Technical correction and update to the CFPB's credit invisibles estimate

Consumer Financial
Protection Bureau

Table of contents

1. Introduction

In 2015, the CFPB released a widely cited report that provided a benchmark for estimates of consumers with limited credit histories.[1] More specifically, the report included estimates of the adult population in the United States who, in December 2010, did not have a credit record ("credit invisible") or who had insufficient credit history to have a credit score ("stale unscored" and "insufficient unscored").[2]

Subsequent analysis with updated data and a methodological correction reveals that the original estimate of credit invisibles should be roughly cut in half, with an almost commensurate increase in credit records that were unscored. Our new data also show that the share of consumers with a scored credit record increased between 2010 and 2020.

Figure 1 illustrates the relationships among the terminology used throughout this report. The U.S. adult population can be split into consumers "with a credit record" and "without a credit record" ("no record," also known as credit invisible). The population with a credit record can be further broken down into consumers with a scored credit record and with an unscored credit record (stale or insufficient information). The 2015 report and this report focus on consumers with limited credit histories—stale unscored, insufficient unscored, and credit invisible.

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[1] Brevoort, Grimm, and Kambara, "Data Point: Credit Invisibles" (May 2015) at https://www.consumerfinance.gov/data-research/research-reports/data-point-credit-invisibles/ (hereinafter 2015 report)

[2] "The exact definition of what constitutes 'insufficient' or 'stale' information differs across credit scoring models, as each model uses its own proprietary definition. Our analysis is based on a commercially-available credit scoring model that we believe uses a relatively narrow definition of a 'scorable' credit record, but one that we believe is consistent with most credit scores used [in lending decisions] today. We refer to these records as 'unscored' rather than 'unscorable' to reflect the fact that other credit scoring models might generate scores for these records. Nevertheless, we believe our estimates of the population with unscored credit records accurately reflect the circumstances faced by consumers with limited credit histories." (2015 report, pp. 4-5)

FIGURE 1

Relationships among this report's terminology
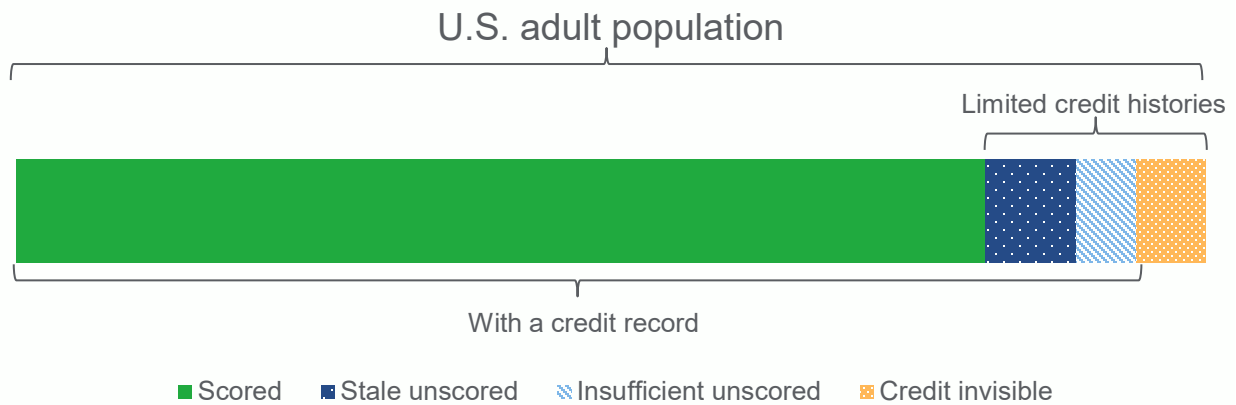
Key findings of this report include:

- After data corrections, an estimated 5.8 percent of adults (13.5 million consumers) were credit invisible in December 2010 compared with the earlier estimate of 11.0 percent (25.9 million consumers). Correcting the data also increased the estimated share of adults with an unscored credit record in December 2010 from 7.4 to 12.7 percent (17.2 million consumers to 29.7 million consumers).

- The estimated share of credit invisibles in December 2020 was 2.7 percent (7.0 million consumers).

- The estimated share of adults with a scored credit record increased by almost six percentage points, from 81.6 to 87.5 percent (191.3 million consumers to 225.3 million consumers) between 2010 and 2020.

2. Data

2.1 Data corrections

We use credit-record data from national samples of deidentified credit records maintained by one of the nationwide consumer reporting agencies to estimate the shares of adults without a credit record and with an unscored credit record. However, the data that we use in this updated analysis differ from the data used for the 2015 report. Our 2015 report used the credit-record data available to us at the time, which we referred to as the Consumer Credit Panel. Since then, we have replaced our Consumer Credit Panel with a new panel, the Consumer Credit Information Panel (CCIP), a 2 percent sample of deidentified credit records from one of the three nationwide consumer reporting agencies. The switch of the data source affects the estimated share of credit invisibles.

In particular, we discovered after issuing the 2015 report that records with only deferred student loans, collections, or closed accounts were not contained in the Consumer Credit Panel, and therefore they were inadvertently excluded from that analysis. We base this updated analysis upon the CCIP. The inclusion of records with only deferred student loans, collections, or closed accounts increases the number of consumers with a credit record compared with the estimate provided in the 2015 report.

In addition, when estimating the number of adults with a credit record, the 2015 report did not filter out the consumers whose only records in the data are inquiries. Because such inquiry-only records do not show a history of credit use, in this update, we exclude inquiry-only records as credit records. This additional filter increases the number of consumers considered credit invisible compared with the estimate in the 2015 report. We examine the offsetting impacts of the new CCIP data and this filter change in Section 3.1. Other than this inquiry-only filter correction and a shift to a different Census Bureau data source discussed in the next section, all methodologies used in this update remain unchanged from the 2015 report.[3]

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[3] See section "2.2 Dataset Creation" of the 2015 report (pp. 9-11).

2.2   Estimation

Following the same methodology as the 2015 report to estimate the number of consumers with scored and unscored records, we apply two exclusions to the CCIP data. First, we exclude records that indicate a consumer is deceased or that a consumer is living outside of the 50 states and D.C., such as those residing in a U.S. territory, for our estimate year. Second, we address instances in which consumers may have multiple credit records at the nationwide consumer reporting agency due to potential "fragment files," which are records containing a portion of a consumer's credit history that has not been matched to the consumer's primary file. Specifically, we remove credit records that are suspected fragment files by discarding records that disappeared between our estimate year and four years later. For example, for our 2020 estimates, we exclude all records with an anonymized ID in December 2020 that disappeared between December 2020 and December 2024. We also exclude all records without a birthyear reported in either the estimate year or four years later.

We estimate the share of credit invisibles by taking the difference between the number of adults in the Census Bureau data and the number of credit records remaining after our exclusions (accounting for the sampling rate) and then dividing by the number of adults in the Census Bureau data.[4] For the 2010 estimates, we use the Census Bureau's 2010 Decennial Census[5] data to estimate the number of U.S. adults, and for 2020, we use data from the Census Bureau's Population Estimates Program (PEP).[6] The PEP provides consistent annual estimates of population counts, including by groups and location, between decennial censuses which may allow us to update our estimates more than once every 10 years. We calculate the share of adults with an unscored credit record by (1) counting the number of credit records remaining after our exclusions that do not have a valid score using one of the commercially available credit scoring models, (2) scaling that number to account for the sampling rate, and (3) dividing the adjusted count without a credit score by the number of adults in the Census Bureau data.[7]

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[4] The Consumer Credit Panel was a 1-in-48 sample so we multiplied by 48. The Consumer Credit Information Panel is a 2 percent sample so we multiplied by 50.

[5] https://www.census.gov/data/developers/data-sets/decennial-census/2010.html

[6] https://www.census.gov/programs-surveys/popest/about.html

[7] Credit-record data do not contain credit scores, but we obtained them through the data vendor. The definition of a valid score is based on the same credit scoring model as in the 2015 report.

3. How many Americans have limited credit histories?

3.1 Share of adults without a credit record

The first row of Table 1 shows the estimated shares of adults without a credit record in 2010 using both the original and new credit-record data along with the estimated share in 2020 using the new data. Column 1 replicates the 2010 estimates in the 2015 report using the original data without any changes. Column 2 shows revised 2010 estimates still using the original data but assigning the inquiry-only records to the "without record" category, instead of to the "with record" category as the 2015 report implicitly did. After this revision, the estimated share of the U.S. adult population who were credit invisible increased to 12.0 percent instead of 11.0 percent in the 2015 report. Column 3 shows revised 2010 estimates using the new CCIP data and, similar to Column 2, assigning the inquiry-only records into the "without record" category. As it turns out, the inclusion of records with only deferred student loans, collections, or closed accounts more than offsets the modification of the filter regarding inquiry-only records. Column 3 shows that the new CCIP data on top of the changed filter lower our estimate of the share of adults in 2010 who are credit invisible from 11.0 to 5.8 percent (25.9 million to 13.5 million out of 235 million adults). This constitutes our final revision to the 2010 estimates in the 2015 report.

Comparing the 2010 and 2020 estimates based on the new CCIP data and treating inquiry-only records as "without record," we estimate that the share of U.S. adults who are credit invisible dropped by about three percentage points, to 2.7 percent in 2020. This 2.7 percent corresponds to roughly 7.0 million out of 258 million adults in December 2020.

TABLE 1

Percent of U.S. adult population with and without a credit record

Category	2010 (Original estimates)	2010 (Original data, removing inquiry-only records)	2010 (Updated data, final revision)	2020
Without record	11.0	12.0	5.8	2.7
With record	89.0	88.0	94.2	97.3

Source: CFPB Consumer Credit Panel, CFPB Consumer Credit Information Panel, and U.S. Census Bureau (2010 Decennial Census and Population Estimates Program Vintage 2020 [NC-EST2020-ALLDATA])
Notes: The "2010 (Original estimates)" column is from the 2015 report; "2010 (Original data, removing inquiry-only records)" uses the Consumer Credit Panel data with the inquiry-only filter correction; and "2010 (Updated data, final revision)" uses the Consumer Credit Information Panel data with the inquiry-only filter correction. The "2020" column is most directly comparable to the "2010 (Updated data, final revision)" column.

The second row of Table 1 presents the corresponding estimates of the percent of consumers with a credit record. Next, we look more closely at this percentage by splitting it into the share with a scored record and the share with an unscored record and then examine how these estimated shares have changed over time and shifted due to refining the filter and updating the data.

3.2 Shares of adults with a scored or unscored credit record

In Table 2, we provide estimates for the share of the population with a credit record, categorized by whether the record was scored or unscored. The unscored estimates distinguish between records that are unscored because they are "stale," with no recently reported activity, and records with insufficient information to generate a score, that is, with too few accounts with sufficient payment history.

Again, Column 1 replicates the original 2010 estimates. Column 2 moves the inquiry-only records to the "no record" category but still uses the original data. Not surprisingly, while this additional filter increases the estimated share of those with no record by one percentage point (from 11.0 to 12.0 percent), that entirely comes from the share of unscored consumers with insufficient information to generate a score. The revision lowers the estimated share of

consumers with an unscored credit record due to insufficient information in 2010 by one percentage point (from 4.2 to 3.3 percent, numerical difference due to rounding).

TABLE 2

Percent of U.S. adult population with a scored or unscored credit record

Category	2010 (Original estimates)	2010 (Original data, removing inquiry-only records)	2010 (Updated data, final revision)	2020
Scored record	80.7	80.7	81.6	87.5
Unscored record	8.3	7.4	12.7	9.8
Stale	4.1	4.1	7.6	5.9
Insufficient	4.2	3.3	5.1	3.9
No record	11.0	12.0	5.8	2.7

Source: CFPB Consumer Credit Panel, CFPB Consumer Credit Information Panel, and U.S. Census Bureau (2010 Decennial Census and Population Estimates Program Vintage 2020 [NC-EST2020-ALLDATA])
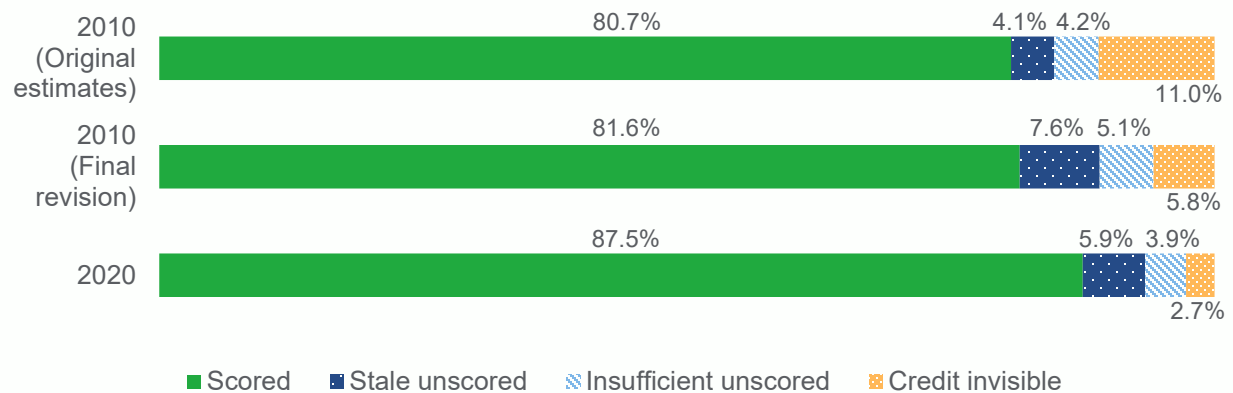**Notes:** The "2010 (Original estimates)" column is from the 2015 report; "2010 (Original data, removing inquiry-only records)" uses the Consumer Credit Panel data with the inquiry-only filter correction; and "2010 (Updated data, final revision)" uses the Consumer Credit Information Panel data with the inquiry-only filter correction. The "2020" column is most directly comparable to the "2010 (Updated data, final revision)" column. Scored record, unscored record, and no record may not sum to 100 percent due to rounding.

Column 3 incorporates both the filter change and the new CCIP data. The percentage estimate of scored records in 2010 increases by around one percentage point (80.7 versus 81.6 percent). This comparatively small shift likely reflects the fact that the set of records that were excluded from the Consumer Credit Panel consisted primarily of records with only collections or closed accounts, both of which are unlikely to contain sufficient information to generate a credit score. On the other hand, the new data increased estimates of unscored records in 2010 by 5.3 percentage points (7.4 percent in Column 2 versus 12.7 percent in Column 3). This change was driven by increases in both the stale unscored records and unscored records with insufficient information.

Estimated shares of U.S. adults with and without credit records across years

To further illustrate, we present Columns 1, 3, and 4 from Table 2 in the same graphic format as Figure 1.

Source: CFPB Consumer Credit Panel, CFPB Consumer Credit Information Panel, and U.S. Census Bureau (2010 Decennial Census and Population Estimates Program Vintage 2020 [NC-EST2020-ALLDATA])
Notes: The "2010 (Original estimates)" bar is from the 2015 report, and the "2010 (Final revision)" and "2020" bars use the Consumer Credit Information Panel data with the inquiry-only filter correction. Scored, stale unscored, insufficient unscored, and credit invisible may not sum to 100 percent due to rounding.

When we apply a consistent methodology using the CCIP data across years, the estimated share of adults with a scored credit record increased by almost six percentage points (from 81.6 to 87.5 percent) between 2010 to 2020. This increase is broadly consistent with the decline over a similar timespan in estimates by the Federal Deposit Insurance Corporation (FDIC) of the share of unbanked households. In their 2021 report, the FDIC's national estimates of the household unbanked rate steadily decreased from 8.2 percent in 2011 to 5.4 percent in 2019.[8] The change in the unbanked rate could be indicative of an increase in the share of adults with a credit record because, as the report notes, "[u]nbanked households were much less likely to have a credit card, bank personal loan, or nonbank personal loan than banked households."

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[8] Federal Deposit Insurance Corporation (FDIC), 2021 FDIC National Survey of Unbanked and Underbanked Households (October 2022) at https://www.fdic.gov/analysis/household-survey/2021report.pdf

4. Conclusion

A natural question is whether the changes between 2010 and 2020 in the estimated shares of adults with and without credit records were broadly shared across various sets of consumers. We intend to explore this question in future analyses which, like our earlier reports, will cover how these shares and changes in the shares over time differ by consumer groups and location.[9]

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[9] Brevoort, Grimm, and Kambara, "Data Point: Credit Invisibles" (May 2015) at https://www.consumerfinance.gov/data-research/research-reports/data-point-credit-invisibles/; Brevoort and Kambara, "CFPB Data Point: Becoming Credit Visible" (June 2017) at https://www.consumerfinance.gov/data-research/research-reports/cfpb-data-point-becoming-credit-visible/; Brevoort, Clarkberg, Kambara, and Litwin, "Data Point: The Geography of Credit Invisibility" (September 2018) at https://www.consumerfinance.gov/data-research/research-reports/data-point-geography-credit-invisibility/