Remote Identity Proofing, Race & Credit History Across America

A CASE STUDY BY THE BEECK CENTER FOR SOCIAL IMPACT + INNOVATION

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By Chad Smith
About the Beeck Center for Social Impact + Innovation

The Beeck Center is an experiential hub at Georgetown University that trains students and incubates scalable, leading edge ideas for social change. We believe impact at scale requires the courage to think and behave differently. Our work centers on investing in outcomes for individuals and society. We equip future global leaders with the mindset to promote outcome-driven solutions, using the tools of finance and data + digital. We convene actors across the public, private, and civic sectors to advance new tools, frameworks, and approaches necessary to achieve these outcomes.

About this Case Study

This case study is part of the Beeck Center’s Social Safety Net Benefits research by Fellow Chad Smith, recently featured in our living report Technology, Data, and Design-Enabled Approaches for a More Responsive, Effective Social Safety Net.

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Introduction

The twin crises of the COVID-19 pandemic and racial injustice have radically advanced the conversation of structural racism in the United States. The examination of one of our nation’s most prominent government systems, the web of public benefits often referred to as the social safety net, reveals that in the end, oppression knows no color. White Americans are the largest beneficiaries of social safety net benefits, and yet are now the most disconnected from accessing the social safety net. As COVID-19 continues to remind us, we are all connected; what hurts one American hurts us all in the end.

Enrollment in benefits programs is the first step in ensuring that all Americans can access the support they need. Many of these programs are administered at the state level, and state-level social service directors are often in leading positions to determine benefits enrollment policies and practices.
There are actionable steps that state-level social services directors can take to remove enrollment challenges, including 1) remove credit history as a verifier of identity (through Remote Identity Proofing) in SNAP, Medicaid and/or case management systems, and 2) integrate community partner organizations (CPOs) to support those who lack credit history and thus cannot apply for social safety net benefits.

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Remote Identity Proofing

The remote identity proofing (RIDP) process exists to allow for the verification of a person's identity before enrollment. The RIDP process uses diverse data points such as credit history, personal demographic information, and other indicators, and is one of many technologies that can negatively influence social safety net benefits access. When credit history data is used to verify applicants' identities, RIDP can create enrollment barriers for applicants with limited access to credit or limited credit histories.

In March 2010, President Obama signed federal health reform legislation called the “Patient Protection and Affordable Care Act” (ACA). It created the opportunity for each state to establish a state-based health insurance exchange.¹ State-based health insurance exchanges provide rigorous system features and procedures that verify that individuals who apply for coverage or who provide enrollment assistance are who they say they are. The State of California, for example, chose to operate an exchange that is commonly known as "Covered California." The Covered California exchange's mission was to increase the number of insured Californians, improve healthcare quality, lower costs, and reduce health disparities through an innovative and competitive marketplace that empowers people to choose their health plan.² However, the use of credit history to verify identity has significantly shifted the impact of the policy from one that promotes positive health determinants, to one that blocks access to healthy lives for estimated 35 million to 54 million Americans that either have no credit report or have insufficient information in it to generate a credit score³.

For continued use of the federal data services hub — a data centralization project combining the IRS's Social Security (identity), Homeland Security (citizenship), Justice (criminal history), HHS (enrollment in entitlement programs and certain medical claims data) and state governments (residency) data⁴ — for verification of income and social security data, the federal Centers for Medicaid and Medicaid

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¹ (2019). NOPA-Identity Verification 5.3.19, Covered California
² A guide to help employers navigate the new health care market, Kaiser Permanente
³ (2019). NOPA-Identity Verification 5.3.19, Covered California
⁴ (2013). Your Next IRS Political Audit, Wall Street Journal
Services (CMS) requires state exchanges to establish remote identity verification for customers who apply online and over the phone. CMS proposed regulations provided the public with clear standards for identity verification, including guidance for paper and non-paper (i.e., electronic or telephonic) applications and the alternate process should the initial identity verification fail. These regulations allowed for state-based health insurance exchanges to continue using the federal data services hub by complying with existing federal guidance.  

RIDP is currently used in 11 states across SNAP, Medicaid and certain case management applications, according to 2020 research from the Center on Budget and Policy Priorities. Through RIDP, applicants are asked a series of questions using data collected about them by credit bureaus involving loans, mortgages, current and past home addresses, and other sensitive information. In many cases when state benefit applications include RIDP, it is not required by federal regulation. In fact, RIDP can be a significant barrier to people with limited credit or banking histories, or who can’t easily access their personal records, leading some who are eligible for benefits unable to complete applications and led to mistakenly believe they are unable to receive them.  

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5 (2019). NOPA-Identity Verification 5.3.19, Covered California  
8 (2020). Example of Identity Proofing Questions, Center on Budget and Policy Priorities
The Center on Budget and Policy Priorities and Nava recommend that states remove requirements for RIDP in benefits applications in favor of more-accessible security checks. These security checks could involve a more-accessible design — one that is similar to the Express Lane Eligibility methodology of using entry data points to feed into other data points to verify eligibility. For instance, users could choose the datapoint they would like to provide for identity verification, and computer systems offer a set of options, such as an application number, card number, or case number, or ask for identifiers from other datasets like the Department of Motor Vehicles.⁹

Identity Verification portal for Massachusetts’ Department of Transitional Assistance (DTA) for benefits enrollment.¹⁰ Credit: Center on Budget and Policy Priorities, “Removing Barriers to Access From Remote Identity Proofing”

A recent Center on Budget and Policy Priorities study found that certain groups of individuals are especially likely to have difficulty completing RIDP that compares applicant information against credit files, including young adults and recent immigrants with limited credit history. During ACA open enrollment periods, for example, enrollment assister-programs (individuals or community-based organizations funded by federal or state grants to help guide consumers through

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the process of enrolling into a health plan and assist with subsidy applications\textsuperscript{11}) help up to 230,000 people facing problems with enrollment due to identity-proofing.\textsuperscript{12}

Race and Credit History Across America

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\caption{Credit: Any Lane via Pexels.com}
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RIDP is not an eligibility requirement, but the process aims to protect enrollee information by confirming they are who they say they are, based on their answers to a series of personal questions that only they would be likely to answer correctly. These questions are largely drawn from information in their credit history.\textsuperscript{13}

Rebuilding our social safety net — and thus conversely rethinking RIDP’s impacts on benefits enrollment — requires looking critically at race. It is important to compare

current and historical realities to understand where disproportionately-impacted group's needs haven't been considered in benefit enrollment procedures, particularly as it relates to using credit history for identity verification to gain access to social safety net benefits. Access to credit significantly differs across race, which has significant implications on access critical services. For example, as a result of varying credit access, would-be borrowers in African American neighborhoods over the past decade have been less likely than others to have their home loans approved, and those who do get home loans are likely to pay more than other borrowers on comparable loans.\textsuperscript{14}

Decades of discrimination by the federal government and America's financial institutions have induced trauma for many people of color, particularly African Americans, and has led people to adopt self-protective behaviors. These defensive behaviors often distance people of color from the very credit-granting institutions they need to thrive.\textsuperscript{15} Jacqueline Scott, an Associate Professor of Philosophy who specializes in race theory at Chicago's Loyola University, understands that traumatized people go into a “kind of defensive crouch.” In fact, this PTSD-like response is so prevalent that Scott has coined a term to help her students understand it: meta oppression. “It's the depression that comes from having already dealt with oppression for an extended period of time,” Scott explained.\textsuperscript{16}

\textsuperscript{15} Yearwood, L. (2019) Many minorities avoid seeking credit due to generations of discrimination. Why that keeps them back, CNBC.
\textsuperscript{16} Yearwood, L. (2019) Many minorities avoid seeking credit due to generations of discrimination. Why that keeps them back, CNBC.
The survey found that about 15 percent of U.S. people are unbanked, which translates to approximately 37 million adults and is consistent with the results of earlier research by the Federal Reserve Board. About 21 million of these people were previously banked, holding a median of two accounts. When asked whether they would like to have a checking or savings account in the future, 77 percent say no.\textsuperscript{17}

According to research conducted by the National Research Center on Hispanic Children & Families, in 2017 the majority (60 percent) of Latino and Hispanic American and African American low-income family households (defined here as households including two or more related people with a total income up to $30,000) had no access to banks (unbanked) or limited access to banks (underbanked). In addition, 30 percent of low-income Latino and Hispanic American and African

American family households did not have a bank account, as compared to 11 percent of low-income White American family households.\(^{18}\)

Although the majority of U.S. adults have a bank account and rely on traditional banks or credit unions to meet their banking needs, gaps in banking access remain.\(^{19}\) People who are unbanked and underbanked are more likely to have low incomes, less education, or be in marginalized racial or ethnic groups. One percent of people with incomes over $40,000 are unbanked, as compared to 14 percent of those with incomes less than $40,000. Similarly, 14 percent of African Americans and 11 percent of Latino and Hispanic Americans are unbanked, as compared to four percent of White Americans. According to the same report, as of 2010, approximately 15 percent of African Americans and Latino and Hispanic Americans were deemed credit invisible by having no credit history with any of the three major credit bureaus\(^{20}\), as compared to nine percent of White Americans and Asian Americans. In addition, 13 percent of African Americans and 12 percent of Latino and Hispanic Americans were

\(^{18}\) Guzman, L., and Renee, R. (2020). *The majority of low-income Hispanic and African-American households have little-to-no bank access, complicating access to COVID relief funds*, National Research Center on Hispanic Children & Families.


unscorable by having have a limited or “thin” credit file due to new usage of credit or not haven’t recently used credit\textsuperscript{21}, as compared to seven percent of White Americans.\textsuperscript{22}

Unbanked and underbanked rates in 2017 varied widely across states, with rates generally higher among states in the South. Unbanked rates ranged from 1.5 percent (Vermont and Minnesota) to 15.8 percent (Mississippi). Some states have seen large changes in unbanked rates in recent years. The unbanked rate in Arizona, for example, decreased to 5.4 percent in 2017, down from 8.5 percent in 2015 and 12.8 percent in 2013, while the unbanked rate in South Dakota was 8.1 percent in 2017, up from 4.2 percent in 2015 and 2013.\textsuperscript{23}

\textsuperscript{21} Holmes, T (2019). Credit card race, age, gender statistics, Credit Cards.

\textsuperscript{22} White, A (2020). What does it mean to be credit invisible?, CNBC.
Recommendations for Building Better Experiences

RIDP processes that use credit history for identity verification create significant enrollment barriers for social safety net applicants.

State-level Social Services Directors looking to use tech-enabled solutions for greater access to Social Safety Net benefits in 2021 should consider examining SNAP, Medicaid and case management technologies. A close look at these tools will build understanding of how RIDP is impacting enrollment.

Effectively and equitably verifying identity, not with credit history but instead using other datasets (such as from a state’s Department of Motor Vehicles), requires user experience (UX) and service design practices. The redesign of enrollment flows, inclusive of front- and back-end software development, will allow for the display of more-appropriate data points. Updated policies — such as Express Lane Eligibility and Fast Track for data integrating and comparing — will inform procedures needed
to support system changes. Civic technology companies and organizations Nava and Benefits Data Trust are great sources for UX and service design guidance and support.

For state-level Social Services Directors unable to use a tech-first approach, consider working with assister programs to support people who have enrollment issues due a lack of credit history. For example, trained community partner organizations (CPOs) can verify a client’s identity by certifying that they have viewed an appropriate document, such as a driver’s license. The California Office of Innovation can offer guidance and support and has extensive expertise in bringing service design, policy, and CPO teams together to innovate for targeted social safety net enrollees’ experience.

Rebuilding our systems for the roughly 37 million unbanked Americans (with many in the category of credit-invisible or unscorable) is key for creating more equitable access to social safety net benefits.

### Resources for Improvement from Experts in the Field

- **Removing Barriers to Access From Remote Identity Proofing** (2020). Produced by the Center on Budget and Policy Priorities and Nava.
- **Identity Authentication Pilot Projects - Conversion to State Option** (2019). Produced by Lizbeth Silbermann, Director of the Program Development Division of SNAP at the USDA.

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