

PERC INNOVATOR PROMPTS NCUA DECISION TO ACCEPT ALTERNATIVE CREDIT DATA

ALEXANDRIA, VA:

The National Credit Union Administration (NCUA) ruled yesterday that credit unions must accept alternative credit references if provided by a member when deciding on a member's creditworthiness.

The NCUA said that under the Equal Credit Opportunity Act (ECOA) Reg B, when using a credit bureau report to assess creditworthiness, FCUs must consider credit references not included in the credit report (such as rent and utility bills) when presented by a member.

Reg B also prohibits lenders from discriminating against credit applicants, establishes guidelines for gathering and evaluating credit information, and requires written notification when credit is denied.

The ruling supports PERC's Alternative Data Initiative (ADI), which promotes the full reporting of customer payment data—negative and positive data (timely payments and the amount paid)—by energy, utility, and telecom firms to consumer reporting agencies (CRAs) as a way of helping millions of Americans quickly build a positive credit history and enable them to access affordable credit.

Trycera Credit Services President and PERC Senior Fellow Michael Nathans requested the legal opinion that resulted in NCUA's ruling.

Trycera (which is not affiliated with PERC) provides its prepaid VISA debit card holders with an alternative credit reference statement each month that lists non-reported credit accounts in a form and format that can be merged with an Equifax, Experian, or TransUnion report and can be scored by FICO, VantageScore, and the three bureaus.

Nathans said, "...the NCUA provided this legal opinion at [Trycera's] request to make the public and federally-insured credit unions in particular aware of this little-known provision of Federal law which allows consumers to establish or rebuild a good credit history and score without debt, and imposes punitive fines on creditors for non-compliance."

The NCUA wrote that according to ECOA Reg B, "...Upon an applicant's request, [Reg B] requires creditors, in evaluating the creditworthiness of an applicant, to consider any information an applicant may present tending to indicate the credit history being considered does not accurately reflect the applicant's creditworthiness," and that creditors, at an applicant's request, "must consider credit information not reported through a credit bureau when the information relates to the same types of credit references and history the creditor would consider if reported though a credit bureau."

