National Association of Consumer Advocates

February 26, 2019

Re: For the Hearing: **Who's Keeping Score? Holding Credit Bureaus Accountable and Repairing a Broken System**

Dear Chairwoman Maxine Waters and Members of the House Financial Services Committee:

The National Association of Consumer Advocates is grateful for your efforts to examine and fix the broken credit reporting system. NACA is a national nonprofit association of consumer advocates actively engaged in promoting a fair and open marketplace that forcefully protects the rights of consumers, particularly those of modest means.

The U.S. credit reporting system has longstanding problems independent of Equifax's notorious data breach of 2017. The massive data security violation, which exposed the private information of over half the U.S. adult population and put their financial lives at risk, rightly dominated headlines in late 2017. Indeed, no real solutions have been implemented to prevent future breaches, and even worse, the credit reporting landscape has been a landmine for consumers even before the advent of the breaches.

Credit reporting, which is the leading category of complaints that the Consumer Financial Protection Bureau receives from the American public, is fraught with widespread, systemic drawbacks that have had a devastating financial impact on millions of consumers' lives.

Despite the 40-year existence of a crucial consumer protection law, the Fair Credit Reporting Act, the fundamental flaws in the credit reporting system have interfered with American consumers' livelihood, including their access to fairly priced credit, housing, affordable insurance, and jobs. The rapid development of new technologies and ever-expanding proliferation and transfer of consumer data from one party to another complicates the issue even more. Meanwhile, needed enhancements to consumers' legal rights and privacy protections have not kept up with the changes in the market.

The time is ripe for Congress to examine old and new problems, and to consider meaningful reforms to protect consumers in the credit reporting system.

Consumer credit reports are being flooded with inaccurate information and there is little they can do about it. Angela Williams discovered that her Equifax credit report included at least 25 accounts that belonged to another woman with a similar name and social security number. Even after sending multiple disputes to Equifax, more accounts continued to appear and debt collectors began pursuing Angela for a stranger's debts. It took 13 years and a jury trial to fix Angela's credit report.

Though Angela Williams' case may seem extreme, she is far from alone. A comprehensive 2013 Federal Trade Commission Study found that one in five American consumers had a material error on a credit report from one of three major credit reporting companies. An FTC survey also found that more than half of the consumers who attempted to fix the errors believed their credit reports still contained inaccuracies even after the consumer reporting agency's (CRAs) investigation was completed. The FCRA requires the consumer reporting company to conduct a reasonable reinvestigation and update the file to reflect any necessary changes or delete the item.

The credit reporting system needs strict guidelines to ensure consumers will benefit from thorough investigations when errors appear on their credit reports. In the last few years, the Consumer Financial Protection Bureau has used its supervisory authority to order CRAs to make significant improvements to their dispute handling, but consumers need additional rights and protections in their interactions with credit reporting companies, as well as with the corporate entities that share or use incorrect information.

NACA strongly supports the Comprehensive Consumer Credit Reporting Reform Act of 2019. The bill aims to enhance consumer protections in the credit reporting system. It would:

- Fix the broken system for credit reporting disputes by (1) giving consumers a new right to appeal the results of initial disputes; (2) requiring CRAs and furnishers of information to dedicate sufficient resources and provide well-trained personnel to handle disputes; (3) requiring CRAs to conduct an independent analysis of disputes, separate from that of the furnisher; and (4) requiring furnishers to retain records for the same time period that negative information remains on reports.

- Improve credit reporting accuracy by directing the Consumer Financial Protection Bureau (CFPB) to establish accuracy regulations, including requiring CRAs to better monitor furnishers for high error rates and to use stricter criteria to match information from a lender to a consumer's file, preventing the worst type of credit reporting error, the "mixed file."

- Restrict the use of credit information for employment.

- Help victims of abusive lending and overly punitive negative reporting practices by (1) reducing the retention periods that adverse credit information remains on reports to four years (seven years for bankruptcies); (2) allowing borrowers victimized by the unfair, deceptive or abusive practices of mortgage lenders or servicers to have adverse mortgage-related information removed; and (3) requiring the removal of negative information about private education loans that were obtained to attend for-profit colleges found to have engaged in unfair or deceptive practices.

- Protect consumers from the unfair impact of medical debt by prohibiting CRAs from including medical collections on reports until 365 days from the date of first delinquency.

- Help consumers understand their creditworthiness by giving consumers the right to a free credit score at the same time that they obtain their free annual consumer report.

- Address misleading marketing of credit monitoring subscriptions and increase access for security freezes to prevent identity theft.

- Allow struggling private education loan borrowers to rehabilitate impaired credit records through requiring removal of adverse information about delinquent or defaulted loans if they are able to make nine out of ten on-time, monthly payments.

- Correct provisions in last year's deregulatory law, S. 2155, that preempted states from further improvements to the credit freeze laws and provided servicemembers with credit monitoring right without a remedy.

Credit reporting reform is urgently needed to right serious credit reporting flaws. American consumers' credit scores and credit histories have come to permeate almost every economic aspect of our lives. A system this important and inescapable should not be allowed to stay broken any longer. A better way is possible.

Sincerely,

Christine Hines
Legislative Director
National Association of Consumer Advocates