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OCTOBER NEWSLETTER

A$$ETcoin®

NATURE OF THE BEAST

The Credit Scoring System and The Impact on Urban America

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The Impact of Credit Scores on Urban America

Many other countries, like France and the Netherlands, don't use credit scores at all. Instead, they generally consider citizens creditworthy if you have a good income and no negative marks in your history. Even Japan, whose criminal justice system has a 99% conviction rate, assumes innocence until proof of guilt when it comes to creditworthiness.

However, in America, credit scores have become deeply ingrained in the American financial system; in fact, a good credit score is a gatekeeper to wealth, career opportunities and housing. Unfortunately, the downside is that the same gatekeeper shuts out millions of credit worthy individuals.

Credit Scores in Urban America

Perhaps no number is more important to U.S. consumers than their credit score. It can determine everything from the size of the required deposit on a rental apartment to the interest rate on an auto loan.

When they work well, credit scores grease the wheels of the economy by giving businesses a rough first sense of who might qualify for a loan or service.

In the mortgage market, however, credit scores aren't doing their job properly. That's because Fannie Mae and Freddie Mac, the government-controlled entities that guarantee most home loans, have for more than a decade required lenders to use only one score.

Known as Classic FICO. A product of Fair Isaac Corporation, the biggest player in the credit-scoring business, it was developed using consumer data from the late 1990s.

The FICO scoring model can be used for various reasons to determine your creditworthiness for new credit, your ability to pay rent, get approved for a job, car loan and buy a home.

But suppose you're one of the approximately 26 million Americans who are "credit invisible," meaning that you have no credit history with any of the nationwide credit reporting agencies.

You are essentially locked out of financial opportunities! According to a 2020 report by the Consumer Financial Protection Bureau (CFPB), Black and Hispanic people and those living in low-income neighborhoods have higher credit invisibility rates.

In other words, data shows that more than 1 in 5 Black consumers and 1 in 9 Hispanic consumers have FICO scores below 620; meanwhile, 1 out of every 19 white people are in the sub-620 category.

Credit scores range from 300 (poor) to 850 (excellent). Although there are many score models being used (lenders might have their own proprietary model), the two most common are the FICO Score and VantageScore – a new score model created by the three main credit bureaus: Equifax, Experian and TransUnion [1].

Credit Scoring Models A Long History of Discrimination

The purpose of today's credit score system is to eliminate bias. Before credit scores, borrowers were deemed creditworthy by lenders using factors such as income, referrals and even home visits. In 1974, the Equal Credit Opportunity Act disallowed credit-score systems from using information like sex, race, marital status, national origin and religion.

Today, FICO considers payment history, amounts owed, length of credit history, new credit and credit mix in its model. But that data may be influenced by generational wealth that many Black and Hispanic borrowers did not have equal access to, says Frederick Wherry, professor of sociology and director of the Dignity and Debt Network at Princeton University.

"We're often told to stop talking about history, but history won't stop talking about us," Wherry says. "The data used in current credit scoring models are not neutral; it's a mirror of inequalities from the past. By using this data we're amplifying those inequalities today. It has striking effects on people's life chances."

Many Americans have inherited wealth through homeownership, one of the prevailing ways people accumulate wealth. However, for Black Americans, a history of redlining—a discriminatory practice that makes financial services like mortgages unattainable for people of a certain race or geographic location—and outright discrimination has precluded them from buying a home.

An egregious example of discrimination is how millions of Black service members were denied the benefits of Servicemen's Readjustment Act of 1944, or more commonly known as the GI Bill.

These are direct results of racial bias, which can undoubtedly alter the path of someone's financial life. "On a macroscale, you have one group that benefited from government support. So white service members had the GI Bill and could live in high-opportunity neighborhoods like Levittown where mortgages were a fraction of rental costs, but Black service members were denied these opportunities," says Chi Chi Wu, a staff attorney at the National Consumer Law Center.

"So now you have this racial wealth gap because of that, white families built up equity in their home, inherited wealth, while fewer black families were able to do the same."

The burden of poverty can trickle down to children who are at a disadvantage when it comes to being scored using today's methods. Data points like credit length and payment history might not be the same for Black consumers as it is for their white peers, given the enormous disparity in wealth-generating opportunities.

"Children of wealth have been in the system for a long time. Their parents might open a credit card in their name and help them make payments each month. In contrast, children in poverty do not enter the system at an early age and, if they do, it's to inherit debt from parents. Plenty of parents in financial difficulty take out credit in their children's names," says Aaron Klein, senior fellow, economic studies at the Brookings Institution [2].

Assetcoin eliminates the need for backward-looking creditworthiness scoring models that rely on historical debt repayment information and therefore cannot easily accommodate new credit, no credit or bad credit users. This is especially prevalent among minorities, the poor, the under-banked, and the youth.

Because our lending model there is no need for credit scores. Assetcoin will change the need for credit scoring by underwriting using two criterions: debt-to-income and stability of income.

If a potential borrower has stable income and their DTI ratio meets our guidelines, we can grant a loan. It's no more complicated for us than that, our underwriting guidelines will open the door to credit for millions of credit invisible and credit worthy individuals currently shut out from financial opportunities.

COMPANY NEWS

RegCF Investors - Important Update

Current Investors

On Tuesday, September 20, 2022, KoreConX sent you an email informing you to sign into your new account via registration. If you have not received this, please check your SPAM. To access your new account you must complete the registration, this step is extremely important, you must register and establish a password to view your initial investment and the number of A$$ETcoins you own. Please note, as a current investor, you will be able to take advantage of future tier bonus promotion. At that time you will have the option to reinvest at any time, make sure you take advantage of the opportunity.

New Investors

The RegCF Investment Process is fairly simple and entails four sections that must be completed; basic info, investor info, funding info and sign & finish. For a step-by-step details on how to invest in Assetcoin Capital Fund email us at info@assetcoin.gold.

QUOTE OF THE MONTH

"Why don't we call on the credit card companies to be accountable? They need to be held accountable for their predatory lending practices".

~ Paul Wellstone

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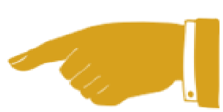

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Sources

[1] Gallo, N. (2022). When Were Credit Scores Invented? A Brief History. *Finmasters*. When Were Credit Scores Invented? A Brief History (finmasters.com)

[2] Campisi, N. (2021). From Inherent Racial Bias to Incorrect Data—The Problems With Current Credit Scoring Models. *Forbes Advisor.* From Inherent Racial Bias to Incorrect Data—The Problems With Current Credit Scoring Models – Forbes Advisor