

Credilife® on Selling or Buying Authorized User Accounts

Opinion on Legality: The process of buying or selling Authorized User (AU) positions is process is often referred to as 'piggybacking' and while many consider it to be unethical, it is NOT unlawful or illegal.

With that said, with today's insights, opinions, and technologies, 'piggybacking' is hardly the viable solution today that it once was. Credit scoring models have evolved to exclude many of the perceived benefit of the AU status.

Why? Because AU Accounts have been determined to offer very little insight into a consumer's ability to manage debt, and therefore has virtually no justifiable effect on the consumer's rank risk. In summary, what this means is that FICO scoring models have already begun to eliminate or discount the positive benefits of these accounts when calculating your credit score.

Besides the argument against 'piggybacking' above, ***Accounts (or trade lines) are stolen every day in an effort to commit all types of fraud for profit including the sale of AU Accounts without the knowledge of the primary cardholder.***

Consumers are paying to be added as an authorized user to accounts in some cases without the account owner's knowledge and are often removed prematurely and unexpectedly from the AU privilege after having paid in full for access over a predetermined length of time that is not honored.

Opinion on Morality: Our credit score is intended to represent a reflection of our ability and willingness to pay on a debt. We've taken the position that adding yourself as an authorized user to an account of someone that you are not already financially entangled with (such as a spouse or close loved one) is a form of fraud and morally wrong. The jury is still out on whether illegal however companies selling trade lines may be in violation of CROA for accepting up from fees... and at the end of the day the benefits of AU accounts on your credit score and credit worthiness are being weeded out in versions of FICO and on the bank levels through unique underwriting guidelines.

What do Lenders Say?

- Is it a mild form of fraud: Yes
- Is it illegal: No
- Do we have any sort of specific guidelines against this: No
- Do credit scoring models take into account auth user accts vs "normal" accts: Yes
- Do Fannie and Freddie program their approval software around auth user accts vs "normal" accts: Yes

We don't care what mix of accounts a borrower has because the credit scoring model and the approval software will pick up on Auth User accounts and adjust for it. If the approval system approves the loan, we don't have to worry about any hang ups due to Auth User accounts.