

Abstract  
“Effect of Positive Credit Bureau Data in Credit Risk Models”  
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The scope of credit bureau data outside of North America can range from complete tradeline data including balance and payment information to negative data only used simply as a blacklist. In some cases the decision to share positive information is controlled by legislation in the respective country; in some other cases, it is influenced by the concerns over transparency and thus increased competition among creditors.

Whether the bureau includes positive credit data or is negative only, the coverage of the bureau data varies by country; in addition, the percentage of the population that is economically active varies widely especially in developing countries, making the true value of the positive bureau data difficult to quantify. Nevertheless, many creditors are interested in understanding the value of the positive bureau data, especially where bureaus house negative data only, at the least to see whether sharing such data with other creditors is worth considering.

This paper examines the value of the positive bureau data from the perspective of credit risk scoring. Through several case studies from various industries and various countries, the effect of including and excluding positive credit bureau data in credit risk models is measured. A wide range of situations are analyzed, and examples of the business impact of the positive data are estimated under various scenarios. The results show that, while the majority of the discriminatory power in credit risk models comes from negative information, positive bureau data have a significant impact on the quality of risk decisioning, even with less-than-perfect coverage.