



NEWS FROM SCDCA

SOUTH CAROLINA DEPARTMENT OF CONSUMER AFFAIRS
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SCDCA Offers Comments on Federal Request for Information Regarding Alternative Data

COLUMBIA, S.C. – The South Carolina Department of Consumer Affairs (SCDCA) has submitted formal comments to the Consumer Financial Protection Bureau (CFPB) regarding the potential impact of using alternative data in determining consumer creditworthiness.

An estimated 26 million American adults are considered “credit invisible,” and an additional 19 million are considered “credit thin.”¹ The CFPB is requesting information to learn more about existing and emerging risks and benefits of using alternative data to increase the credit profiles of these consumers. Alternative data can include regularly recurring payments like rent, insurance or utilities; checking account transactions; how often a consumer changes residence, employment, phone number and email address; and more. The comments, submitted on May 19, outlined some of SCDCA’s thoughts regarding the collection and use of credit-like alternative data and big data.

- The cultivation of credit-like alternative data could help certain “credit thin” or “credit invisible” consumers access more traditional loan products and avoid higher-cost loans.
- The introduction of big data into the credit process could expand the rate of inaccuracies and errors consumers experience in their credit reports.
- Using big data without proper guidelines might perpetuate existing forms of discrimination or disparate impact by aggregating data that includes protected demographic data, selection bias, or other input problems.
- The introduction of big data into the credit process will partially rely on the aggregation of consumer behavior across certain sectors of the population, possibly resulting in credit scoring based on the habits of an entire group rather than an individual.
- The current legal infrastructure governing credit needs revision to provide consumer protection if application of big data is used.

To view these and other SCDCA comments in their entirety, visit www.consumer.sc.gov and click Legal, then click Submitted Comments. [Click here for more on the CFPB’s request for information.](#)

1. Consumer Financial Protection Bureau. *Data Point: Credit Invisibles*. 2015. Online.

About SCDCA

The South Carolina Department of Consumer Affairs aims to protect consumers from inequities in the marketplace through advocacy, complaint mediation, enforcement and education. To file a complaint or get information on consumer issues, visit www.consumer.sc.gov or call toll-free, 1-800-922-1594.

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