



# Vulnerable Americans Can't Build Credit, but Congress can Change That



## **The Well News – Commentary**

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A rare feat has occurred in the nation's capital. A bipartisan group of senators worked together to assemble significant infrastructure legislation that now has real viability.

Let's hope Congress can pull it off again regarding another pressing issue: the crippling lack of credit for far too many Americans. Our representatives have that opportunity with a new bill.

Sens. Joe Manchin, D-W.Va. and Tim Scott, R-S.C., recently [introduced](#) the Credit Access and Inclusion Act, a bipartisan bill that aims to increase access to credit for those with little to no credit history.

The legislation targets a critical problem. Too often lenders deny credit access to those who don't have an extensive credit history, which can unfairly penalize these consumers and perpetuate the problem. With little to no credit, Americans are denied the opportunity to begin building credit and wealth for themselves.

A concerning homeownership gap persists in the United States and locking minority Americans out of opportunities to build credit only exacerbates that gap. In the first quarter of 2021, the White [homeownership rate](#) was 73.8% while the Black homeownership rate registered at 45.1%.

Many of the Americans who would benefit most from expanded credit are minority consumers seeking to become first-time homeowners. According to the Consumer Financial Protection Bureau, Black and Hispanic adults in the U.S. are [more likely](#) than White adults to lack credit scores.



Thankfully, we've seen advancement in other areas of housing finance. Nonbank lenders have demonstrated improvement in reducing discrimination in the lending process. One [study](#) found that the type of AI-based systems used by these lenders reduced racial bias by 40% and show no discrimination in rejection rates.

That's wonderful progress, but too many consumers lack the ability to get their foot in the door and receive consideration for a loan.

One way to address the problem is to enable lenders to accept alternative forms of proving creditworthiness. If a prospective borrower has demonstrated a history of paying utility, cable, rent, and other bills on time, then lenders should be able to take that information into consideration.

As Scott [put it](#), "If you pay your bills on time, you should be able to build credit – simple as that."

Manchin and Scott's bill encourages this by enabling landlords and utility and telecom providers to report on-time payments to credit reporting agencies. This would allow consumers to build credit over time so that they are not passed over when it comes time to seek loans to become a homeowner – a traditional gateway to building wealth and advancing economic opportunity.

Credit reporting agencies should be equipped with bill payment histories so that underserved consumers can accumulate credit and have more opportunities available to them. Additionally, these agencies would better serve consumers with a more standardized reporting system that reduces score manipulation. A credit score, which can dramatically affect consumers' lives, shouldn't vary by a hundred points or more among bureaus as they sometimes do.

Government-sponsored enterprises, like Fannie Mae and Freddie Mac, play a major role in the mortgage industry. But their full potential of reducing discrimination in the lending process cannot be realized until they stop relying on a limited credit analysis system that uses past data embedded with racial bias to the disadvantage of first-time homebuyers. A better-informed system that considers bill payment history would be dramatic improvement.

Manchin [said](#) it is "frustrating that the current system keeps many of the most vulnerable Americans from building a credit score." Permitting new ways of proving creditworthiness – like a demonstrated history of paying bills on time – would economically empower these vulnerable Americans.

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*The **Financial Services Innovation Coalition (FSIC)** is a network of Industry Innovators, Legislators, Community Groups, and Academics who share a passion for applying emerging technology and market innovation to create a more inclusive economy and advocate for policy which promotes economic empowerment. For additional information about the organization, visit [FSIC \(FSICoalition.com\)](https://fsicoalition.com). For additional information about the press release or to arrange an interview with FSIC officials, contact Brady Buckner at [info@fsicoalition.org](mailto:info@fsicoalition.org), or 202-680-4749.*

