



Consumer Federation of America

1620 I Street, N.W., Suite 200 * Washington, DC 20006

July 30, 2007

The Honorable Daniel K. Inouye
Chairman
Senate Committee on Commerce,
Science and Transportation
Washington, DC 20510

The Honorable Ted Stevens
Vice Chairman
Senate Committee on Commerce,
Science and Transportation
Washington, DC 20510

Re: Consumer Opposition to Weakening Credit Repair Organizations Act

Dear Chairman Inouye and Vice Chairman Stevens:

The undersigned national consumer organizations would like to express our strong opposition to any attempt to weaken the Credit Repair Organizations Act. We understand that the Subcommittee hearing tomorrow will discuss CROA oversight and the possibility of exempting credit monitoring services from the Act, along the lines of H.R. 2885 (Kanjorski). Last year, a Senate companion bill was introduced by Sen. Bennett. **CROA is a vital and important consumer protection law and would be undermined by H.R. 2885 far beyond the stated purpose of relieving credit monitoring activities from coverage under the Act.**

Currently, CROA broadly applies to any person who, in return for money, provides services to improve a consumer's credit record. Only non-profit organizations and a few other entities are exempted. In addition to requiring key disclosures, and mandating important contract terms, the Act prohibits anyone offering credit repair services from violating standards of truthfulness, fraud or deception.

Advocates for consumers have found CROA to be a useful tool in dealing with a range of bad actors in the credit marketplace. Below are some examples of the consumer protections in the current law that would not be available under H.R. 2885.

- When run-of-the-mill *credit repair businesses* deceptively advertise their ability to improve consumers' credit scores by exaggerating what they can accomplish, CROA offers protections against this deception.
- When *debt collectors* collect debts by deceptively promising improvement of a consumer's credit rating, CROA's prohibition against deception can be brought to bear.
- When *subsidiaries of credit reporting agencies* make the same promises to improve credit reports as do credit repair businesses, CROA provides a level playing field and equal protection against deception.

The proposed amendment to CROA for credit monitoring activities includes broad and sweeping exemptions. It would allow anyone who characterizes the services as providing “access to credit reports, credit monitoring notifications, credit scores . . . , any analysis, evaluation or explanation of credit scores” to be *exempted* from coverage under CROA as long as they provide a new disclosure and cancellation rights for credit monitoring services. In fact, the business would remain exempt *even if it offered to improve credit scores or modify credit reports*, as long as the offer did not promise to remove accurate items that are not obsolete. Yet today’s operators are savvier than that, and often avoid making illegal promises directly. In other words, *any* business could escape the coverage of CROA by slightly changing the description of what it does. CROA’s current strict prohibition against deception and fraud would no longer apply to that business.

This proposal weakens an important law available to consumers to address predatory lending activities. We strongly urge your opposition. For more information, please contact Lauren Saunders at the National Consumer Law Center at (202) 452-6252 x 105.

Sincerely,

Lauren Saunders
National Consumer Law Center (for its low income clients)

Ira Rheingold
National Association of Consumer Advocates

Ed Mierswinski
U.S. PIRG

Travis Plunkett
Consumer Federation of America

Brenda Muniz
Association of Community Organizations for Reform Now (ACORN)

Linda Sherry
Consumer Action

cc: Members of the Senate Committee on Commerce, Science and Transportation