLEM

Credit reports and scores directly impact Americans' economic security and opportunity. Credit history can affect the way Americans are treated by lenders, landlords, utility companies, hospitals and employers. Having a poor credit history or a "thin file" with insufficient credit information to generate a credit score can mean a consumer will end up paying more for loans and insurance (or have trouble even getting them in the first place). Misuses of credit history are prevalent and harmful: job seekers can be denied work based on their credit history and the Trump administration has even proposed using credit history to determine whether immigrants should be eligible for permanent residency. Most harmfully, our credit system is built on—and continues to reinforce and expand—deep racial inequities. Generations of discrimination in employment, lending, education and housing have produced significant racial disparities in credit history. Past discrimination is baked in to current determinations of creditworthiness: Credit scores and other lending algorithms disproportionately represent black and Latino loan applicants as "riskier" customers. As a result, decisions drawing on credit data reproduce and spread existing racial inequality, making it harder to achieve true economic equity.

America's credit reporting system is controlled by three big, for-profit companies—Experian, Transunion, and Equifax—which collect lending and payment data on 220 million Americans without consumers' permission or approval, and there is no way for consumers to opt out from having personal financial data collected. The algorithms that determine our credit worthiness are not publicly available and consumers must pay to access their own credit reports and scores (beyond one free report from each company per year). Errors are common, and people of color experience higher error rates than white households. Meanwhile these errors are notoriously difficult to correct, as credit reporting companies have failed to make the investments necessary to investigate disputed items. It is lenders—not American consumers—who are the customers of these companies. Our consumer data is their product, thus these corporations are not accountable to consumers. The companies have no incentive to be concerned about racial equity or fairness.

POLICY SOLUTION

Demos proposes establishing a public credit registry housed in the Consumer Financial Protection Bureau. This publicly run credit registry would gradually replace the current for-profit corporate system and is designed to be responsive to consumer needs and equity concerns rather than the corporate bottom line. A public credit registry would develop algorithms that diminish the impact of past discrimination, deliver transparent credit scoring, provide greater data security and offer a publicly accountable way to resolve disputes. The use of credit information for non-lending purposes, such as employment, housing, and insurance will be curtailed.

- **Equity:** The public credit registry will develop new algorithms for predicting creditworthiness with a goal of minimizing disparate racial impact. New credit reporting algorithms could draw on alternative data sources (beyond lending), when these data have been shown to be predictive and to minimize racial disparities. In addition to drawing on new data sources, the public credit registry will research proposals to exclude certain adverse credit data from credit reports and scores, for example medical debt or payment delinquencies on predatory loans. The public credit registry will reduce the amount of time that adverse credit information remains on a credit report from 7 years to 4 years.
- **Transparency:** The algorithms used to determine creditworthiness will be publicly available with clear explanations of what consumers can do to improve their credit. Credit reports and scores will be free to consumers at any time.
- **Accuracy:** Lenders and other companies that furnish consumer credit data to the public credit registry will be held accountable for providing accurate information. The CFPB will impose fines on companies found to consistently furnish inaccurate or incomplete information. At the same time, the public credit registry will use the most robust methods available to ensure that credit information is accurate.
- **Accountability:** Consumers will have a right to dispute inaccurate information on their credit report and will be provided free copies of any documents used by the public credit registry to ascertain the accuracy of a disputed item. Consumers will have the right to appeal the results of a dispute and provide additional evidence. As a last resort, consumers will have the right to sue the public credit registry for a failure to fulfill its responsibilities.
- **Appropriateness:** Credit information will only be used for lending purposes, not employment, housing, or insurance. The federal government may not use credit information to make decisions about immigration status or for any purpose other than lending.

- **Security:** While no electronic data is 100 percent secure, the public credit registry's ultimate accountability to American consumers will provide a greater incentive to enhance data security compared to the private credit reporting agencies. As an additional safeguard against fraud and identity theft, all personal credit information will be frozen by default, meaning that prospective lenders will be unable to access consumer credit data without prior authorization from a consumer. There will be no charge to consumers for placing or removing credit freezes.
- **Public awareness:** The public credit registry will fulfill the CFPB's mission of educating consumers about credit products and how to develop and maintain a good credit score. The public credit registry will also provide free or low-cost credit counseling and credit rehabilitation services, through contracts with licensed non-profit organizations that provide these services.

SEE OUR FULL REPORT FOR MORE ON THE TRANSITION TO A PUBLIC CREDIT REGISTRY, TIPS ON HOW TO TALK ABOUT THE PUBLIC CREDIT REGISTRY, AND LINKS TO FURTHER RESOURCES. THE REPORT ALSO INCLUDES A DISCUSSION OF ADDITIONAL POLICIES TO ENSURE FAIR AND EQUITABLE CREDIT FOR ALL, INCLUDING BANNING PREDATORY LENDING, REFORMING DEBT COLLECTION PRACTICES, ENSURING FAIRNESS IN BANKRUPTCY, PROHIBITING FORCED ARBITRATION, DEFENDING THE CONSUMER FINANCIAL PROTECTION BUREAU AND IMPROVING JOBS AND PUBLIC SERVICES TO REDUCE FAMILIES' NEED TO RESORT TO DEBT IN THE FIRST PLACE.

[See Our Full Report](#)

Dēmos

Dēmos is a public policy organization working for an America where we all have an equal say in our democracy and an equal chance in our economy.

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