Alternative Data – Tabletop 10

Background
“Alternative data” refers to data that is not provided in traditional consumer credit reports. Alternative data can provide additional context that could present a fuller picture of consumers and their credit risk. Some early examples of alternative data and techniques include analysis of a consumer’s cash flow, utility and rent payment history, and even educational history. While the use of alternative data holds promising opportunity, it also presents potential risks that need to be addressed, such as running afoul of fair lending laws given the potential for some alternative data to create disparate impacts on protected classes under the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA).

Discussion Questions
1. What are use cases for alternative data?
2. What alternative data does your organization intake? What data is relied upon in credit decisioning?
3. Should collection of alternative data from non-consumer reporting agencies be covered under Fair Credit Reporting Act?
4. Are customers aware of the data that is collected?
5. Are there regulatory risks or uncertainties that are preventing your organization from collecting, using or relying on certain classes of alternative data?
6. How can the risks of disparate impact be addressed?

Reading Material
- Leveraging Alternative Data to Extend Credit to More Borrowers
- The alternative data revolution in banking
- BankThink: Alternative data could be lifeline for consumers needing credit
- BankThink: Alternative data is not the enemy of underwriting