

# BUSINESS AND ECONOMIC DEVELOPMENT

Resolution BED-19-09

## A RESOLUTION URGING POLICYMAKERS AND INDUSTRY TO REMOVE BARRIERS TO FINANCIAL INCLUSION

WHEREAS, information from credit reports are widely used by financial institutions to assess eligibility for mortgages, credit cards, student loans, personal loans, retail credit and other consumer credit, as well as for many small business loans;

WHEREAS, consumers with limited credit histories can be placed into two groups, the first group is comprised of consumers without NCRA credit records, who are referred to as “credit invisible,” and the second group includes consumers who, while they have NCRA credit records, have records that are considered “unscorable” meaning they contain insufficient credit histories to generate a credit score;

WHEREAS, as of 2010, the Consumer Financial Protection Bureau (CFPB) found that 26 million consumers in the United States were credit invisible, representing about 11 percent of the adult population, and an additional 19 million consumers, or 8.3 percent of the adult population, had credit records that were treated as unscorable by a commercially-available credit scoring model;

WHEREAS, in 2016, nearly one in five consumers have no credit history or credit score;

WHEREAS, an insufficient credit history disproportionately impacts minority consumers, the CFPB found that About 15 percent of Blacks are credit-invisible (compared to 9 percent of Whites and Asians) and an additional 13 percent of Blacks (compared to 7 percent of Whites) and that these credit histories differences are observed across all age groups, suggesting that these differences materialize early in the adult lives of these consumers and persist thereafter;

WHEREAS, barriers to credit access often force consumers to resort to high-cost short-term loans that may not help build a credit history;

WHEREAS, while a consumer may not have a credit card or mortgage to build credit, they regularly make payments on their utility, rent, and wireless phone bills, yet this payment information only appears on a credit report when a consumer is in collection, not when bills are paid on- time;

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WHEREAS, according to the study conducted by Pew Research Center in 2018, 98% of African-American adults own a cell phone, yet are not able to build credit from on-time payments; and

WHEREAS, research by the Policy and Economic Research Council in 2006 showed that incorporating utility payments could lift the number of scorable borrowers by more than 60 percent, while the inclusion of phone payment data could result in an increase in the number of scorable borrowers by more than 67 percent.

THEREFORE BE IT RESOLVED, that the National Black Caucus of State Legislators (NBCSL) calls upon policymakers at the state and federal level to reduce barriers to the reporting of payment data from utilities, telecommunication companies and rental agencies only if the reporting of utilities does not preclude consumers from getting necessary utility services or negatively impact the credit scores of consumers;

BE IT FURTHER RESOLVED, that the NBCSL calls on the national wireless communication, utility, and rental companies to report payments to the nationwide consumer reporting agencies so consumers can benefit from making regular on-time payments;

BE IT FURTHER RESOLVED, that the NBCSL encourages the use of utility payment, wireless, telephone and rental agencies to report payment data to bolster the credit file of consumers who otherwise lack creditworthiness if the reporting of utilities does not preclude consumers from getting necessary utility services or negatively impact the credit scores of consumers; and

BE IT FINALLY RESOLVED, that a copy of this Resolution be transmitted to the President of the United States, the Vice President, Members of the United States House of Representatives and the United States Senate, and other federal and state elected and appointed government officials as appropriate.

**SPONSOR: Representative Billy Mitchell (GA)**

**Committee of Jurisdiction: Business and Economic Development Policy Committee**

**Certified by Committee Chair: Representative W. Curtis Thomas (PA)**

**Ratified in Plenary Session: Ratification Date is November 30, 2018**

**Ratification is certified by: Representative Gregory W. Porter (IN), President**