



Overview: Access to Telecom Data for Underwriting Credit*

Kelly Thompson Cochran, Michael Stegman, & Colin Foos

About 97 percent of US adults and nearly 100 percent of adults ages 18 to 29 use cell phones, though not all have individual accounts.

Telecommunications payment history is concentrated among a small number of companies and may be particularly useful for underwriting younger adults who do not yet have leases, utility accounts, or loans in their own names.

CURRENT ACCESS

Overdue telecom payments are one of the most frequent sources of collections items in consumer credit files, second only to medical debt. But only about 5 percent of consumers with telecom accounts are estimated to have tradelines reflecting routine payment history in their credit files with Equifax, Experian, and TransUnion.

The National Consumer Telecom and Utilities Exchange (NCTUE) has files on about 245 million consumers, including tens of millions of consumers who have sparse or no traditional credit bureau files. The data come mostly from telecom accounts (though not all large providers contribute) and include both positive and negative payment history. The data can be used for credit underwriting in limited circumstances, most notably the FICO XD score. Lenders can purchase

that score for consumers who cannot be scored by traditional FICO models for use in underwriting credit cards, education loans, and other unsecured credit.

Consumers can also sign up to have their telecom payments reported to one or more of the three main credit bureaus through various services, such as platforms that pull payment history from bank accounts or telecom companies' websites. Lenders can also sign up with services that pull information from bank account records or telecom companies where individual applicants consent to the data transfers. Consumers may have to pay fees and/or provide log-in credentials to make the data available through these channels.

CURRENT USE

Where telecom data are available in a consumer's credit bureau file, FICO and VantageScore models will factor them into the consumer's credit score automatically. Different lenders use credit scores in different ways, such as by establishing a minimum score below which they will not lend or by using scores as an input into their own proprietary underwriting and pricing models.

Specialty credit scores or services that provide information from bank accounts or telecom companies directly to lenders generally require the lenders

to pay additional charges, separate from obtaining consumers' main credit scores or credit files. Lenders vary as to their willingness to pay such costs and adapt their underwriting models to use telecom or other nontraditional data sources. Some lenders are expressing more interest in using the data or specialty scores, particularly so they can underwrite consumers who may struggle to access credit because they lack traditional credit history.

RESEARCH

Research is limited about how the inclusion of telecom data affects credit scoring. Two studies have analyzed consumer credit files that contain such information, including both on-time and late payments. In one, the results for telecom data were combined with results for utility data. Both studies found that the data substantially reduced the number of consumers who could otherwise not be scored under an early VantageScore model, as well as the number of thin-file consumers with fewer than three tradelines.¹ Among consumers who could be scored even absent the telecom or utility data, nearly two-thirds experienced changes of fewer than 10 points in either direction with the additional data added. About 10 percent experienced changes of 25 points or more overall with the addition of the data. In one study, the share of larger improvements and declines was roughly even, though in the other study, more already-scorable consumers experienced large declines than large improvements.

The studies also found that the predictiveness of the credit scoring model increased by a substantial amount for the full population, including consumers who could otherwise not be scored at all. The predictiveness increase from inclusion of the additional data was more modest when the model was applied only to consumers who could already be scored without the information.

These studies have also estimated that the inclusion of telecom and/or utility payment history in credit files could allow credit card lenders to increase their acceptance rates without increasing defaults and that the increases would particularly expand access to credit

among Black and Hispanic consumers, consumers younger than 25 and older than 65, renters, and low-income households.

MARKET AND POLICY ISSUES

Telecom payment history is appealing relative to rental data because the number of potential data sources is concentrated compared with millions of landlords. Telecom payment history is appealing relative to utility data because there are fewer concerns about seasonal billing spikes and whether credit reporting would undermine related consumer protections. The data may be particularly useful for underwriting younger consumers.

Some stakeholders have argued that Congress should require telecom companies to report payment history because telecom bills often involve financing of phones and because telecom companies are one of the most common sources of collections items on credit reports. But outside of a 2007 pilot involving landline services and reporting to NCTUE, telecom companies' interest in reporting payment history appears to be limited. Concerns about customer service volumes and competition from other telecom companies for customers may play a role.

Guidance for how to report telecom payment history to credit bureaus is limited, and stakeholders report variations in practices. Industry actors are developing more consistent and detailed standards for rent reporting, but those efforts have not yet focused on telecom or utility data. Standardization in reporting and further research to determine what factors or patterns regarding telecom payments are most predictive of future credit defaults could increase the consistency and effectiveness of scoring and underwriting models.

* For more information, see Kelly Thompson Cochran and Michael Stegman, [Utility, Telecommunications, and Rental Data in Underwriting Credit](#) (Washington, DC: Urban Institute and FinRegLab, 2021).

¹ Michael Turner, Patrick D. Walker, Sukanya Chaudhuri, and Robin Varghese, [A New Pathway to Financial Inclusion: Alternative Data, Credit Building, and Responsible Lending in the Wake of the Great Recession](#) (Chapel Hill, NC: Political and Economic Research Council, 2012); and PERC and Brookings (Political and Economic Research Council and Brookings Institution Urban Markets Initiative), [Give Credit Where Credit Is Due: Increasing Access to Affordable Mainstream Credit Using Alternative Data](#) (Durham, NC: PERC; Washington, DC: Brookings, 2006).