

**Testimony of Corey Stone**  
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**Consumer Financial Protection Bureau**  
**Before the Financial Institutions and Consumer Protection Subcommittee**  
**Of the Senate Committee on Banking, Housing and Urban Development**

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Chairman Brown, Ranking Member Corker, and members of the subcommittee, thank you for the opportunity to testify today on the consumer credit reporting industry.

Credit reporting plays a critical role in consumers' financial lives. Credit reports on consumers' financial history and behavior can determine their eligibility for credit cards, car loans, and home mortgage loans – and they often affect how much consumers pay for their loans. The industry is critical in our economy. It promotes access to credit that consumers can afford to repay. Without credit reporting, many consumers likely would not be able to get credit.

Credit reports are also often used in a number of non-credit decisions about consumers. They can be used to determine whether a consumer is offered a job, a car, homeowner's insurance, or rental housing.

The CFPB is the first federal government agency that supervises both consumer reporting companies and the largest banks and many of the nonbanks that provide them with consumers' credit information. This responsibility is a priority for the Bureau. Last year, the CFPB published one report to Congress on credit scores and another report on whether remittance information might help consumers develop positive credit scores. Earlier this year we published a Consumer Advisory about credit reports. In July, the CFPB adopted a rule to extend its supervision authority to cover larger consumer reporting agencies. In September, the CFPB released its examination procedures for these companies, along with a study examining credit scores -- the three-digit numbers used to determine consumers' credit worthiness. In mid-October, the CFPB began handling individual complaints about consumer reporting companies. If a consumer files a complaint with a credit reporting company and is dissatisfied with the resolution, the CFPB is available to assist.

As many of us at the CFPB conduct outreach all over the country to learn how consumers hurt by the financial crisis are recovering, we've heard many express frustrations about their credit reports or credit scores. And we've heard a considerable amount of confusion and misunderstanding about credit reporting.

Just last week, the CFPB issued a new report based on information provided by the big three consumer reporting companies -- Equifax, Experian, and TransUnion -- and their industry association. The report highlights the basic systems the credit reporting companies use to collect, organize, and maintain consumer credit information. It is one of the most comprehensive looks at the consumer reporting industry to date. And it represents a significant step forward in understanding this industry and making it more transparent for consumers.

Some of the key findings in our report are that:

- **More than half of the trade lines in the credit bureaus' databases are supplied by the credit card industry.** This means that credit cards are given great weight in how consumers build their credit profiles.
- **More than three quarters of the trade lines in the credit bureaus' databases come from the top 100 furnishers of information.** These are largely the large bank and non-bank lenders – and now the largest debt collectors and debt buyers – who fall under the CFPB's supervision. This means for the first time a federal agency has the tools to examine and understand how well all parts of the credit reporting system are working—including both the sources of credit information and credit bureaus themselves.
- **More than one-third of consumer disputes relate to collection items.** In fact, the information provided by the collections industry is five times more likely to be disputed than mortgage information.
- **A relatively small percentage of consumers – approximately 20 percent – look at their credit reports each year.** This is a shame because – while we do not know for sure how common inaccuracies are – it is likely that many additional consumers could identify and correct inaccuracies if they reviewed their credit report.
- **Most complaints are forwarded to the furnishers that provided the original information.** Credit reporting companies on average refer 85 percent of complaints on to the furnishers that provided the original information. But documentation that consumers mail in to support their cases may not be getting passed on to the data furnishers for them to properly investigate and report back to the credit reporting company.

The CFPB's report should help to clarify the confusing world of consumer reports. It should help to inform policymakers and consumers about how this important industry works. If consumers know more about how these companies consider credit use, consumers should be better able to make decisions for themselves and use credit more wisely.

Thank you for inviting me to testify today. I will be happy to answer any questions you may have about our report.