



Sogang University ICT Law & Economy Institute
Platform Competition and Data-Driven Innovation

Data-Driven Innovation: Some Observations

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SNU School of Law

Credit Card Application: Rejection Letter

Re: Your VISA Credit Card Application

Thank you for taking the time to fill out an application for a [VISA credit card](#) with the Direct Credit Cards & Swift Loans Company.

We appreciate your interest in obtaining a DCC & SL credit card but, unfortunately, you do not meet our current criteria for credit approval. After carefully reviewing your credit card application, we have concluded that we cannot offer you a credit card at this time. First, you must be employed for at least one year before we can approve your application. Secondly, several entries on your credit report show payments over 30 days delinquent. In considering credit card applications, we hope to find no payments in the past year that are over 21 days delinquent.

We invite you to reapply after you have been with your current employer for more than a year and after your delinquent accounts are in order.

If you feel that you have information that will make a difference in these two considerations, please write to us right away at:

New Accounts Dept.,
Direct Credit Credit & Swift Loans Company
25 Business Street, The Palm Line
Los Angeles
CA 34546

Adverse Action Notice Requirements

under FCRA (Fair Credit Report Act) and ECOA (Equal Credit Opportunity Act)

- “adverse action”
 - a denial or revocation of credit
 - a refusal to grant credit in the amount or terms requested
 - a negative change in account terms in connection with an unfavorable review of a consumer’s account
- Purposes of giving notice
 - Prevent discrimination in credit
 - Consumer education
 - Error checking

Adverse Action Notice Requirements

under FCRA (Fair Credit Report Act) and ECOA (Equal Credit Opportunity Act)

- Credit application incomplete
- Insufficient number of credit references provided
- Unacceptable type of credit references provided
- Unable to verify credit references
- Temporary or irregular employment
- Unable to verify employment
- Length of employment
- Income insufficient for amount of credit requested
- Excessive obligations in relation to income
- Unable to verify income
- Length of residence
- Temporary residence
- Unable to verify residence
- No credit file
- Limited credit experience
- Poor credit performance with us
- Delinquent past or present credit obligations with others
- Collection action or judgment
- Garnishment or attachment
- Foreclosure or repossession
- Bankruptcy
- Number of recent inquiries on credit bureau report
- Value or type of collateral not sufficient
- Other, specify: _____

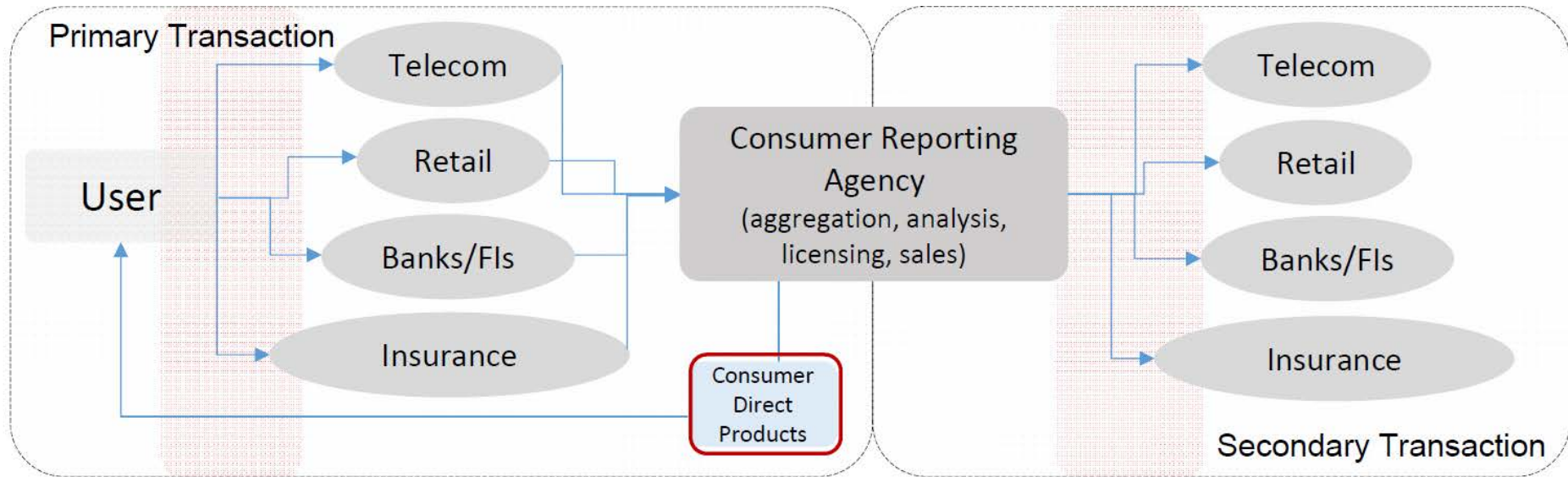
Credit Information and Discrimination?

- Different states of (relevant and available) information
 - (Almost) full information
 - When a credit card company has most of the information that it requires to make an assessment
 - Lack of information
 - When a credit card company has virtually no information that it requires to make an assessment
 - E.g., a new or illegal immigrant
 - Partial or distorted information
 - When a credit card company has partial information about the card applicant
 - E.g., an expatriate business executive who would stay in the country for a few years

Credit Information and Discrimination?

- Case of partial or distorted information: Reactions in the market?
 - From a credit company perspective:
 - To look for alternative or supplementary information which would serve as a proxy for a credit report
 - From a consumer's perspective:
 - To resign from the credit market
 - (If possible) to provide further relevant information
 - Incentives to provide positive information, but to hide negative information
 - Market outcome(s)??
 - What if data from different sources can be combined, so that a missing link can be filled...

Data-Intermediation System



Data-Intermediation System: Taxonomy

Provider-centric Intermediation Platforms

Centralization of information at service provider (w/wo consumer direct contact): Google, Experian, Acxiom, Facebook

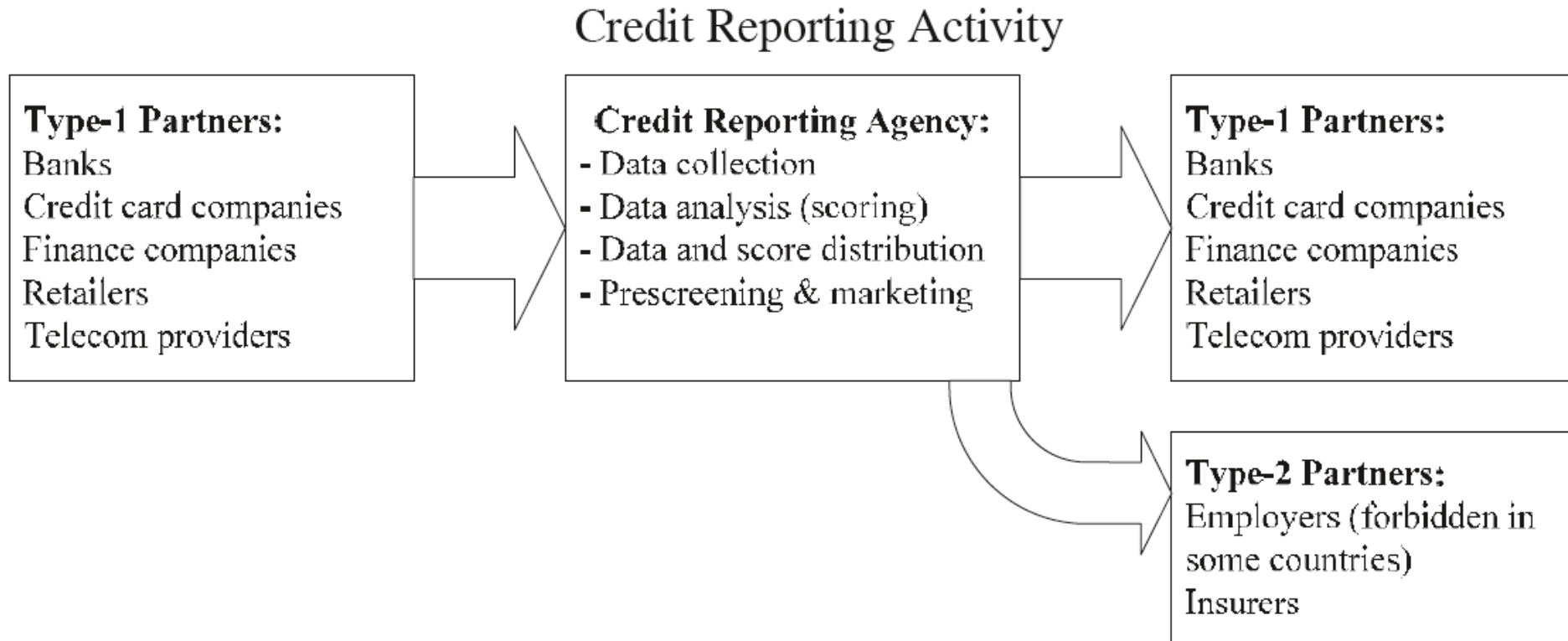
User-centric Intermediation Platforms

User-centric information management based upon a technical platform and a related trust framework

Hub models: (i) Centralizing models (server, clouds)
(ii) Decentralizing models (local storage at user)

Distributed models: Data storage in DLT, BlockChain

Case of consumer credit reporting: General structure of the credit reporting market



Sample of consumer credit report: Korea

- What does it mean to have a score of 353?
 - What if the score is, e.g., 330?
- How is this score determined?
 - How to give convincing and credible explanation about a specific score?
- How would the consumer be able to improve the score?

신용카드 한도 정보

(총 7건. 단위: 천원)

번호	카드종류	기관명	총한도	단기카드대출(현금서비스) 한도
1	카드(일반)	우리카드	2,000	700
2	카드(일반)	(주)KB국민카드	2,100	400
3	카드(일반)	기업은행카드	1,100	200
4	카드(일반)	신한카드(통합)	5,000	500
5	카드(일반)	하나카드(·외환카드)	4,000	-
6	카드(일반)	삼성카드주식회사	1,000	400
7	카드(일반)	롯데카드	3,900	1,900

· 신용카드 한도는 할부(일사불 포함)한도와 단기카드대출(현금서비스) 한도로 구성되며, 각 사용 방식에 따라 최대 한도가 다르게 설정되어 있습니다. 보통 총 한도는 할부 한도와 현금서비스 한도의 합으로 구성됩니다.

채무조정정보

(총 1건. 단위: 천원)

번호	계좌유형	특수상종유형	개설일	총금액(천원)	잔액(천원)
1	대출(할부)	재 조정 후 채무	2013/04/11	14,466	13,411

· 채무조정정보는 신용회복위원회 및 한국자산관리공사에서 운영중인 회망모아를 통해 채무조정이 이뤄지면, 채무조정을 신청한 채무자의 관련 상환내역이 CB(Credit Bureau)사에 제공되는 정보입니다.

신용평점 및 등급

신용평점	신용등급
353 점/1000점	10 등급

· 신용평점 : 신용위험모험을 통해 산출된 평점으로 점수가 높을수록 우량합니다. (0점~1000점)
· 신용등급 : 신용위험평점에 의한 신용등급으로 1등급~10등급으로 구성되어 있으며, 1등급에 가까울수록 우량합니다.

Consumer credit report in Germany: Schufa

II. Aktuelle Wahrscheinlichkeitswerte											
Datum	Bezeichnung	Scorewert	Ratingstufe	Erfüllungswahrscheinlichkeit	Risiko in den Datenarten*						Bedeutung insgesamt
					Bisherige Zahlungstörungen	Kreditaktivität letztes Jahr	Kreditnutzung	Länge Kredithistorie	Allgemeine Daten	Anschriftendaten	
24.01.2017	SCHUFA-Score für Banken, Version 3.0	9884	A	99.20 %	++	+	+	+	n/v	n/v	sehr geringes Risiko
24.01.2017	SCHUFA-Score für Telekommunikationsunternehmen, Version 3.0	9910	A	99.40 %	++	++	+	+	++	n/v	sehr geringes Risiko
24.01.2017	SCHUFA-Score für Genossenschaftsbanken, Version 3.0	9928	A	99.48 %	++	++	+	+	n/v	n/v	sehr geringes Risiko
24.01.2017	SCHUFA-Score für Sparkassen, Version 3.0	9893	A	99.41 %	++	++	o	+	++	n/v	sehr geringes Risiko
24.01.2017	SCHUFA-Score für Handel, Version 3.0	9963	A	99.75 %	++	+	++	++	--	n/v	sehr geringes Risiko
24.01.2017	SCHUFA-Score für Hypothekengeschäft, Version 3.0	9935	A	99.59 %	++	++	+	+	n/v	n/v	sehr geringes Risiko
24.01.2017	SCHUFA-Score für Versandhandel, e-Commerce und Identitätsmanagement, Version 3.0	9983	A	99.86 %	++	++	++	++	++	n/v	sehr geringes Risiko
24.01.2017	SCHUFA-Score für Freiberufler, Version 3.0	9937	B	99.39 %	++	+	++	-	++	n/v	sehr geringes Risiko
24.01.2017	SCHUFA-Score für Kleingewerbetreibende, Version 3.0	9897	A	99.10 %	++	+	++	+	++	n/v	sehr geringes Risiko
24.01.2017	SCHUFA-Score für Banken, Version 2.0	9840	B	98.20 %	++	++	++	o	o	n/v	sehr geringes Risiko
24.01.2017	SCHUFA-Score für Telekommunikationsunternehmen, Version 2.0	9923	B	97.83 %	n/v	++	+	+	+	n/v	sehr geringes Risiko

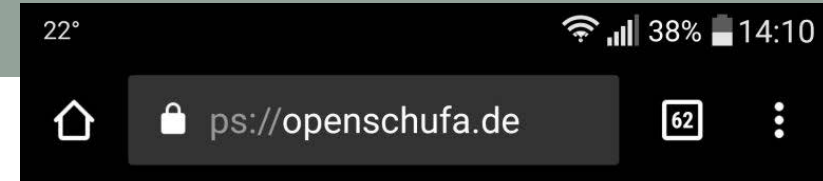
Schufa



“OpenSchufa”

- Over 20,000 volunteers: their credit reports to be used to reverse engineer credit scoring algorithm
- What can be accomplished?
- What about ‘abuse/gaming’ risk?
- Higher transparency, or a ‘catch 22’ situation?

<https://algorithmwatch.org/en/openschufa-data-donation-launches//>



Willkommen bei OpenSCHUFA!
Übermittle uns Deine SCHUFA-Auskunft



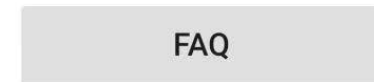
Beantrage eine Selbstauskunft



Erfahre mehr über das Vorhaben



Häufig gestellte Fragen



IMPRESSUM

DATENSCHUTZERKLÄRUNG

