

creditors that use credit reports from distinguishing spousal from non-spousal authorized user accounts. Since spousal authorized user tradelines must be considered in evaluating creditworthiness to comply with the requirements of Reg. B, but may not be identifiable in an applicant's credit record, creditors may have to consider all authorized user accounts on an individual's credit record, regardless of whether they reflect a spousal relationship to an account holder. For this reason, credit history scores, such as the FICO score,<sup>3</sup> have traditionally accorded authorized user accounts equal weight to the other accounts on an individual's credit record.

The practices described above have the unintended consequence of creating the opportunity for "piggybacking" credit to emerge. Piggybacking occurs when an individual becomes an authorized user on an account for the sole purpose of improving that person's credit history. Because of the manner in which authorized user information is reported to the credit bureaus, the full credit history of an account is reflected on the credit records of both an account holder and an authorized user, regardless of when the authorized user was added to the account. Consequently, a person's credit report may reflect several years of account history as soon as that person becomes an authorized user. If the account has desirable characteristics (such as a low utilization rate or a good payment history), this may improve the authorized user's credit risk profile and credit scores. The result may be enhanced access to credit and reduced borrowing costs.

Beginning in 2007, companies began to emerge to help borrowers with poor credit histories piggyback on the good credit history of others. Individuals pay a fee to these companies to locate an account holder who is willing to add this person to their account in exchange for a portion of the fee.<sup>4</sup> The person added to the account is an authorized user in name only, as the individual receives neither the account number nor an access device (such as a credit card) and consequently cannot use the account for purchases.<sup>5</sup> By piggybacking on someone else's account history, however, an authorized user may be able to improve their credit score in advance of a credit application,

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<sup>3</sup> FICO scores are a trademark of Fair Isaac Corporation. For more information on the FICO score, refer to <http://www.myfico.com>.

<sup>4</sup> Industry sources indicate that individuals pay between \$1,000 and \$2,000 to obtain an authorized user account and that the individual renting out an account can earn about \$200 per month. Refer to Harney (2007), Yuille (2007), and Berney (2007).

<sup>5</sup> This approach is not without risks to the account holder. If the person added as an authorized user is able to obtain an access device directly from the lender, then they are legally permitted to run up charges on the account.