TransUnion

WICSEC 2025

Solving a child support collections mystery

TransUnion

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Agenda

1. Credit data, FCRA, and Permissible Purpose
2. Trends in child support debt recovery
3. **Interactive Session – identifying predictors of recovery**
4. Conclusion

Credit, FCRA, Permissible Purpose

About TransUnion

- One of three major credit reporting agencies
- Credit records for nearly 300 million US adults
- Expansive network of data furnishers
- Provide credit-based insights to a wide variety of audiences – government agencies, banks, insurance companies, telecom providers, and more
- **Receive child support arrears information from enforcement agencies across the country**

We can't talk about credit without discussing the FCRA – Fair Credit Reporting Act

- What is it?
- Why do we have it?
- How does it work?
- Who/what does it protect?
- Why it matters to us, Child Support Services





What is the FCRA?

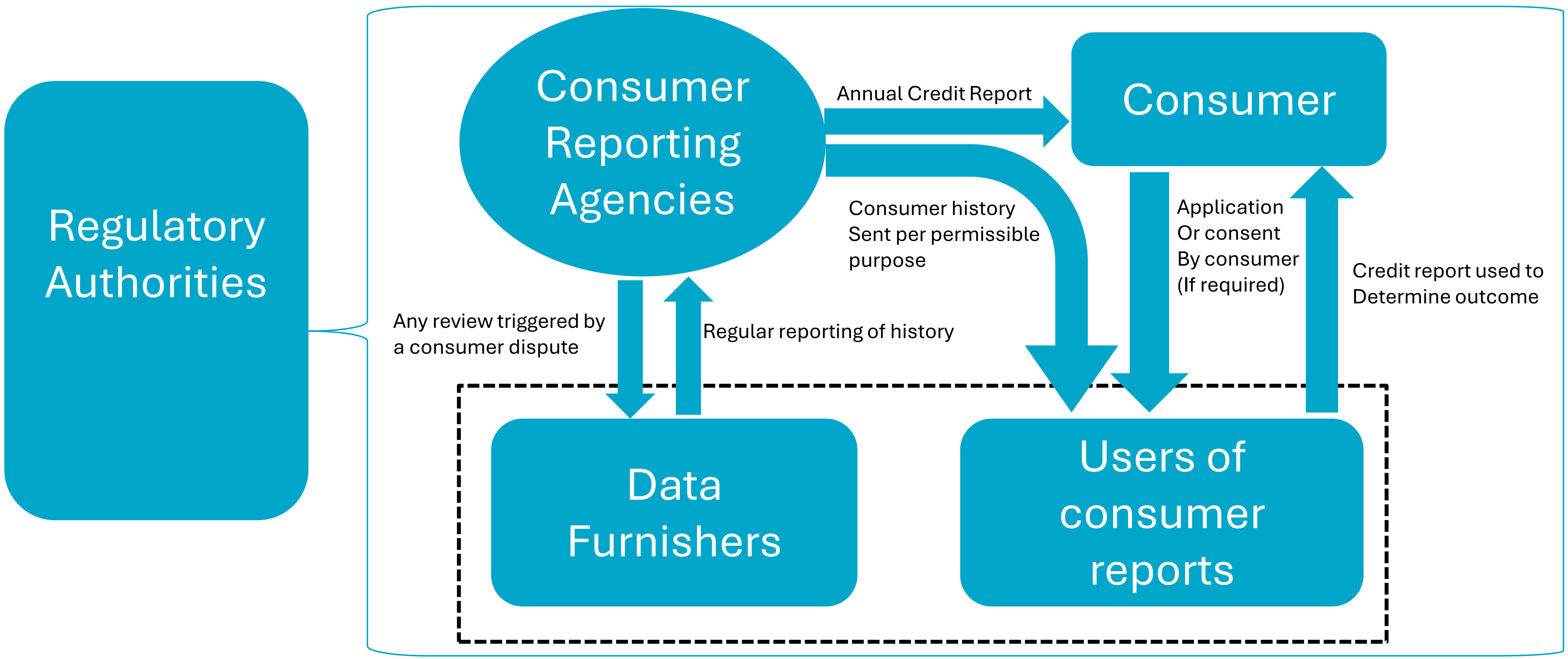
- **Purpose and Scope**
  - 1970 Federal law regulating consumer credit data to protect consumers
  - What is consumer credit data? Our financial reputation
  - It affects every organization that access or uses consumer data for **decision-making**, including government agencies
  - Adverse action
  - FCRA is enforced by the Federal Trade Commission (FTC), Consumer Financial Protection Bureau (CFPB), and private lawsuits

- **Consumer Rights**
  - Right to know
  - Right to limit access
  - Right to dispute
  - Right to accuracy
  - There are other consumer rights and additional rights are given to victims of ID theft and active military members

Terms to know

- **Consumer Reporting Agencies** (CRAs) – entities that collect, compile, and sell consumer credit data
- **Consumer report** – any communication of information from a CRA about a consumer's credit worthiness
- **Data Furnishers** – any entity that provides consumer data to a CRA
- **Users of consumer reports** – any entity that utilizes consumer data from a CRA
- **Permissible purpose** – legal and allowable reason for entities to gain access to credit reports
- **Credit inquiry** – when an entity gains access to a consumer credit report
  - Two types: Soft inquiry and hard inquiry

How credit reporting works



Permissible purpose

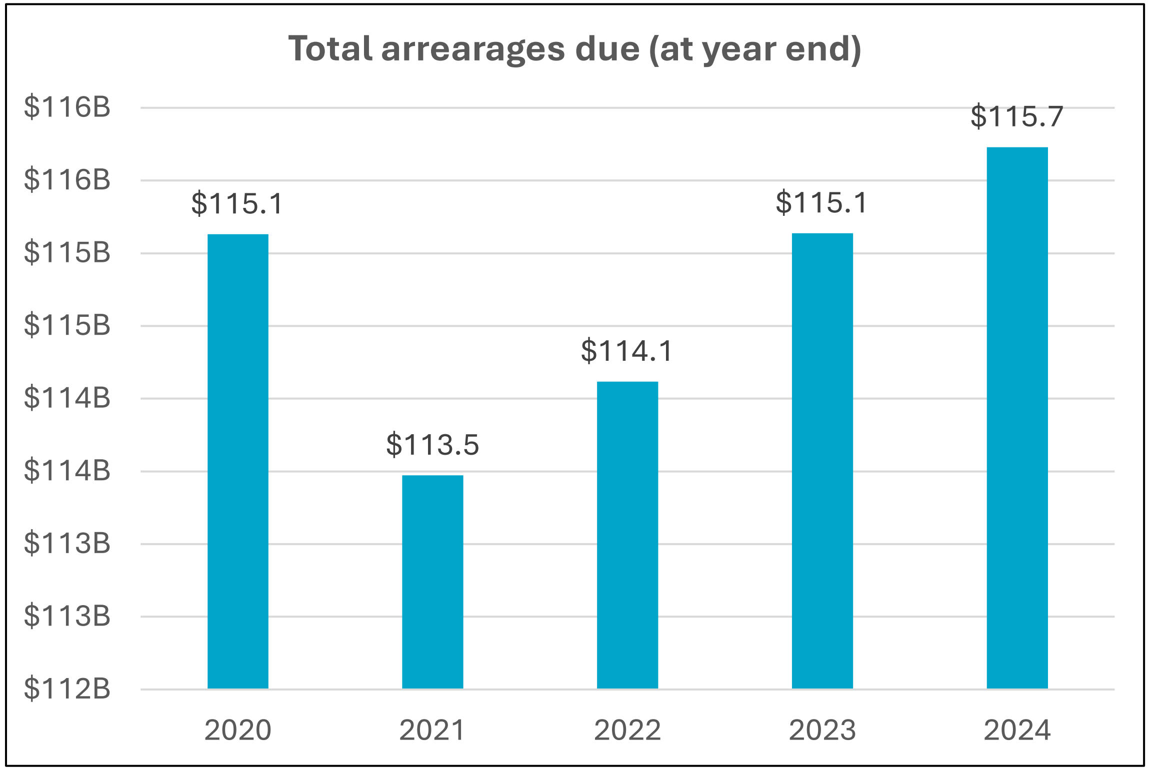
- **Why are permissible purposes needed?**
  - Protect consumer privacy
  - Prevent misuse and discrimination
  - Promote fairness in decision-making
  - Maintain accuracy and accountability
  - Support enforcement and legal compliance

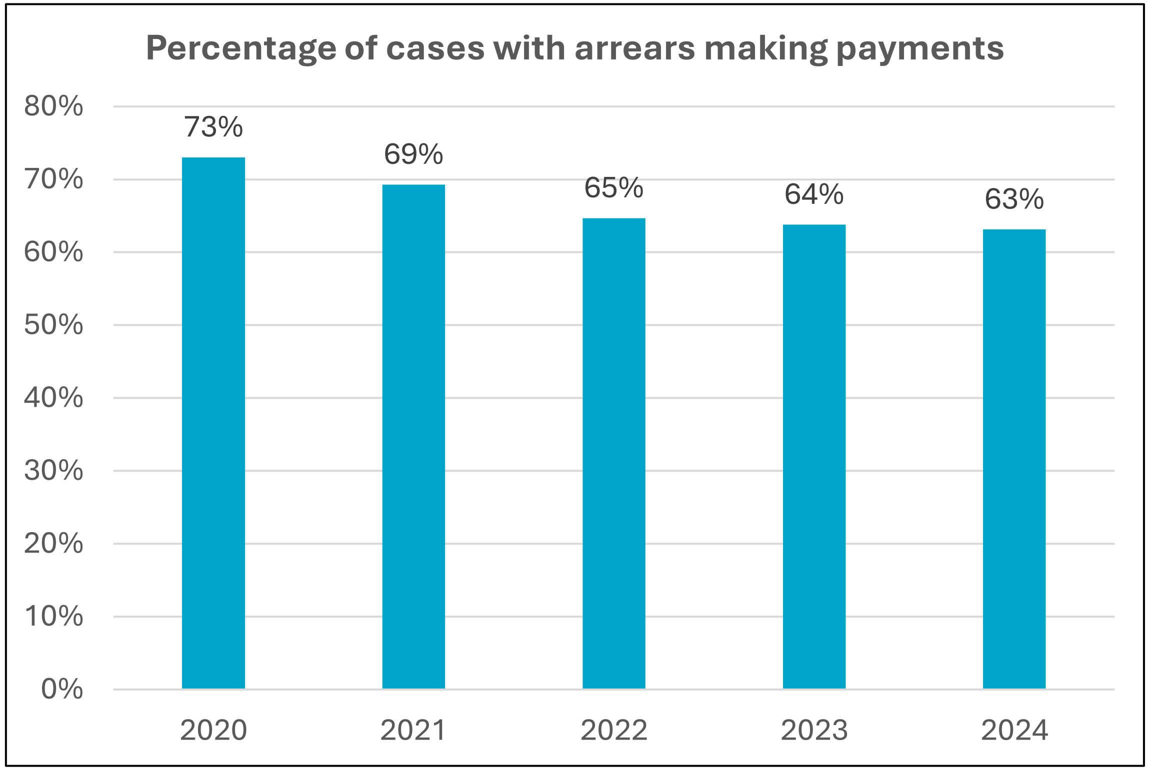
- Below is text from the FCRA "*Permissible purposes of consumer reports*" section specific to child support:

The consumer report is needed for the purpose of establishing an individual's capacity to make child support payments, determining the appropriate level of such payments, or enforcing a child support order, award, agreement, or judgment

Debt recovery trends

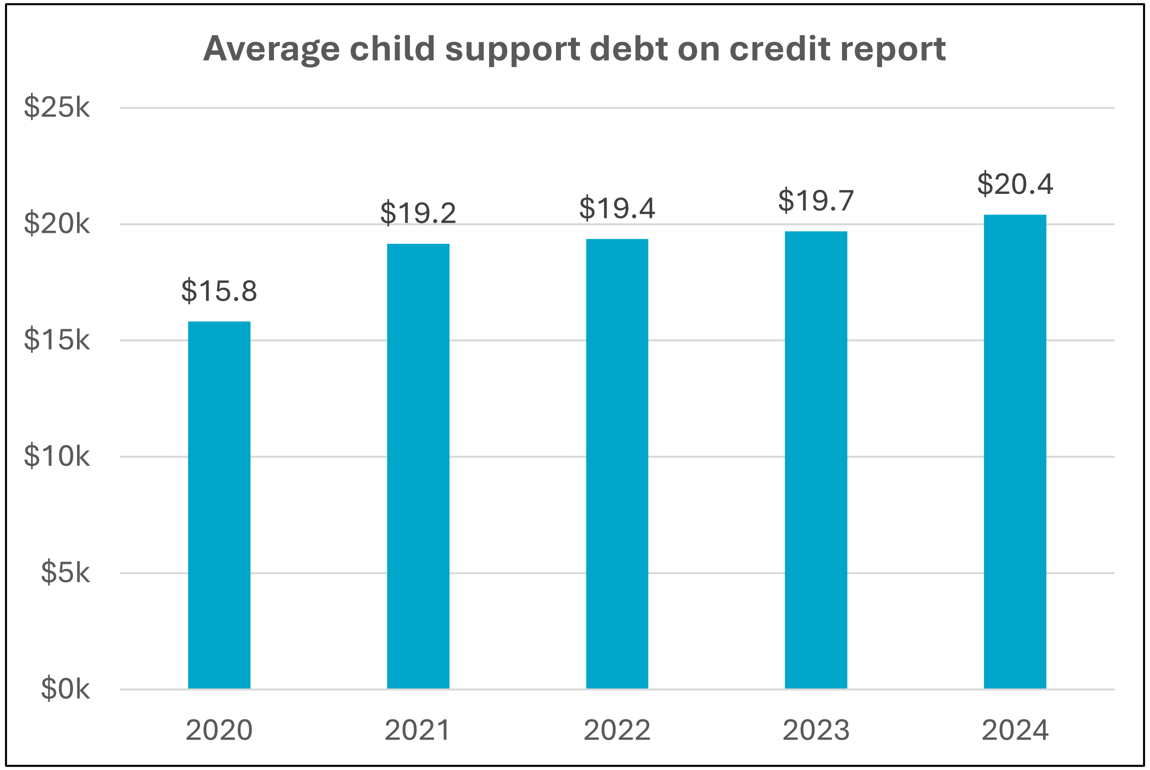
Child support arrears continue to grow, while just 2/3rds of cases with arrears see payment

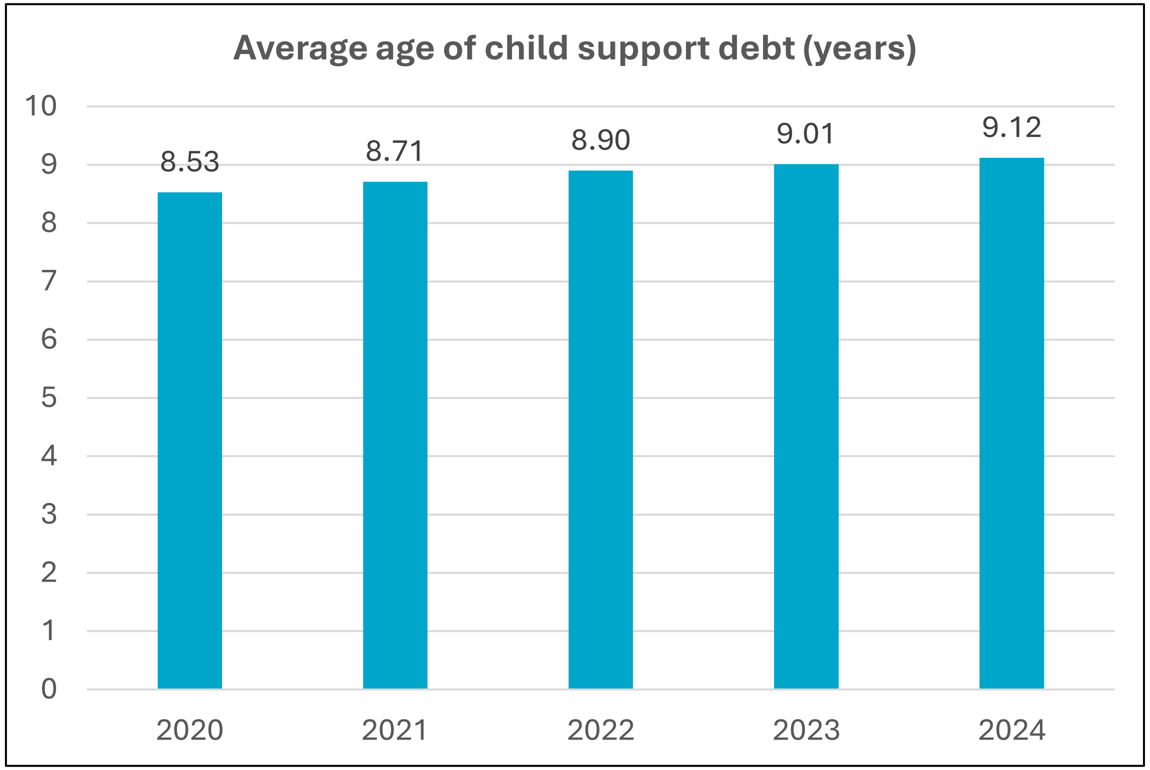




FY 2024 Preliminary Data Report and Tables | The Administration for Children and Families

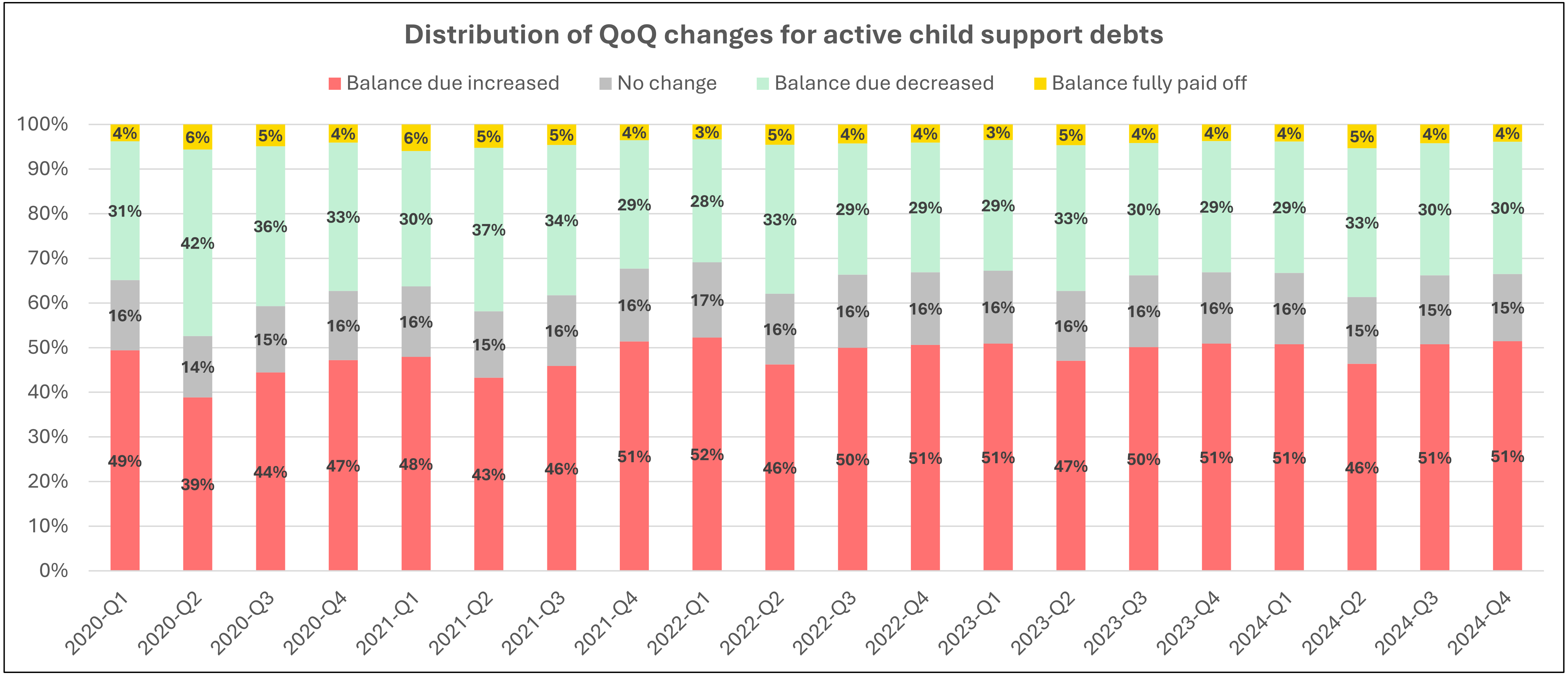
TU data shows age of arrears growing year-over-year, as does average balance held by delinquent parent





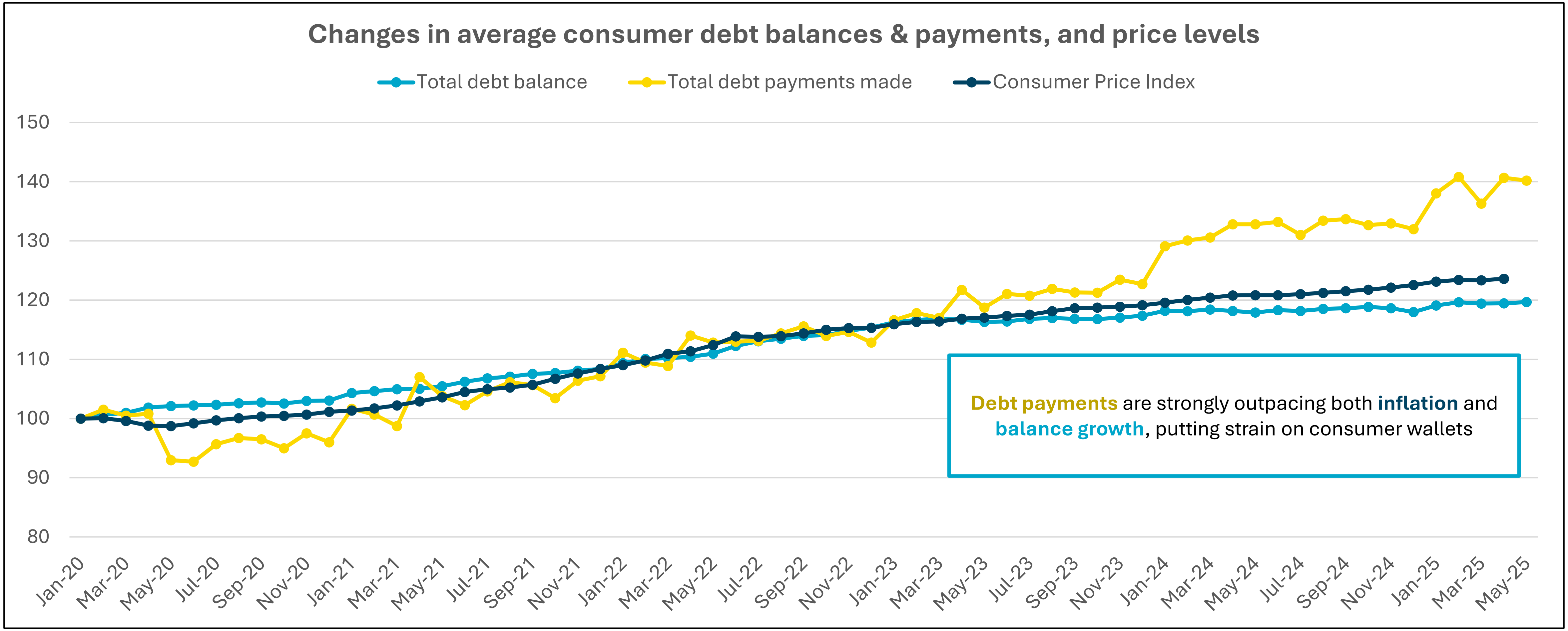
Source: TransUnion US Consumer Data
All data as of year-end

Around half of child support arrears reported to TU see quarter-over-quarter balance growth & just 4-5% are fully paid off



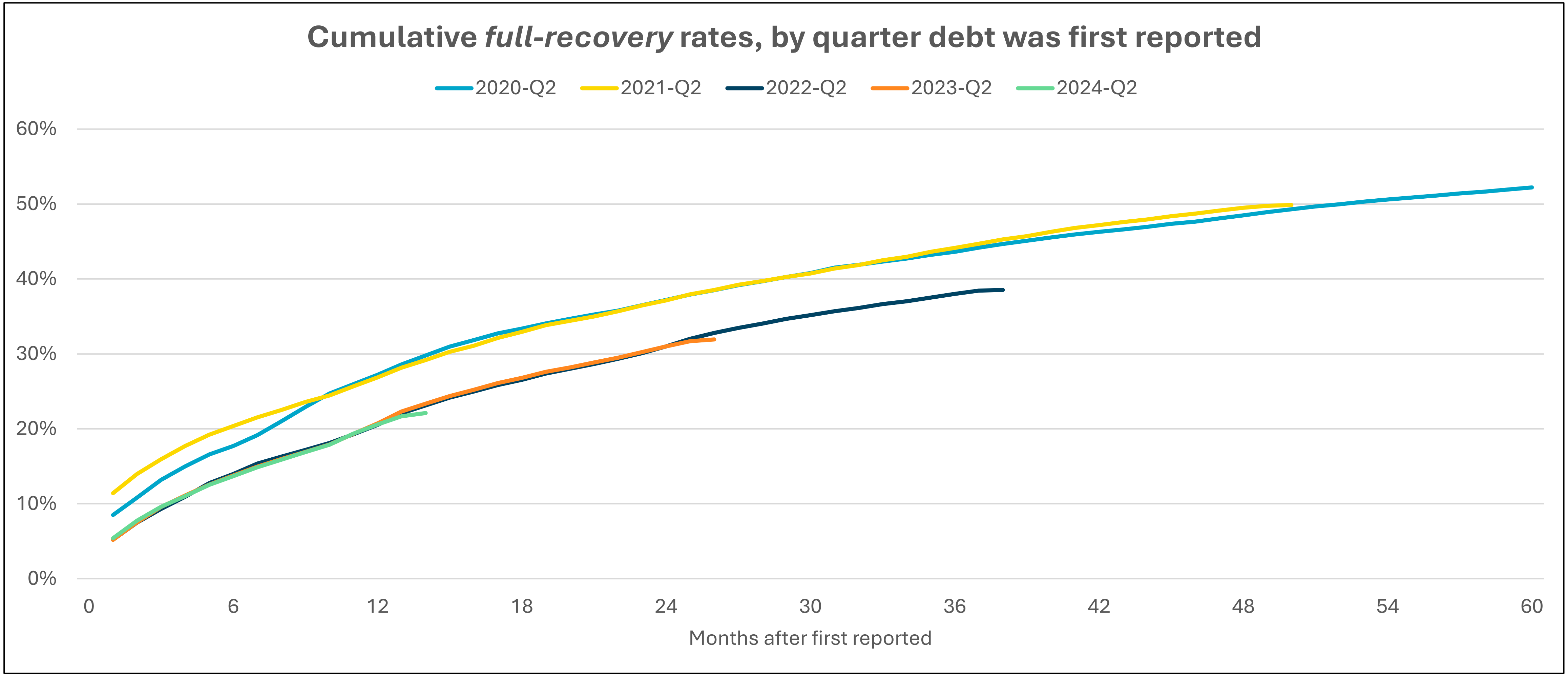
Source: TransUnion US Consumer Data
Labels may not sum to 100% due to rounding

Growing debt obligations could be contributing to parents' unwillingness and/or inability to pay child support arrears



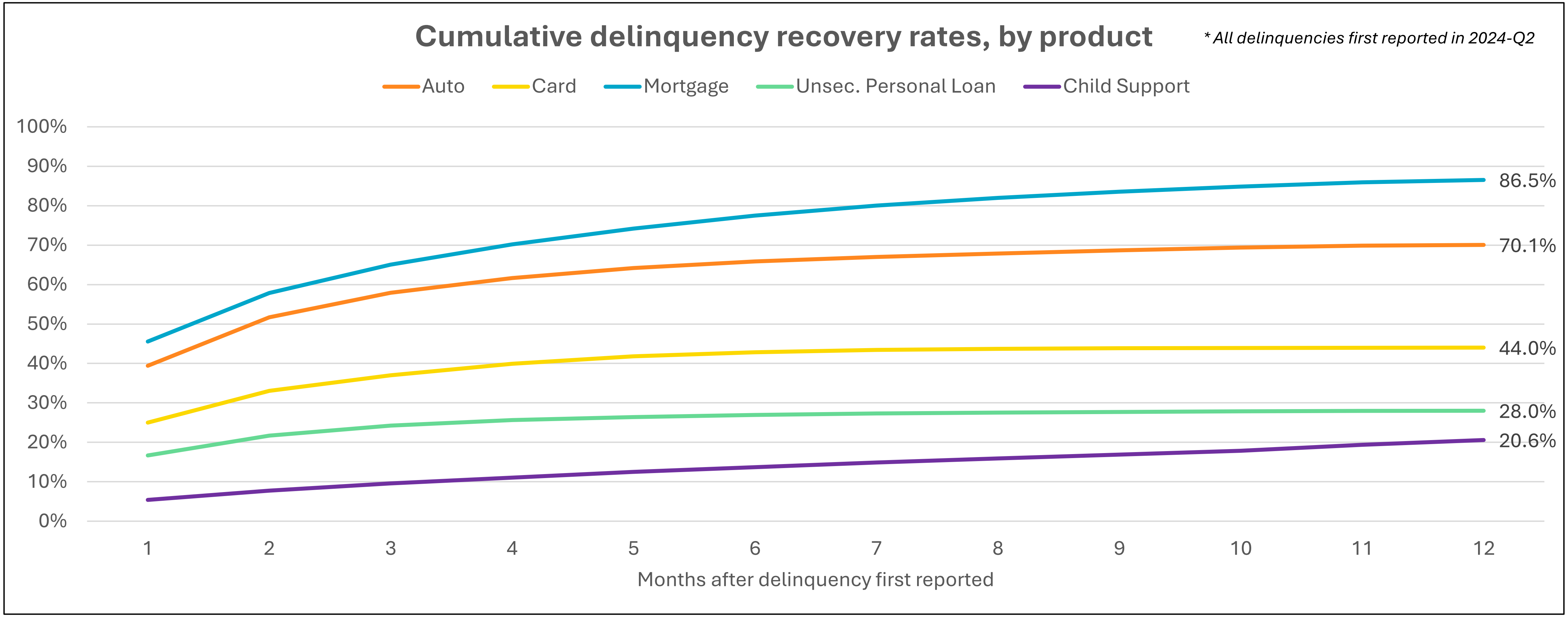
Source: TransUnion US Consumer Data / FRED CPIAUCSL Series
All series indexed to Jan 2020 = 100. Data as of April 31, 2025

Child support debtors in recent years have been slower to fully pay off delinquent debt reported to credit bureaus



Source: TransUnion US Consumer Data
As of April 31, 2025; "Full recovery" defined as reaching a $0 balance due

Recovery on delinquent child support payments is significantly lower than recovery on traditional debt products

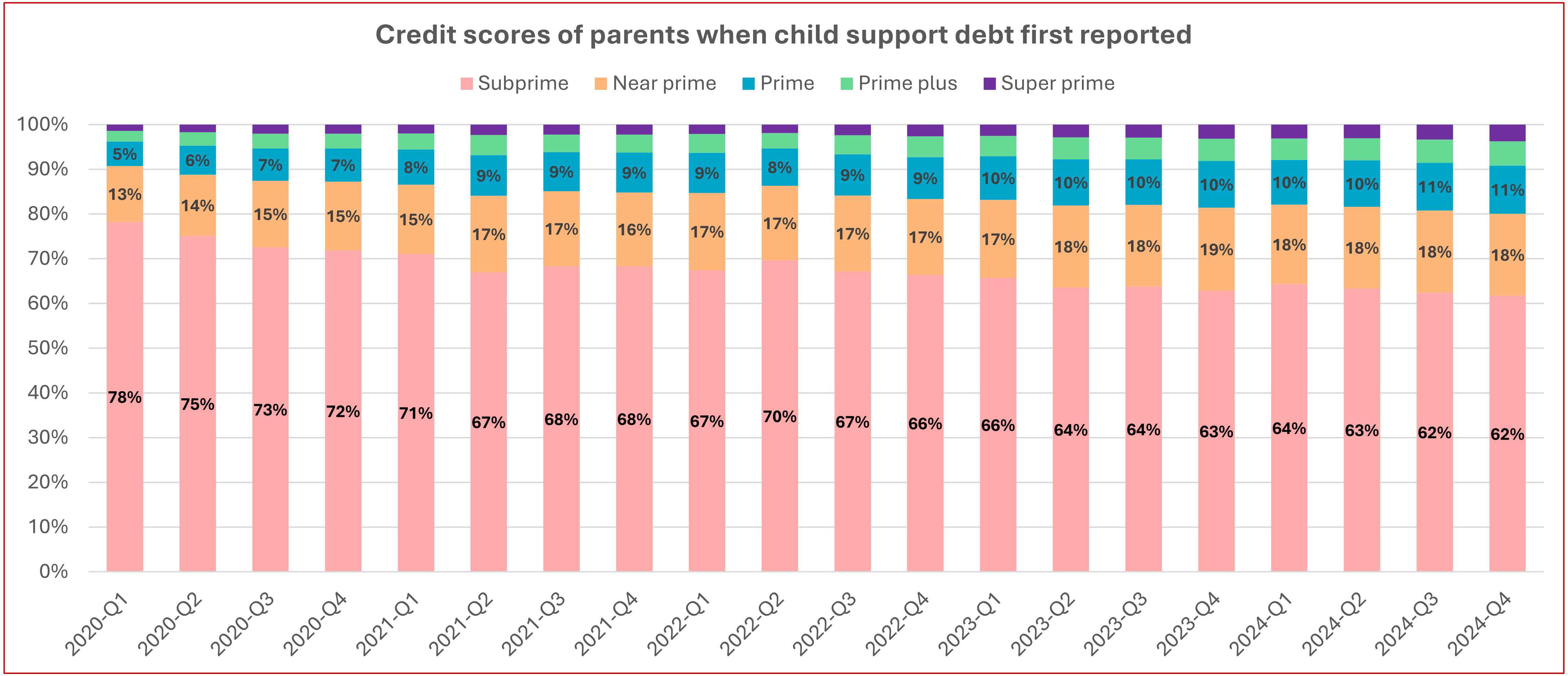


Source: TU US Consumer Database; Only includes *first-time delinquents*
Data as of April 31, 2025; "Recovery" defined as reaching $0 past due

Why is child support debt lower priority than other debts?

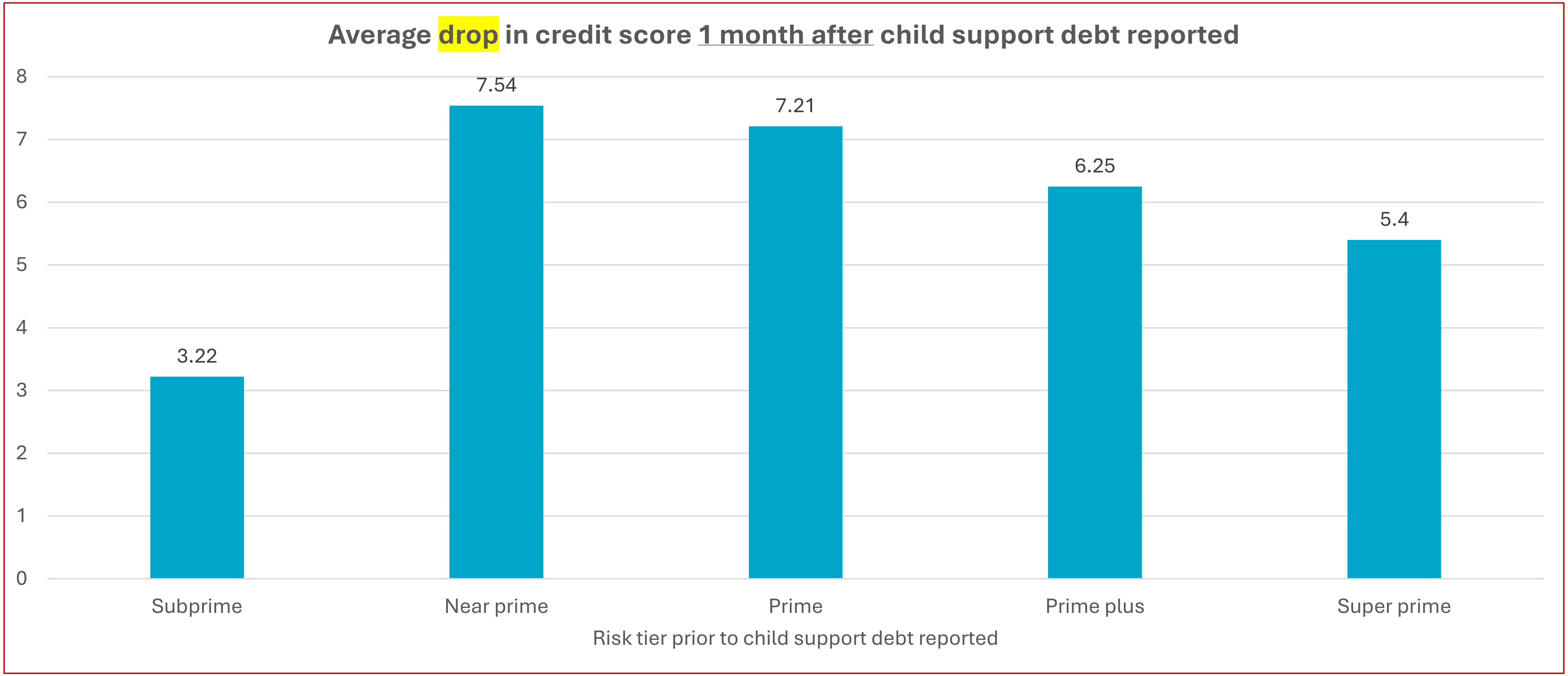
- Consumers have finite dollars to put towards debt payments, cash purchases, investments, etc.
- Attitudinal difference, re: paying for a product
- Failure to pay other kinds of obligations can result in repossession, reduced spending capacity, and strongly negative impacts to credit score
- “Damage” from unpaid child support relatively minimal from a score perspective – no immediate incentive for most consumers to repay

Most delinquent parents have subprime credit scores prior to their nonpayment being reported…



Source: TransUnion US Consumer Data
VantageScore4.0 Risk Tiers: Subprime (300-600), Near prime (601-660), Prime (661-720), Prime plus (721-780), Super prime (781-850)

… and, due to how credit scores are calculated, there's a muted impact immediately after debt is reported (for consumers)



Source: TransUnion US Consumer Data
VantageScore4.0 Risk Tiers: Subprime (300-600), Near prime (601-660), Prime (661-720), Prime plus (721-780), Super prime (781-850)

Discussion time

- Do any of these trends surprise you?
- Have you seen more parents struggling with child support payments in 2025, compared to a few years ago? Why?
- Any success stories incentivizing noncustodial parents to begin repaying child support debts?
- How do you currently figure out which parents can (and/or will) pay and which cannot?

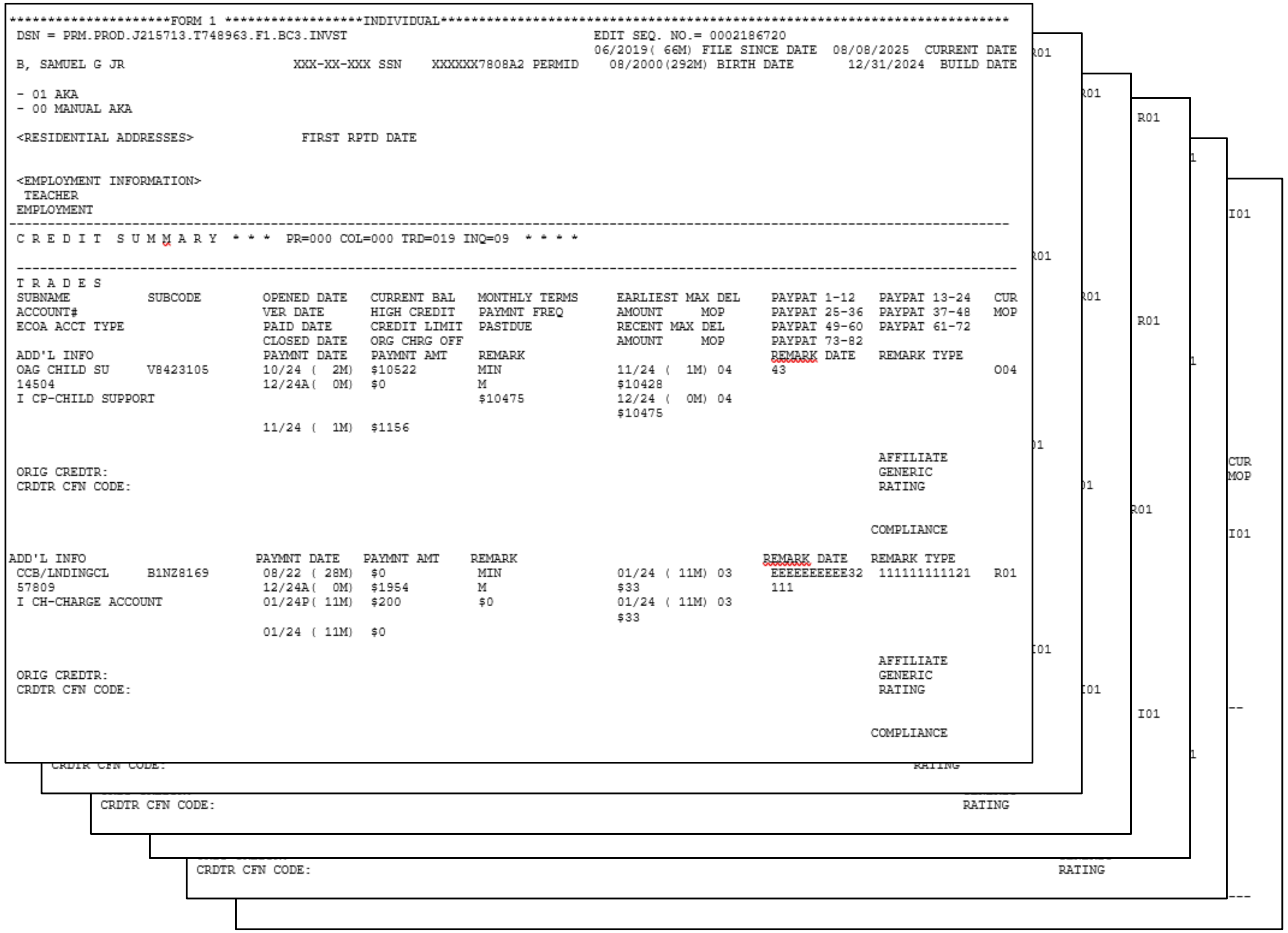
Indicators of recoverability

Credit reports contain variety of useful data regarding parents' ability & propensity to satisfy debts

Credit reports contain **authoritative data** from a network of tens of thousands of data furnishers

- Is this parent actively applying for/getting access to more credit?
- Has this parent fully utilized their total available credit limit?
- How many debts are currently delinquent?
- What is this parent's current debt obligation, and their past payment activity?
- Is this parent paying down other past-due debts?

What data to use?



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- 00 MANUAL AKA

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EMPLOYMENT
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T R A D E S
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ACCOUNT#                          VER DATE      HIGH CREDIT   PAYMNT FREQ      AMOUNT      MOP    PAYPAT 25-36   PAYPAT 37-48   MOP
ECOA ACCT TYPE                    PAID DATE     CREDIT LIMIT  PASTDUE          RECENT MAX DEL     PAYPAT 49-60   PAYPAT 61-72
                                  CLOSED DATE   ORG CHRG OFF                   AMOUNT      MOP    PAYPAT 73-82
ADD'L INFO                        PAYMNT DATE   PAYMNT AMT    REMARK                              REMARK DATE    REMARK TYPE
OAG CHILD SU     V8423105         10/24 (  2M)  $10522        MIN              11/24 (  1M) 04    43                            004
14504                             12/24A(  0M)  $0            M                $10428
I CP-CHILD SUPPORT                                            $10475           12/24 (  0M) 04
                                                                               $10475
                                  11/24 (  1M)  $1156

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ORIG CREDTR:                                                                                                     GENERIC
CRDTR CFN CODE:                                                                                                  RATING


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ADD'L INFO                       PAYMNT DATE   PAYMNT AMT    REMARK                              REMARK DATE    REMARK TYPE
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                                  01/24 ( 11M)  $0

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ORIG CREDTR:                                                                                                     GENERIC
CRDTR CFN CODE:                                                                                                  RATING


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```

A single credit report can contain hundreds of data points…

That change each month!

Instructions for accessing Kahoots

- Access instructions here

Who will have the greatest arrears reduction in six months?

Income

Consumer 1

- **Arrears due:** $13,400
- **Income:** $44,000

Consumer 2

- **Arrears due:** $12,100
- **Income:** $58,000

Consumer 3

- **Arrears due:** $13,000
- **Income:** $62,000

Who will have the greatest arrears reduction in six months?

Income

Consumer 1

- **Arrears due:** $13,400
- **Income:** $44,000
- **Income 3mo ago:** $44,000

Consumer 2

- **Arrears due:** $12,100
- **Income:** $58,000
- **Income 3mo ago:** $50,000

Consumer 3

- **Arrears due:** $13,000
- **Income:** $62,000
- **Income 3mo ago:** $70,000

Who will have the greatest arrears reduction in six months?

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Consumer 1

- **Arrears due:** $13,400
- **Income:** $44,000
- **Income 3mo ago:** $44,000

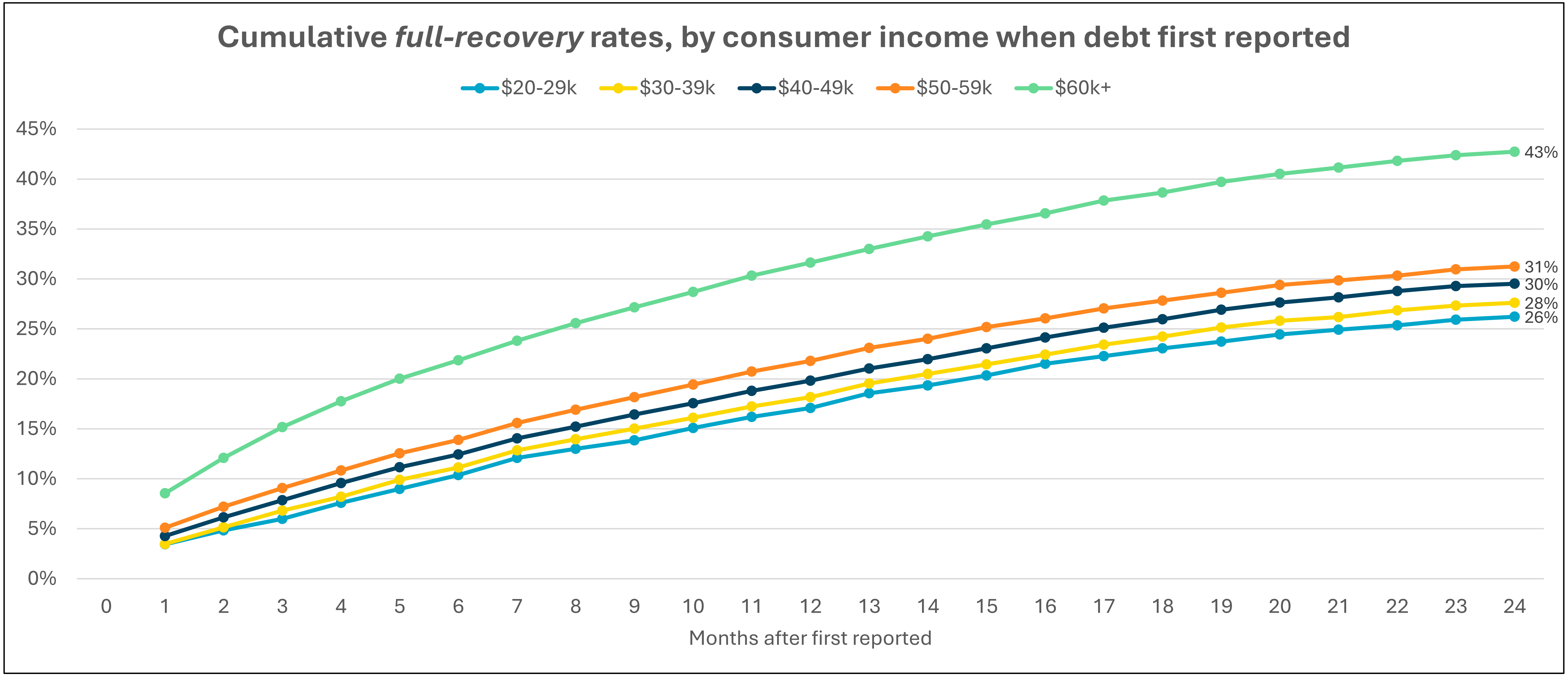
Consumer 2

- **Arrears due:** $12,100
- **Income:** $58,000
- **Income 3mo ago:** $50,000

Consumer 3

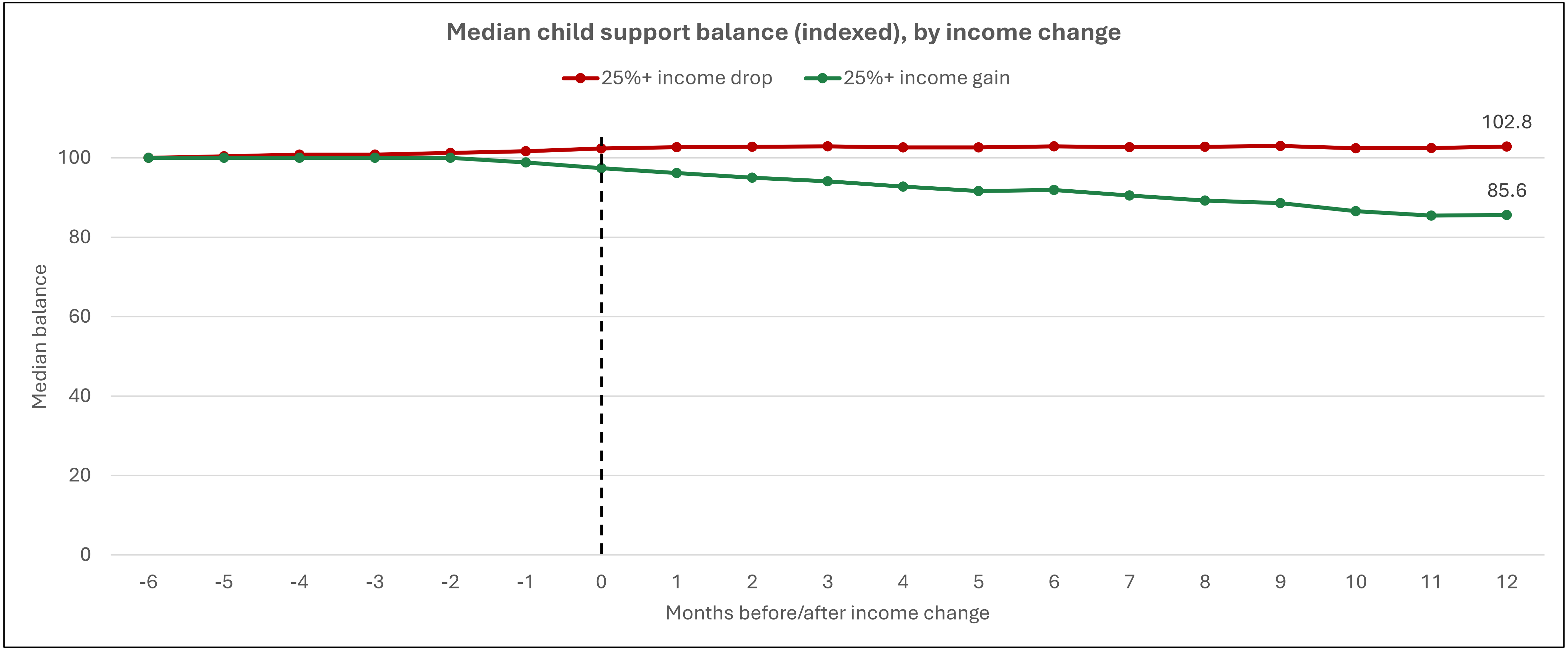
- **Arrears due:** $13,000
- **Income:** $62,000
- **Income 3mo ago:** $70,000

Income, on its own, is not a great indicator of ability or willingness to pay child support debts



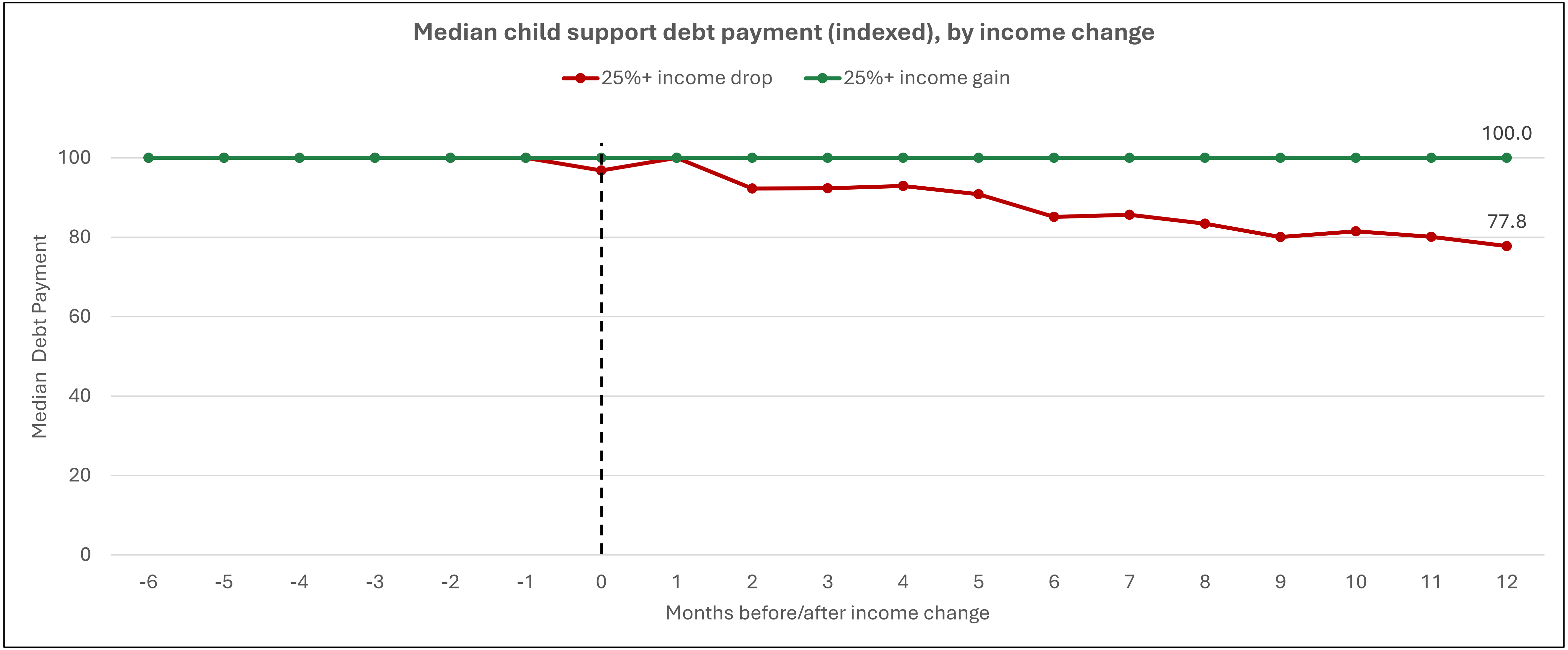
Source: TransUnion US Consumer Data
As of April 31, 2025. Child support debts first reported in 2023

Large gains in income also not a strong predictor of near-term debt elimination



Source: TransUnion US Consumer Data

Large gains in income also not a strong predictor of near-term debt elimination… because payments don't change



Source: TransUnion US Consumer Data

Who will have the greatest arrears reduction in six months?

Credit score

Consumer 1

- **Arrears Due:** $15,200
- **Credit Score when debt first reported:** 427 (Deep Subprime)

Consumer 2

- **Arrears Due:** $9,400
- **Credit Score when debt first reported:** 548 (Subprime)

Consumer 3

- **Arrears Due:** $13,800
- **Credit Score when debt first reported:** 614 (Near prime)

Who will have the greatest arrears reduction in six months?

Credit score

Consumer 1

- **Arrears Due:** $15,200
- **Credit Score when debt first reported:** 427 (Deep Subprime)
- **Credit Score <u>now</u>:** 445

Consumer 2

- **Arrears Due:** $9,400
- **Credit Score when debt first reported:** 548 (Subprime)
- **Credit Score <u>now</u>:** 562

Consumer 3

- **Arrears Due:** $13,800
- **Credit Score when debt first reported:** 614 (Near prime)
- **Credit Score <u>now</u>:** 610

Who will have the greatest arrears reduction in six months?

Credit score

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- **Arrears Due:** $15,200
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- **Credit Score <u>now</u>:** 445

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- **Arrears Due:** $9,400
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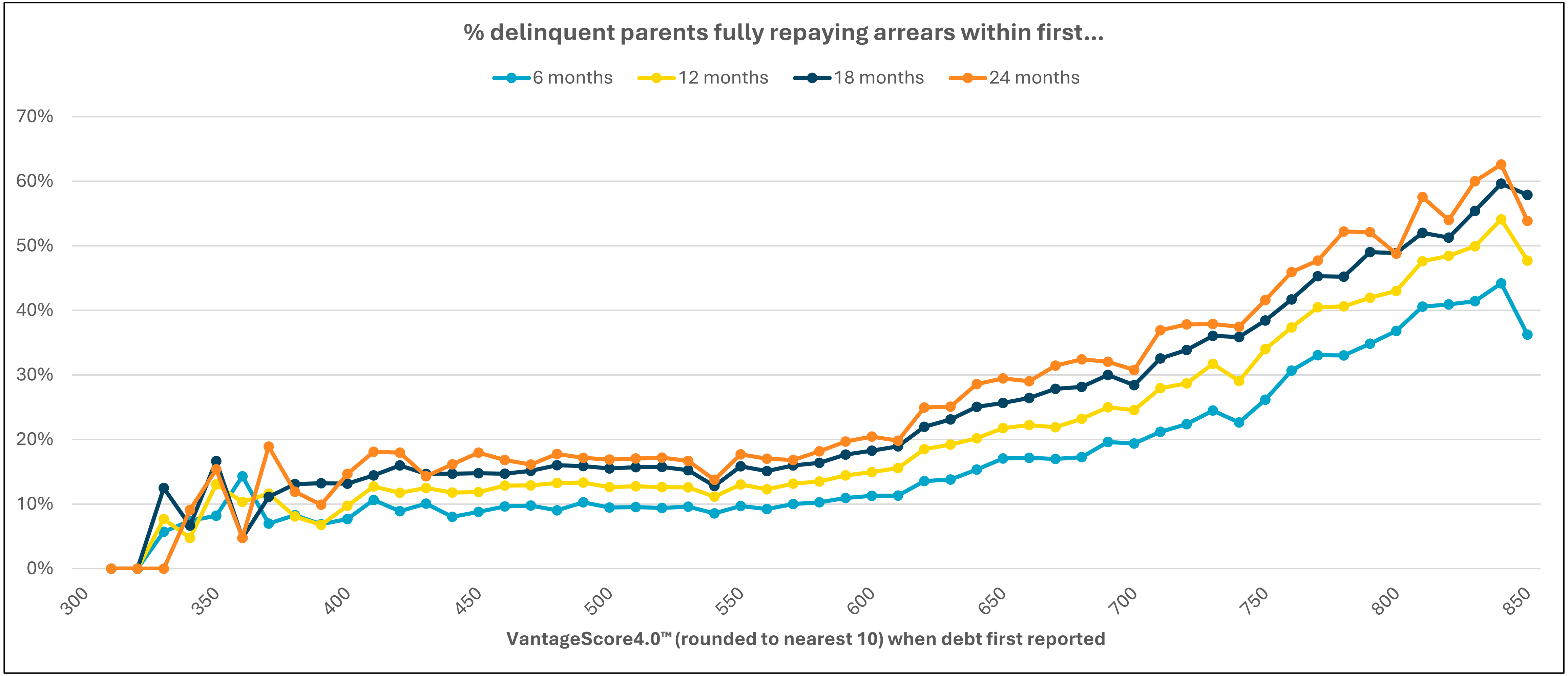
- **Credit Score <u>now</u>:** 562

Consumer 3

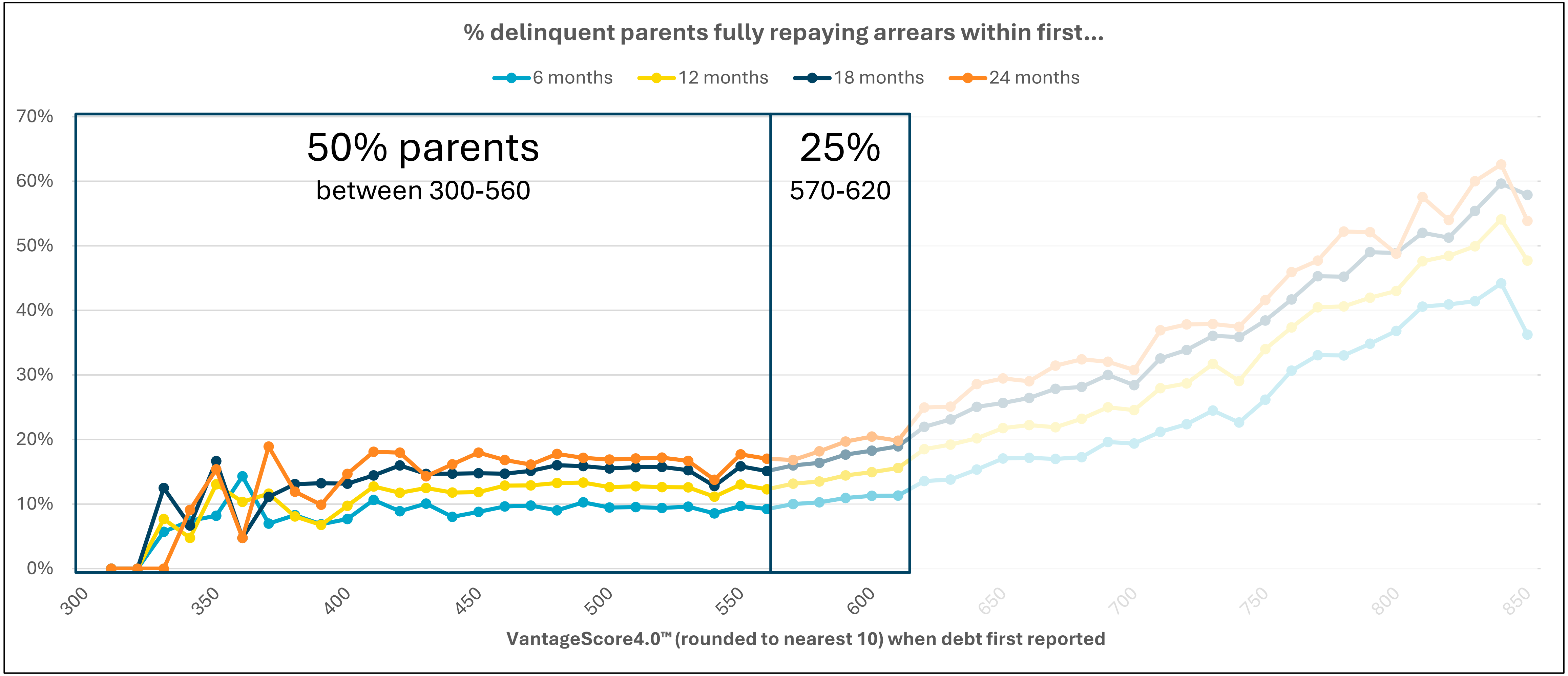
- **Arrears Due:** $13,800
- **Credit Score when debt first reported:** 614 (Near prime)
- **Credit Score <u>now</u>:** 610

High score consumers show better debt repayment outcomes, but this doesn't apply to the bulk of delinquent parents



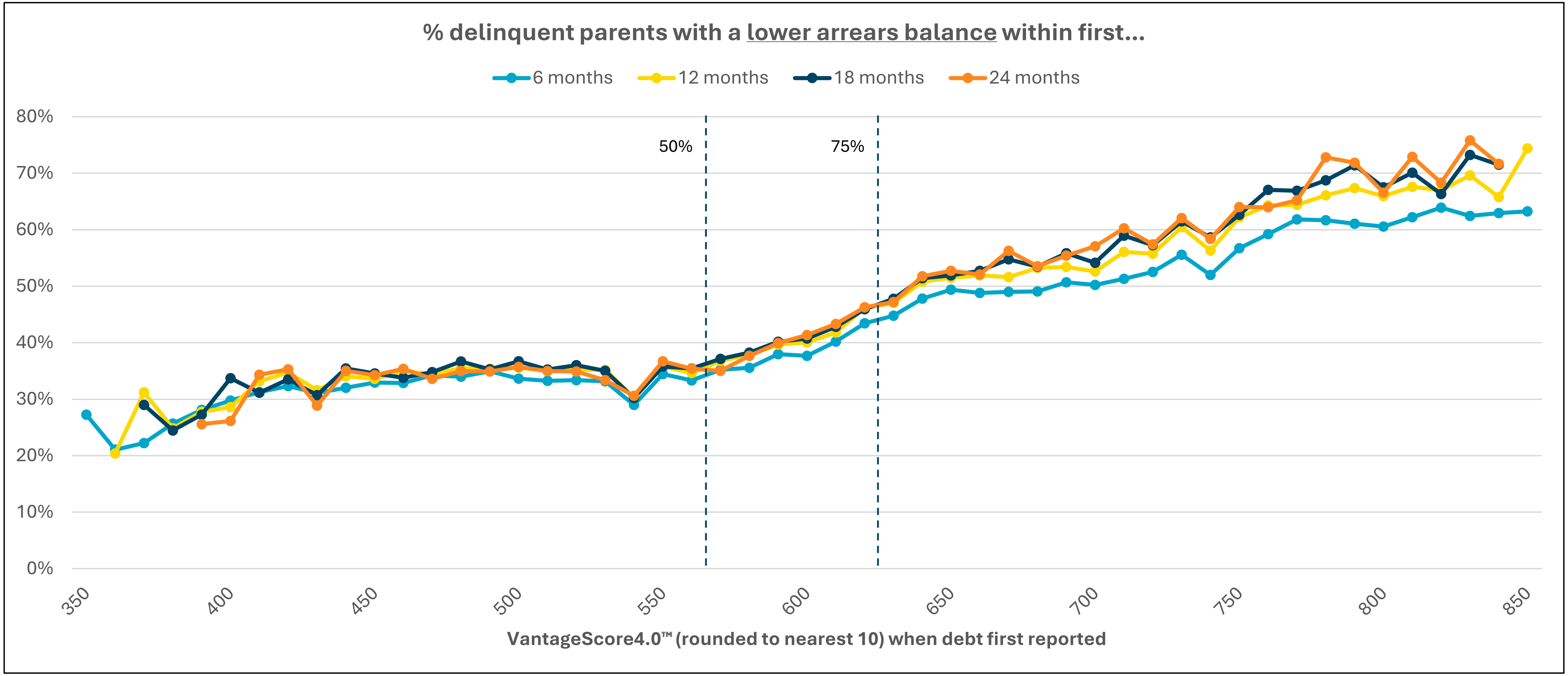
Source: TransUnion US Consumer Data, as of April 31, 2025
Only child support debts reported on/after Jan 1, 2023

High score consumers show better debt repayment outcomes, but this doesn't apply to the bulk of delinquent parents



Source: TransUnion US Consumer Data, as of April 31, 2025
Only child support debts reported on/after Jan 1, 2023

Arrears balance reduction outcomes follow the same pattern



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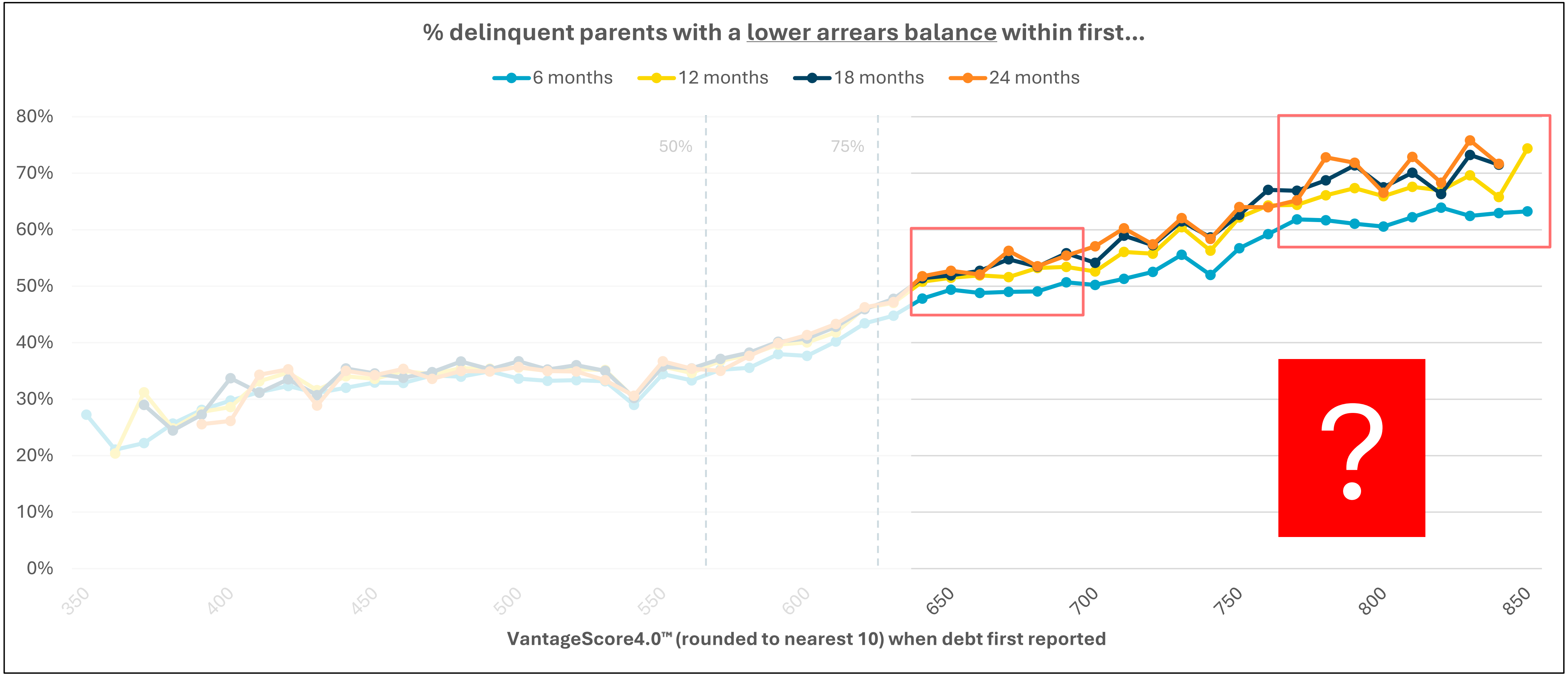

Source: TransUnion US Consumer Data, as of April 31, 2025
Only child support debts reported on/after Jan 1, 2023

Who will have the greatest arrears reduction in six months?

Credit attributes

Consumer 1

- **Arrears Due:** $6,000
- **Credit score:** 615
- **Currently past due?** No

Consumer 2

- **Arrears Due:** $6,300
- **Credit score:** 608
- **Currently past due?** Yes

Consumer 3

- **Arrears Due:** $5,200
- **Credit score:** 620
- **Currently past due?** Yes

Who will have the greatest arrears reduction in six months?

Credit attributes

Consumer 1

- **Arrears Due**: $6,000
- **Credit score:** 615
- **Currently past due?** No
- **Longest stretch being $250+ past due on credit trades:** 6 months

Consumer 2

- **Arrears Due**: $6,300
- **Credit score:** 608
- **Currently past due?** Yes
- **Longest stretch being $250+ past due on credit trades:** 4 months

Consumer 3

- **Arrears Due**: $5,200
- **Credit score:** 620
- **Currently past due?** Yes
- **Longest stretch being $250+ past due on credit trades:** 1 month

Who will have the greatest arrears reduction in six months?

Credit attributes

Consumer 1

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- **Credit score:** 615
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Consumer 3

- **Arrears Due**: $5,200
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Credit files contain a wealth of useful data to inform your collections and account management strategies

Generally, your intuition will be correct as to what's a "good" vs "bad" sign

- How frequently is somebody missing other debt payments?
- How many on-time payments have they made in recent months?
- Have they applied for new credit (e.g. a personal loan or mortgage)?
- Has there been any significant balance reductions on other debts or collections?
- Does this person have any *joint accounts* they haven't disclosed?

Team Exercise

Which parent is likely to see largest arrears reduction in 6 months?

How it works...

- Divide into **6** teams – each will receive the raw credit report for 5 different people with arrears
- Each team's collection of consumers will have a different "theme". These are:
  - Homeowners, high income (> $100k), low income (< $35k), young (age < 26), older (age 60+), and super prime
- Each team's task: identify the person who will have repaid the most child support arrears in the next 6 months.
- Teams will be given 15 minutes to figure this out, and then each team will have 5 minutes to present their findings

Wrapping up...

Finding a path through the noise…

- Credit utilization
- Debt repayment behavior
- Trended credit data
- Liquidity constraints
- Spending habits

Child support recovery score

Parents rank-ordered by recovery prospects, which assists with case management & collections prioritization

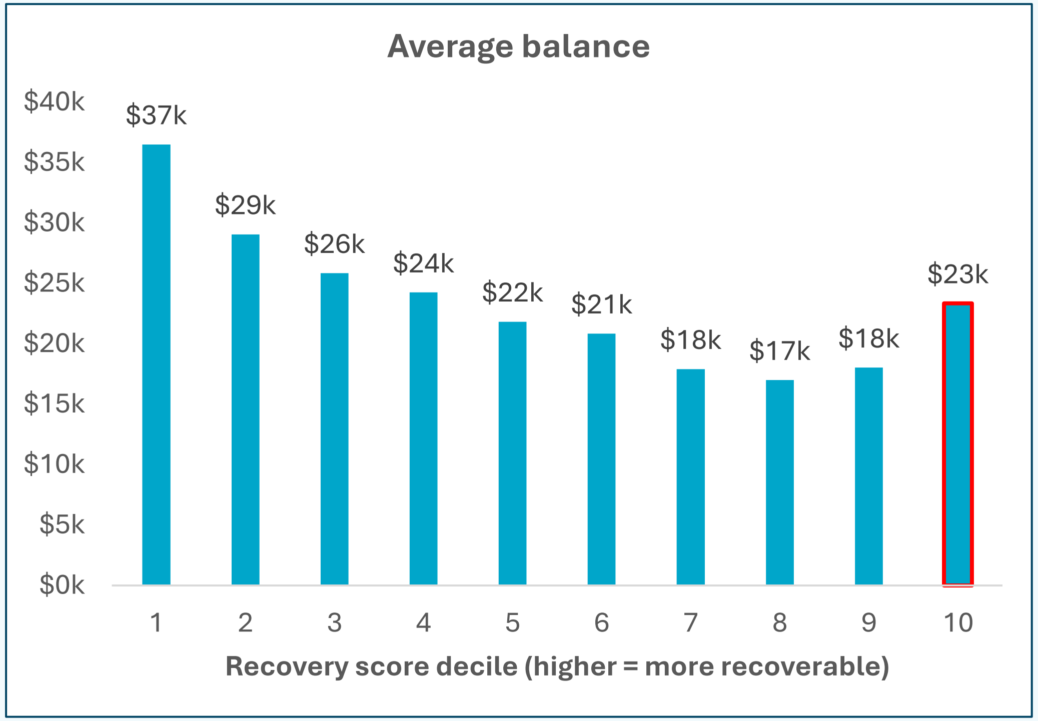
Parent	Recovery score
Washington, G.	650
Adams, J.	622
Jefferson, T.	618
Adams, J.Q.	598
Jackson, A.	555
…	…

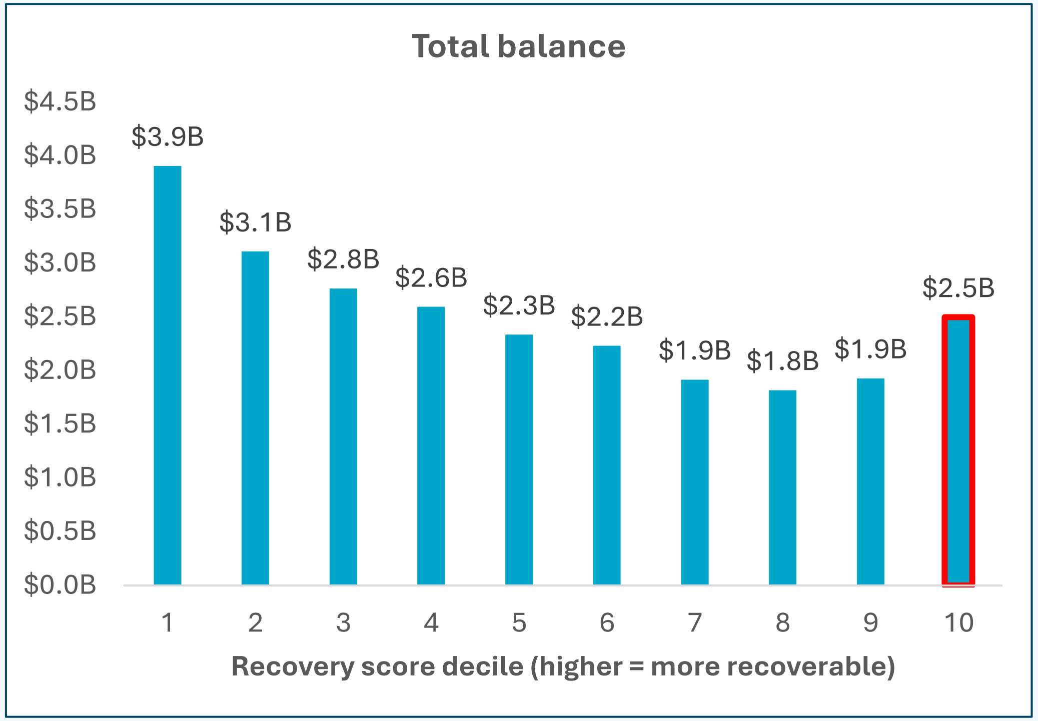
Best recovery odds

Worst recovery odds

Finding a path through the noise…

TransUnion has built a score to predict the likelihood of recovering at least $1,000 in the next 6 months





Source: TransUnion US Consumer Data, as of June 30 2025
Only includes child support debts >= $1,000

Take-aways

1. There's a lot to sift through on credit reports!

2. Not advisable to rely totally on credit score and/or income

3. Different consumer segments have different signals for recovery prospects

4. **Data-driven recovery strategies are necessary for success**

Q&A