



Overview: COVID-19 and the Scope of UTR Data*

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Several initiatives to tap utility, telecommunications, and rental (UTR) data for credit underwriting are restricted in scope, such as by focusing only on the use of on-time payment history or by using UTR information only for “second look” programs that evaluate applicants who otherwise cannot be scored or would be rejected based solely on traditional data sources. Concerns that reporting and using UTR data could exacerbate financial hardships from the COVID-19 pandemic have also led stakeholders to limit some UTR activities. Over time, market actors and policymakers will face important decisions about whether and how to expand the scope of various initiatives in light of predictiveness, inclusion, and other considerations.

NARROWING THE FOCUS

Early efforts to encourage UTR companies to furnish data to credit bureaus largely focused on full-file reporting of both positive and negative payment history, similar to what lenders typically supply. Over time, however, several factors appear to be encouraging more targeted initiatives:

- Given strong interest in reducing long-standing racial disparities in credit and

homeownership, stakeholders are tending to prioritize on-time payment history as the most promising source of information to identify additional borrowers who are likely to repay their loans.

- Narrower data flows and program structures may be less likely to generate large complaint volumes for data sources and may be more likely to attract consumer participation where necessary to initiate data flows. Indeed, even if customer-permissioned channels are not formally limited to positive payment history, they may operate that way in practice to the extent consumers turn off the data if they experience a financial shock that disrupts their payments.
- Focusing only on positive payment history or second-look structures can reduce the risk of exacerbating financial hardships on vulnerable families, not only with regard to credit access but also in employment screening, tenant screening, and other activities that may involve use of credit reports. This consideration has become even more important in the wake of the COVID-19 pandemic, particularly given disparities in initial impacts, uneven rollout of relief programs,

and recovery trends. For instance, federal legislation entitled most mortgage borrowers to significant relief starting in March 2020, but distribution of targeted assistance for overdue rent and utility bills did not begin until summer 2021. Rising rents and utility costs are also increasing concerns about potential delinquencies.

- Differences in what information is available from bank account data compared with data supplied directly from UTR companies may also be a factor. Bank account information does not indicate the amount or date due, and the fact that a particular payment does not appear as expected could be caused by factors other than a delinquency, such as a move, a change in payment method, or a processing delay by the UTR company.
- Stakeholders also point to the need to improve data quality, standardization, and modeling as the volume of UTR information increases. For instance, current efforts to develop more tailored guidance for rent reporting could promote consistency and address such issues as ensuring that consumers who exercise rights to withhold payments during certain landlord-tenant disputes are not reported as delinquent.

These factors help explain why some programs focus only on positive payments, disenroll consumers if they have late payments, or use UTR data exclusively for second-look purposes. Stakeholders also report a dramatic decline in negative reporting during the pandemic, particularly for rental payments. At least in current circumstances, a broad range of stakeholders have embraced targeted approaches, hoping they will produce substantial inclusion benefits while reducing the risks of unintended consequences.

LONG-TERM CONSIDERATIONS

As stakeholders gain more experience with UTR payment history and the pandemic recovery continues to evolve, market actors and policymakers will face important decisions about whether and how to expand the scope of current activities in light of predictiveness, inclusion, and other considerations. These decisions may heighten debates about potential benefits and trade-offs for different consumer populations.

For example, second-look structures that use only UTR data to evaluate consumers who would otherwise be denied credit may exclude additional consumers who could benefit if the information was also used in risk-based pricing decisions. And limiting programs only to consumers who have pristine UTR payment histories may forgo benefits to additional consumers with largely positive records that could help them establish credit files or offset negative credit history.

Calibrating the effects of particular program changes can be challenging because it is difficult to generalize across broad populations, given the complexity of credit scoring models, variations in individual household circumstances, and data limitations. For instance, studies that analyze the effects of adding UTR payment history only to the files of consumers who have made all payments on time find that a small share of consumers may still experience score declines, perhaps because of changes to metrics that calculate credit utilization or length of account history. The effects of adding history that reflects a modest delinquency to credit files can also vary widely, depending on consumers' prior credit history. Although adding history can lead to substantial score reductions for consumers with no prior late payments, it may produce little effect for consumers who already have delinquencies on file and can even increase scores in some circumstances by offsetting more serious negative history.

Public research and stakeholder engagement could help inform these decisions by identifying emerging trends, publicizing lessons learned and best practices, and highlighting ways that market actors and policymakers can drive toward beneficial outcomes. Given the complex and dynamic nature of credit scoring and underwriting systems, increasing the use of UTR data is likely to be an evolutionary process rather than a one-time adjustment to the traditional credit information system.

* 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).