

It's been one of the [most confounding economic paradoxes](#) of the COVID-19 pandemic – why have credit scores remained steady, or even increased, despite the financial ruin caused by record unemployment, with entire industries such as restaurants and tourism decimated? The [average FICO score has risen from 703 to 711](#), while [delinquencies for credit card accounts](#) have actually been lower than pre-pandemic.

Part of this is the law of averages. [As has been often noted](#), the pandemic has created a K-shaped US economy with already severe inequality widening into a gaping divide. If you average the credit scores of well-off workers on the upward slope of the K with the credit scores of the financially distressed consumers on the downward slope, the average doesn't look so bad. Also, consumers [reduced their credit card balances](#) with fewer places to spend money, which also raises credit scores.

Part of this is financial relief from the cash payments and federal unemployment benefits from the CARES Act and December stimulus bill. The CARES Act also paused payments for student loans, allowed homeowners temporary relief from mortgage payments, and protected credit reports for those enrolled in relief programs. Freed up cash from deferred mortgage and student loan payments may have helped pay other bills.

But even with financial assistance and relief programs, millions are behind on critical payments. It's just that these payments are not the type of obligations that regularly show up on credit reports, at least not for many months.

What are people struggling to pay?

## They're struggling to pay rent.

- [18% of tenants, or about 10 million Americans, are behind on the rent](#). Tenants have been especially hard hit in this pandemic. While the eviction moratoria help keep many of them from being displaced, the tenants still owe the rent if they've been unable to pay it.

## They're struggling to pay utilities.

- [20% of low-income consumers \(at or below 200% of the federal poverty line\), translating into about 3.8 million Americans, reported that they could not pay their energy bills and nearly 15% have received a shut-off notice](#).

Some of these people have credit reports, which have been spared, for the time being, despite these late payments. Others do not have credit reports – they are “credit invisible.”

During the past decade, many policymakers, industry members, and even consumer advocates have bemoaned the phenomenon of “credit invisibility,” [the fact that 45 million Americans lack a credit history or their history is so skimpy that a credit score can't be generated](#). To those who lament credit invisibility, not having a credit score is the worst financial fate possible. And one of their most aggressively pushed solutions is to include utility or rent payments in credit histories – *the very types of payments for which we are seeing record levels of delinquencies and defaults.*

Having a negative credit report can be a bigger problem than being credit invisible. It can impact the ability to get a job or the rate paid on auto insurance. And being on the map with a negative credit score can also put a big target on your back for predatory lenders.

The experience of the pandemic should plant a big red caution flag on the idea of using utility and rent payments in credit reports. Consumer advocates have previously [raised strong concerns about efforts to add gas and electric utility payments](#) to credit reports without consumers having any choice in the matter, concerns which the pandemic experience amplifies. Even for rent payments, which had previously looked like a promising source of “alternative data,” this experience reinforces the need to be incredibly cautious and ensure that such reporting is always truly voluntary on the part of the consumer. Adding late rent or utility payments will also harm the scores of those who do have existing credit histories.

The absence of rent or utility payments on credit reports may be ironically protective, much like [how racism ironically prevented greater levels of opiate addictions for Black patients because doctors were less likely to prescribe them due to implicit biases](#). Credit invisibles didn't have credit records to trash. Debts that aren't reported on a regular basis on credit reports means that late payments won't haunt you for seven years.

However, this state of affairs is only temporary. Unfortunately, utility and rent debts will eventually show up on credit reports when the [debts get referred to debt collectors](#). But not having utility and rent payments reported on a monthly basis to credit bureaus did buy these consumers some valuable time, preventing immediate harm when the first late payments began to occur. Ultimately, Congress will need to act to protect the most vulnerable consumers, the folks on the downward slope of the K, from long-term credit damage.

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