



# Overview: Utility, Telecommunications, and Rental Data in Underwriting Credit\*

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Over the past several decades, lenders have come to rely heavily on credit reports from Equifax, Experian, and TransUnion and credit scoring models from companies such as FICO and VantageScore to evaluate applications for mortgages, credit cards, and other types of consumer credit. Small business lenders also frequently use owners' personal credit history and scores in their underwriting processes.

But most credit bureau information comes from repaying prior loans, so applicants who do not already have access to credit can find it difficult to get approved. Households of color, low-income consumers, young adults, and recent immigrants are more likely to have information gaps and low scores. Delays in reporting information and the fact that credit bureau files do not provide a complete picture of household finances have also spurred interest in nontraditional data sources.

Utility, telecommunications, and rental (UTR) payment history has attracted attention because it can show how a diverse range of households meet housing expenses and other continuing obligations. Research also suggests that consumers rank UTR data relatively highly as to fairness and

their willingness to provide such information to lenders. Because renters are about seven times more likely than homeowners to lack sufficient traditional credit history to be assessed under the most widely used scoring models, there is particular interest in using UTR data to increase access to credit and reduce severe racial disparities in homeownership rates. About one-third of US adults and most Black and Hispanic households are renters.

Some significantly overdue UTR payments get reported to credit bureaus today, but tradelines that show routine on-time payments appear in only a small fraction of credit reports. And even where the data are available, the automated underwriting systems used to decide which mortgages meet the standards to be guaranteed by Fannie Mae, Freddie Mac, or the Federal Housing Administration rely on credit scoring models that do not consider applicants' rental payment history.

A [joint report by the Urban Institute and FinRegLab](#) details initiatives to tap UTR data for credit underwriting, research on how the data affect inclusion and predictiveness, and market and policy issues going forward. The report concludes that UTR data are not a panacea but have the potential, with thoughtful development, to benefit many consumers.

## CURRENT SNAPSHOT

Access to credit can be particularly challenging for consumers who have little or no credit history on file with Equifax, Experian, or TransUnion. Some lenders refuse to approve applications for consumers who cannot be scored or who fall below a particular minimum score. Lenders may also impose higher prices or different requirements on consumers who have low credit scores or “thin” credit files with few tradelines.

Share of US adults who cannot be scored by the most widely used credit scoring models: [4 percent to 20 percent, depending on the particular model used](#)

Share of US adults with only one or two credit tradelines in their credit files: [8 percent](#)

Share of adults with “nonprime” credit scores: [32 percent before the pandemic](#)

VantageScore models treat UTR tradelines like credit accounts for certain purposes where they are included in consumers’ credit files. FICO’s main models do the same for utility and telecom payments, but versions before the FICO 9 model released in 2014 do not consider rental data. Many lenders still use older versions of FICO, though Fannie Mae and Freddie Mac are expected in 2022 to complete a review of more modern scoring models for possible use in mortgage securitizations.

## NEW INITIATIVES

Some efforts to increase access to UTR data focus on channeling information to Equifax, Experian, and TransUnion’s main credit files so it can be factored into general FICO and VantageScore scoring models and accessed by a wide variety of creditors. These include Experian Boost, eCredable, various rent reporting platforms, and certain bill-pay apps and accounts. Other ventures are creating a specialty score or data attributes that individual lenders must purchase separately. These include Equifax Payment Insights, Equifax Snapshot, FICO Score XD, Finicity Lend, FormFree Passport, and Prism CashScore.

Many new initiatives require consumers to provide consent, provide log-in credentials, and/or pay fees to facilitate data access. These channels can allow consumers to benefit from their payment history even when UTR companies do not take the initiative to report information to credit bureaus and give consumers more control over their data. But these channels also raise new market and policy issues compared with traditional data flows.

Some programs are also restricted in scope, such as by focusing only on the use of on-time payment history or using UTR history only for “second look” programs that evaluate applicants who otherwise cannot be scored or would be rejected based solely on traditional data sources. Concerns about exacerbating financial hardships from the COVID-19 pandemic have further encouraged stakeholders to target current UTR activities. Over time, market actors and policymakers will face important decisions about whether and how to expand the scope of particular initiatives in light of predictiveness, inclusion, and other considerations.

## ADDITIONAL OVERVIEWS

- [Access to Utility Data for Underwriting Credit](#)
- [Access to Telecom Data for Underwriting Credit](#)
- [Access to Rental Data for Underwriting Mortgage Credit](#)
- [Consumer-Permissioned Channels for UTR Data](#)
- [COVID-19 and the Scope of UTR Data](#)

\* 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).