

February 26, 2019

Dear Chairwoman Waters,

Thank you for holding this important hearing on credit reporting and proposing legislation to improve the credit reporting system and better protect consumers. We respectfully ask that you enter this statement for the hearing record.

The 83 undersigned consumer, civil rights, labor, and community organizations write to express our support for the Comprehensive Consumer Credit Reporting Reform Act of 2019 and the Protecting Innocent Consumers Affected by a Shutdown Act. 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. 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 2019 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

¹ 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/130211factareport.pdf.

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 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.

Correct provisions in last year's deregulatory law, S2155, that unwisely preempted states from further improvements to the credit freeze laws and provided servicemembers with credit monitoring right without a remedy.

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 also thank you for proposing the **Protecting Innocent Consumers Affected by a Shutdown Act**, which will protect consumers from having their credit negatively impacted by a government shutdown. This comprehensive proposal addresses both federal employees and contractors and prohibits adverse reporting during the shutdown period.

We look forward to working with you to swiftly pass both the Comprehensive Consumer Credit Reporting Reform Act and the Protecting Innocent Consumers Affect by a Shutdown Act to better protect consumers.

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

Sincerely,

Americans for Financial Reform

A2Z Real Estate Consultants

African American Health Alliance

Alaska Public Interest Research Group

Allied Progress

Arkansas Community Organizations

BREAD Organization

CAFE Montgomery MD

Center for Digital Democracy

Cleveland Jobs with Justice

Community Action Human Resources Agency (CAHRA)

Congregation of Our Lady of the Good Shepherd, US Provinces

Connecticut Fair Housing Center

Consumer Action

Consumer Federation of America

Consumer Federation of California

CWA Local 1081

Delaware Community Reinvestment Action Council, Inc.

Demos

Denver Area Labor Federation

East Bay Community Law Center

FAITH IN TEXAS

Famicos Foundation.

FLARA

Florida Alliance for Consumer Protection

Greater Longview United Way

Groundcover News

Habitat for Humanity of Camp Co, TX

Hawaiian Community Assets

Housing Action Illinois

Housing and Family Services of Greater New York, Inc.

Mary House, Inc.

Maryland Consumer Rights Coalition

Miami Valley Fair Housing Center, Inc.

Mobilization for Justice Inc.

Montana Organizing Project

Multi-Cultural Real Estate Alliance For Urban Change

National Advocacy Center of the Sisters of the Good Shepherd

National Association of Consumer Advocates

National Association of Social Workers

National Association of Social Workers West Virginia Chapter

National Center for Law and Economic Justice

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

National Fair Housing Alliance

National Housing Law Project

National Housing Resource Center

National Rural Social Work Caucus

New Economics for Women

New Jersey Citizen Action

New Jersey Tenants Organization

New York Legal Assistance Group

North Carolina Council of Churches

Partners In Community Building, Inc.

PathWays PA

Pennsylvania Council of Churches

People Demanding Action

Progressive Leadership Alliance of Nevada

Project IRENE

Prosperity Now

Public Citizen

Public Justice Center

Public Law Center

Public Utility Law Project of New York

Rocky Mountain Peace and Justice Center

SC Appleseed Legal Justice Center

Sisters of Mercy South Central Community

Society of St. Vincent de Paul

St. Paul UMC

Tennessee Citizen Action

The Center for Survivor Agency and Justice

The Disaster Law Project

The Greenlining Institute

The Leadership Conference on Civil and Human Rights

THE ONE LESS FOUNDATION

Tzedek DC

U.S. PIRG

Urban Asset Builders, Inc.

Virginia Citizens Consumer Council

Virginia Poverty Law Center

West Virginia Center on Budget and Policy

Wildfire

Woodstock Institute

WV Citizen Action Group