

Discussion of  
*Credit Supply to Personal Bankruptcy  
Filers: Evidence from Credit Card  
Mailings*

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# Opportunity

- Sample of credit-card offers
  - Each month from 8/09 to 7/10, new sample of 3000 households
  - 45K consumers, 36K credit-card offers
  - Demographic and credit-file information
    - Including Bankruptcy flag
- What is the effect of the bankruptcy flag?

# Main findings

- Filers get
  - “Credit building” cards that charge a fee and provide no benefits
  - Offers that are not “pre-approved”
  - Higher interest rates and fees
  - Lower minimum limits

# Inferring from the cross-section

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- One group chose to file bankruptcy and the other didn't.

# Time Consistency Problem

- Card issuers want consumers to expect little credit after bankruptcy
- But post-discharge consumers are attractive borrowers
- Literature on this goes back to Staten (1993)

# FCRA

- Bureau can show a consumer's file to a card issuer only if
  - The consumer authorizes it, or
  - “The transaction consists of a firm offer of credit or insurance”
- Does this include credit card offers that are *not* pre-approved?

# Minimum balance

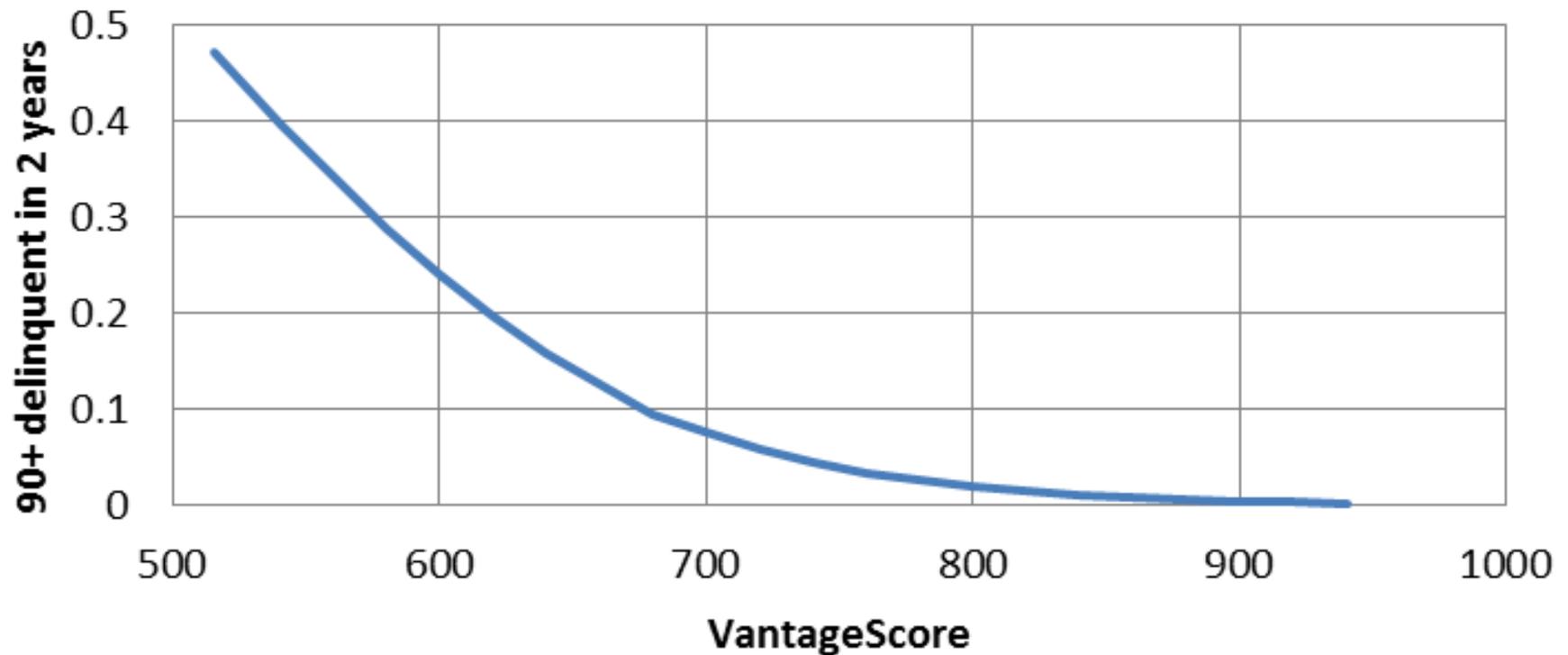
- Paper says practice switched from advertising maximum to minimum
  - Why?
    - Legal?
    - More responsive to worst than best case scenario?
    - When did this switch happen?
  - Minimum taken as proxy for ultimate offer. What do we know about this?

# Reporting Lag

- Issuers make similar decisions from similar data
  - High risk of all doing the same thing at the same time
  - If you're offering a card, someone else may be also
  - Can the consumer take both of them? Reporting lag might allow this
  - Offer less credit at first, and then adjust depending on what else the consumer has

# Delinquency non-linear in score

## VantageScore and Future Delinquency



# To Summarize

- Neat data
- Interesting to see credit access from the other side
- Tricky to draw these inferences from the cross section
- More information on institutional structure and legal environment would be helpful