Comments on Effects of Sharing Public Positive Credit Information on Personal Loans (Bonomo, Bruschi and Schechtman)

Nelson R. Ramírez-Rondán

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A brief summary

Change in regulation in June 2016

- Financial institutions were required to submit individualized loan information of each borrower with total liability $\geq$ than R\$ 5,000, amount reduced to R\$ 1,000 in 2012 and, to R\$ 200 in June 2016.
- Information of 41 million new borrowers.
- Enhanced the information of a group of borrowers suddenly available to all lending institutions:
  - Outstanding loan amounts,
  - pattern of on-time repayments,
  - late-payments,
  - amount of defaults.

What is the effects of this change in regulation?

- This paper investigates the causal effect of reducing informational asymmetries on credit outcomes (cost of getting credit, loan size, and maturity).

A brief summary

Data and methodology

- Brazilian public credit registry (SCR) that contains data for all loans with amounts above a certain threshold.
- Difference-in-differences methodology.
  - Treated group: individuals with liabilities in any financial institution between R$ 500 and R$ 1,000.
  - Control group: individuals with liabilities per bank between R$ 1,000 and R$ 1,500.

Main results

- The cost of credit for those borrowers decreased by 33.5 p.p.
- The size of new loans increased.
- The average maturity was not changed.
- Risk rating given to the new borrower by the bank was not changed.

Comments/questions

1. Is the change in regulation exogenous to economic conditions? That is, if this change could be due to economic features in the Brazilian financial system.
2. Can we get the same results by analysing the change in 2012?
3. Even though gender and age are quite similar in the control and treatment groups; as expected, monthly income is different between them. How this fact could bias the result?
4. Since the bank knows the credit history of its own clients, I think that the results can be amplified if only customers of different banks are considered.
5. Other robustness checks: different upper cutoff (now R$ 1,500), other time windows, other winsorizing. But, I am not sure if these reduce the sample since the final sample has only 1,475 observations (from out 40 millions new borrowers).