



May 18, 2016

Dear Representative:

The undersigned consumer, civil rights, labor, and community organizations strongly urge you to support and co-sponsor the Comprehensive Consumer Credit Reporting Reform Act of 2016. Credit reports and credit scores play a critical role in the economic lives of Americans. They are the gatekeeper for affordable credit, insurance, rental housing, and sometimes unfortunately even a job. Yet they suffer from unacceptable rates of inaccuracy. This bill would single-handedly enact a sea change that would make the American credit reporting system more accurate and fair to consumers.

The Federal Trade Commission's definitive study showed that 21% of consumers had verified errors in their credit reports, 13% had errors that affected their credit scores, and 5% had errors serious enough to cause them to be denied or pay more for credit.<sup>1</sup> Trying to fix these errors can be a Kafka-esque nightmare in which the Big Three nationwide consumer report agencies (CRAs) –Equifax, Experian and TransUnion - consistently favor the side of the creditor or debt collector (“the furnisher”) over the consumer.

The American credit reporting systems suffers from a number of other flaws and defects. Consumers are unfairly penalized by negative credit reporting when they have been the victim of abusive practices, such as predatory mortgages or student loans resulting from for-profit school fraud, or due to circumstances out of their control, such as temporary job loss, illness, or financial abuse by a family member. Healthcare bills contribute greatly to credit reporting harms, with over 50% of debt collection items resulting from medical debt.

Consumers also lack the right to a free annual credit score. Furthermore, many consumers who attempt to obtain a free annual credit report or to obtain their scores are misled into purchasing high-priced credit monitoring or other subscription services. These services are also marketed to prevent identify theft, yet they are far less effective in doing so than a security freeze.

This legislation comprehensively addresses all of these abuses, and more. The Comprehensive Consumer Credit Reporting Reform Act of 2016 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)

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<sup>1</sup> Federal Trade Comm'n Report to Congress Under Section 319 of the Fair and Accurate Credit Transactions Act of 2003 (Dec. 2012), available at <http://www.ftc.gov/sites/default/files/documents/reports/section-319-fair-and-accurate-credit-transactions-act-2003-fifth-interim-federal-trade-commission/130211factreport.pdf>.

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** by limiting it to two narrow instances — when required by local, state or federal law or for national security clearances. This will severely limit a practice that discriminates against the long-term unemployed, has a disparate impact on communities of color, and has very little evidence demonstrating its effectiveness in predicting job performance.

**Help victims of abusive lending and overly punitive negative reporting practices** by (1) reducing the current overlong 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 180 days from the date of first delinquency. This will ensure that consumers have time to resolve their complex, confusing medical bills. The bill also mandates that all paid or settled debt, including medical collections, be removed within 45 days from reports.

**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. The bill also creates several new instances in which consumers are entitled to receive both free reports and scores, including requiring auto, private education and mortgage lenders to provide prospective loan borrowers the same free reports and scores that the lenders used in their decision-making before consumers sign those loan agreements.

**Address misleading marketing of credit monitoring subscriptions and increase access for security freezes to prevent identity theft** by (1) prohibiting the misleading practice of automatically converting free trial periods into paid, monthly subscription services by requiring CRAs to provide explicit opt-ins at the end of the promotions and (2) providing free credit freezes for security breach victims and vulnerable consumers, and capping the cost for all other consumers.

**Give a second chance to struggling private education loan borrowers** by allowing them 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.

These credit reporting reforms are urgently needed in order to ensure that consumers are treated fairly and that the credit reporting system that underlies so many daily transactions works as well as it should. We ask you to support the Comprehensive Consumer Credit Reporting Reform Act of 2016 and look forward to working with you to swiftly enact it into law.

Thank you for your attention. If you have any questions about this letter, please contact Chi Chi Wu ([cwu@nclc.org](mailto:cwu@nclc.org)) at (617) 542-8010.

Americans for Financial Reform

National Consumer Law Center (on behalf of its low-income clients)

AFL-CIO

Center for Digital Democracy

Consumer Action

Consumer Federation of America

Consumers Union

Demos

Empire Justice Center

Greenlining Institute

International Brotherhood of Teamsters

NAACP

National Association of Consumer Advocates

National Coalition for Asian Pacific American Community Development (National CAPACD)

National Council of La Raza

National Patient Advocate Foundation

National Urban League

New Economy Project

U.S. PIRG