

across the three credit scoring models. This suggests that the FRB base model closely approximates score differences across demographic groups observed in commercially available models.

Profile of Authorized User Accounts

This analysis focuses on the treatment of authorized user tradelines in credit scoring models and, consequently, we focus on the “scoreable” population, as defined by the FRB base model. In general, an individual credit record is considered to be “unscorable” when it lacks sufficient information (such as information on at least one tradeline) or when there is no evidence of recent account activity.¹⁷ Excluding the unscorable population, for whom the treatment of authorized user tradelines in a credit scoring model is largely irrelevant, leaves a scoreable population of 232,467 credit records, all of which have at least one non-authorized user tradeline.

Authorized user accounts are not rare. As shown in table 1, over one-third of the scoreable population had one or more authorized user tradelines. Only a small fraction (1.3 percent), however, had more authorized user tradelines than non-authorized user tradelines (that is, tradelines on which the individual is an individual or joint account holder).¹⁸ Across racial or ethnic groups, authorized user status was found more frequently among non-Hispanic whites than other groups, particularly blacks, only 19.9 percent of whom had authorized user accounts on their credit records. Authorized user accounts are also observed more frequently for married individuals than

¹⁷ The technical definition of a scoreable credit record for the FRB base model is that the record should have had both a TransRisk score and a VantageScore. This definition was largely equivalent to requiring each individual be scoreable under the TransRisk scoring model, as only 39 out of 301,536 records had a VantageScore but no TransRisk score. Approximately 23 percent of the sample population was unscorable by at least one of the credit scoring models. Generally, an individual credit record is unscorable when it does not contain a sufficient amount of recent account activity. For a detailed examination of the contents of the unscorable credit records, see Board of Governors (2007).

¹⁸ One reason this number is so small is that a credit record needs at least one non-authorized user tradeline to be scoreable. Consequently, credit records with only authorized user tradelines are excluded from the scoreable sample.

The term “non-authorized user tradeline” in this paper means that the individual whose credit record is being examined is not an authorized user on the account. This does not imply that there are no authorized users on that account. For example, if an account has a single account holder and an authorized user, that account information (which is reported on the credit records of both individuals) is considered an authorized user account for the authorized user and as a non-authorized user account for the account holder.