



STATEMENT OF
STUART K. PRATT
CONSUMER DATA INDUSTRY ASSOCIATION

WASHINGTON, D.C.

BEFORE THE

Committee on Banking

Subcommittee on Financial Institutions and Consumer Protection

United States Senate

ON

“Making Sense of Consumer Credit Reports”

December 19, 2012

Chairman Brown, Ranking Member Corker and members of the Subcommittee, thank you for this opportunity to appear before you. For the record my name is Stuart Pratt, president and CEO of the Consumer Data Industry Association (CDIA).

CDIA is an international trade association of more than 180 corporate members. Its mission is to enable consumers, media, legislators and regulators to understand the benefits of the responsible use of consumer data which creates opportunities for consumers and the economy. CDIA members provide businesses with the data and analytical tools necessary to manage risk. They help ensure fair and safe transactions for consumers, facilitate competition and expand consumers' access to a market which is innovative and focused on their needs. Their products are used in more than nine billion transactions each year.

We commend you for holding this hearing, and welcome the opportunity to share our views.

My written comments will include important background on the industry and then focus on the following specific Committee requests listed below:

- Current oversight of credit reporting agencies by the Consumer Financial Protection Bureau
- The dispute resolution process for consumers
- Communication between furnishers and credit reporting agencies
- Specialty credit reporting agencies and their duties under the Fair Credit

Reporting Act

- Differences in credit scores available to clients versus consumers

Background Part 1 - The importance of credit reporting to consumers and our nation's economy.

Consumer Financial Protection Bureau Director Richard Cordray stated the following about credit reporting during a July 16, 2012 field hearing:

“Credit reporting is an important element in promoting access to credit that a consumer can afford to repay. Without credit reporting, consumers would not be able to get credit except from those who have already had direct experience with them, for example from local merchants who know whether or not they regularly pay their bills. This was the case fifty or a hundred years ago with “store credit,” or when consumers really only had the option of going to their local bank. But now, consumers can instantly access credit because lenders everywhere can look to credit scores to provide a uniform benchmark for assessing risk. Conversely, credit reporting may also help reinforce consumer incentives to avoid falling behind on payments, or not paying back loans at all. After all, many consumers are aware that they should make efforts to build solid credit.”

In its 2011 publication of Credit Reporting Principles the World Bank observed:

“Credit reporting systems are very important in today's financial system. Creditors consider information held by these systems a primary factor when they evaluate the creditworthiness of data subjects and monitor the credit circumstances of consumers. This information flow enables credit markets to function more efficiently and at lower cost than would otherwise be possible.”

Congressional findings reinforce the positive contribution of credit reporting to consumers and state that “consumer reporting agencies have assumed a vital role in assembling and evaluating consumer credit and other information on consumers.”

Ultimately credit reports tell the story of our good choices and hard work. They

speak for us as consumers when we apply for loans and lenders don't know who we are or how we've paid our bills in the past. Credit reports replace human bias and assumptions with a foundation of facts that tell our story and ensure that we are treated fairly. Our members focus on consumers first, on ensuring fairness for them in the marketplace and on the accuracy of the data in the products they produce.

Background Part 2 - An overview of the types of data used to build a consumer's credit history.

Before we provide testimony on particular issues identified by the Committee, we thought it would be helpful to discuss what is and isn't in a "credit report." The term "credit report" is not defined by the Fair Credit Reporting Act (15 U.S.C. §1681 *et. seq.*) The FCRA defines the term "consumer report" and the traditional credit reports produced by nationwide consumer reporting agencies meets this definition. Credit reports include:

- Identifying Information – Name (first, last, middle), current and previous addresses, social security number, date of birth.
- Credit History – History of managing various loans issued by retailers, banks, finance companies, mortgage companies and other types of lenders.
- Public Records – Judgments, bankruptcies, tax liens.
- Accounts Placed with a Collection Agency – these accounts are reported by third-party debt collectors who attempt to collect delinquent debts owed to a service provider or lender.

- Inquiries – A record of all who have a permissible purpose under law and have access a consumer’s report.

Note that credit reports do not contain information on an individual’s medical condition, race, color, religion, or national origin. It is important to note that our US credit reporting systems are full-file and thus they include both positive and negative payment history on a consumer. Full-file credit reporting is inherently fairer for consumers because it ensures that there is a clear record of not just missed payments but all on-time payments.

Background Part 3 – Consumers and Credit Reports

A consumer’s credit history starts with the very first relationship a consumer has with a lender. It may be when a parent adds a son or daughter as an authorized signatory on a credit card or when a young adult makes application for his or her very first loan. Ensuring that consumers understand how lenders consider their management of credit is critical and certain fundamental principles are consistently true over time:

- Pay your bills on time.
- Don’t run up your credit cards to their limits.

Never before in the history of our country has there been a greater degree of transparency when it comes to the information available to enable consumers to

understand consumer credit reports and their rights under the FCRA. In particular CDIA applauds its members for their market solutions which make available to consumers unlimited access to credit reports, credit scores, as well as providing additional information about the credit, credit reporting industry. These market solutions, for example, push alerts to consumer's smart phones when data has changed on their report and also warn consumers when there's a risk of identity theft.

Under the Fair Credit Reporting Act consumers also have a right to an annual free credit file disclosure from each of the nationwide consumer credit reporting agencies: Equifax, Experian and TransUnion. We estimate that more than 15 million consumers view at least one of their reports each year and an average of more than 30 million disclosures are issued annually. Since December of 2004 hundreds of millions of disclosures have been issued to consumers.

For some years consumer advocates have been measuring the knowledge consumers have regarding their credit reports and how credit scores used by lenders analyze data. In particular VantageScore and the Consumer Federation of America have partnered on a project to reach consumers and measure their knowledge. The trends identified through this effort are very encouraging. Consider the following excerpts drawn from the CFA News Release issued on May 14, 2012:

"A large majority of consumers now know many of the most important facts about credit scores, for example:

- *Mortgage lenders and credit card issuers use credit scores (94% and 90% correct respectively).*

- *Many other service providers also use these scores -- landlords, home insurers, and cell phone companies (73%, 71%, and 66% correct respectively).*
- *Missed payments, personal bankruptcy, and high credit card balances influence scores (94%, 90%, and 89% correct respectively).*
- *The three main credit bureaus -- Experian, Equifax, and TransUnion -- collect the information on which credit scores are frequently based (75% correct).*
- *Consumers have more than one generic score (78% correct).*
- *Making all loan payments on time, keeping credit card balances under 25% of credit limits, and not opening several credit card accounts at the same time help raise a low score or maintain a high one (97%, 85%, and 83% correct respectively).*
- *It is very important for consumers to check the accuracy of their credit reports at the three main credit bureaus (82% correct).*

Somewhat surprising was the fact that most consumers understand new, and fairly complicated, consumer protections regarding credit score disclosures. When asked when lenders who use generic credit scores are required to inform borrowers of these scores, large majorities correctly identified three key conditions -- after a consumer applies for a mortgage (80% correct), whenever a consumer is turned down for a loan (79% correct), and on all consumer loans when a consumer does not receive the best terms including the lowest interest rate available (70% correct).

"Increases in consumer knowledge probably reflect in part the increased public attention given to credit scores because of the new protections," noted CFA's Brobeck. "The improvements may also be related to increased efforts of financial educators, including our creditscorequiz.org, to inform consumers about credit reports and scores," he added."

Our members are encouraged by the progress made and these data argue against the perception reported by some journalists and advocates that consumers are simply confused and unable to understand the credit reporting system. It's our view that journalists and advocates would serve consumers better by setting aside the rhetoric of confusion in favor of encouraging consumers to act on their rights and to learn how the credit reporting system is making their lives better.

Background Part 4 – Credit Repair Scams

It is good news that consumers' knowledge of credit reports and how scores analyze credit report data is improving. However it is critical that consumers remain vigilant and do not fall prey to fraudulent credit repair schemes. Fraudulent credit repair agencies have a business model built around the premise of seeking to have accurate, predictive data deleted from a consumer's credit report and taking consumers' hard-earned money to do something that consumers can do for themselves. The quote from an October 13, 2011 FTC press release regarding a public investigation of a credit repair operator is illustrative of the problem and challenge our members face:

“The FTC alleges that the defendants made false statements to credit bureaus disputing the accuracy of negative information in consumers' credit reports. In letters to credit bureaus, which XXX did not show to consumers, the firm typically disputed all negative information in credit reports, regardless of the information's accuracy. XXX continued to send these deceptive dispute letters to credit bureaus, even after receiving detailed billing histories verifying the accuracy of the information, or signed contracts from creditors proving the validity of the accounts.

The complaint alleges that XXX misrepresented to consumers that federal law allows the company to dispute accurate credit report information, and that credit bureaus must remove information from credit reports unless they can prove it is accurate. In the company's words, credit bureaus must “prove it or remove it.” XXX charged a retainer fee of up to \$2,000 before providing any service, and falsely told consumers that Texas law allows credit repair organizations that are registered and bonded to charge an advance fee.”

CDIA applauds the actions of the Federal Trade Commission and state attorneys general to protect consumers through their enforcement of the Credit Repair Organizations Act. These enforcement efforts must continue. But the CFA survey of

consumers speaks clearly to the need to also continue to educate consumers. Consider the following finding:

“Over half (51%) [of consumers] incorrectly believe that credit repair companies are "always" or "usually" helpful in correcting credit report errors and improving scores. Experts agree that credit repair companies often overpromise, charge high prices, and perform services that consumers could do themselves.”

Fraudulent credit repair activities remain a problem for consumers and also for our members who serve consumers. Our members estimate that as much as 43% of incoming mail is tied to credit repair schemes that distract from processing valid disputes and which tie up data furnisher resources leading some to give up and delete accurate, predictive data.

Committee Request I - Current oversight of credit reporting agencies by the Consumer Financial Protection Bureau

Our members have successfully operated in a highly-regulated context for decades. Recent changes in how the federal government enforces various consumer protection laws, most notably the Fair Credit Reporting Act (15 U.S.C. § 1681 *et. seq.*), do not materially alter this fact.

The FCRA was first enacted in 1970 (PL 91-508). It has since been the subject of active oversight by many different Congresses. Following is a partial listing of major and minor amendments to the law which speaks to the fact that the FCRA is a contemporary law that has been updated to recognize changes in the marketplace:

- Consumer Credit Reporting Reform Act of 1996 (Public Law 104-208, the Omnibus Consolidated Appropriation Act for Fiscal Year 1997, Title II, Subtitle D, Chapter 1)
- Section 311 of the Intelligence Authorization for Fiscal Year 1998 (Public Law 105-107)
- The Consumer Reporting Employment Clarification Act of 1998 (Public Law 105-347)
- Section 506 of the Gramm-Leach-Bliley Act (Public Law 106-102)
- Sections 358(g) and 505(c) of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USAPATRIOT Act) (Public Law 107-56)
- The Fair and Accurate Credit Transactions Act of 2003 (FACT Act) (Public Law 108-159)
- Section 719 of the Financial Services Regulatory Relief Act of 2006 (Public Law 109-351)
- Section 743 (Div. D, Title VII) of the Consolidated Appropriations Act of 2008 (Public Law 110-161)
- The Credit and Debit Card Receipt Clarification Act of 2007 (Public Law 110-241)
- Sections 205 and 302 of the Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009 (Public Law 111-24),
- The Consumer Financial Protection Act of 2010 (CFPA) (Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Public Law 111-203)
- The Red Flag Program Clarification Act of 2010 (Public Law 111-203).

Most important to understanding this statute is that it carefully and clearly divides responsibilities for ensuring the accuracy of information in credit reports and also how consumer disputes and questions about their credit reports are resolved. As CFPB

Director Cordray stated during a July 26, 2012 field hearing:

“Our credit reporting system involves several key participants. First are the creditors and others that supply the information about your financial behavior, which can include your credit card issuers, your mortgage company, or companies that are collecting debts they claim you owe, among others. Second are those that collect and sell the information, which are the credit reporting companies. Third are those that use the information, which largely consist of financial institutions, but can also include insurance companies, auto dealers, retail stores, and even prospective employers. Fourth are consumers themselves, who are the object of all this scrutiny and who are immediately affected by it. All of these participants play important roles in ensuring that the credit reporting system operates effectively to help consumer credit markets work better for us all.”

At this same hearing Director Cordray also pointed out:

First, our oversight of the credit reporting companies will help us make sure that the information provided to them is itself reliable. Lenders and others who furnish information to the credit reporting companies are legally required to have policies in place about the accuracy and integrity of the information they report – which includes identifying consumers accurately, correctly recounting their actual payment history, and keeping their information and recordkeeping in order. Otherwise, their sloppy work becomes the true source of harm to the consumer’s overall creditworthiness. We want to deepen our understanding of the recordkeeping and reporting practices by lenders and we want to see what the credit reporting companies can be doing to test and screen for the quality of information they receive.

The FCRA has always been enforced by both state attorneys general and also through private litigation. Until the enactment of the Dodd Frank Act (PL 111-203) the Federal Trade Commission had the primary Federal responsibility for enforcement of the provisions of the FCRA which apply to our members. As a result of Dodd Frank, the Consumer Financial Protection Bureau was created (See Title X) and this enforcement responsibility was transferred to the CFPB. While the CFPB now has primary oversight for our members’ FCRA duties, the FTC and state attorneys general may still bring enforcement actions. A Memorandum of Understanding between the CFPB and FTC has been completed and it outlines how the two agencies will cooperate on enforcement actions.

Our members have sought a positive and collaborative relationship with the CFPB. Free of charge, our nationwide credit reporting agencies provided the CFPB with 600,000 depersonalized credit reports and another 3,000,000 credit scores so that the Bureau could conduct a study of the similarities of various credit scores in the marketplace. One of our members voluntarily provided the CFPB with free, depersonalized credit reports for a study of the usefulness of remittance data in predicting creditworthiness of consumers who may have “thin” credit reports or no credit report. Further, our members conducted extensive, free research for the CFPB in support of their effort to draft a white paper on the credit reporting eco-system. Ultimately it is our hope that these efforts are in support of a CFPB that continues to follow the important guiding comments of the Bureau’s Deputy Director, Raj Date when he stated:

“First, we are committed to basing our judgments on research and data analysis. We won’t shoot from the hip. We won’t reason from ideology. We won’t press a political agenda. Instead, we’re going to be fact-based, pragmatic, and deliberative.”

It is essential that the CFPB remain an organization focused on the facts and not driven by the headlines. The CFPB cannot be successful if it seeks out inflammatory headlines that are a distraction for consumers, or reacts to headlines that simply are not based in good social science and scientific methods.

Committee Request II - The dispute resolution process for consumers.

Before we delve into the systems our members have designed to assist consumers with disputes regarding information in their credit reports, some context for the accuracy

of credit reports is helpful.

In May of 2011 the PERC completed and released a CDIA-commissioned study of the quality of data found in the databases of nationwide consumer credit reporting agencies. This work was groundbreaking. The research was truly an arms-length, let-the-chips-fall-where-they-may project which was the only condition under which Dr. Turner would agree to conduct the study. Our members had no reservations about this requirement. Consumers wanted answers from a trusted source regarding the accuracy of credit reports and we wanted to make sure we gave them an answer, particularly since the General Accountability Office has rejected all consumer advocate efforts to measure accuracy due to serious flaws in their methodologies and lack of sound statistical practices. The CFPB's recent white paper on the credit reporting eco-system added to these GAO criticisms in its discussion of the failure of a consumer group to develop a statistically representative, unbiased study population.

PERC designed its study using a peer review process that included reviews of methodology conducted by leading academics from the Wharton School of Business at the University of Pennsylvania, the University of North Carolina and Chapel Hill and Duke University. As an indication of the openness of Dr. Turner to engage in the dialogue about accuracy, when PERC published its results, it also made the raw data and research findings available to the CFPB and the FTC so that these agencies could replicate the findings and not merely depend on PERC's interpretation of the data.

Dr. Turner and his team used two measures of what might be a material error in a consumer's credit report. First they used VantageScore to measure the point change between credit reports before and after a dispute and reinvestigation process. In this instance they found that only 0.93% of all credit reports examined had one or more disputes which resulted in a credit score increase of 25 points. However, Dr. Turner recognized that in a risk-based-pricing context even a single point change could make a difference for a consumer who is on the edge of qualifying for a better rate. Thus the PERC team also measured material errors by considering how often a consumer moved from a higher priced pricing tier to a lower one (an approach the CFPB has used in a study of credit scores). Only one half of one percent (0.51%) of all credit reports examined by consumers had a credit score change that resulted in the consumer likely receiving a lower-priced product. This study puts to rest the debate about the accuracy of our members' data.

As a further statement of our members' confidence in their systems and the quality of their data, they not only provided a grant to fund the PERC research, they also provided, free of charge, the data the the Federal Trade Commission needed to fulfill its mandate under the FACT Act to study the accuracy of nationwide credit reporting systems. Release of the FTC's full research findings is imminent.

CDIA applauds its members for facing the hard questions about data quality and engaging in responsible, sound research. The results of our members' decisions are impressive and expected.

As for the question of dispute resolution procedures, consumers' rights are very clear under the FCRA. Below is an explanation of those rights prepared by the Federal Trade Commission:

You have the right to know what is in your file. You may request and obtain all the information about you in the files of a consumer reporting agency (your "file disclosure"). You will be required to provide proper identification, which may include your Social Security number. In many cases, the disclosure will be free. You are entitled to a free file disclosure if:

- *a person has taken adverse action against you because of information in your credit report;*
- *you are the victim of identity theft and place a fraud alert in your file;*
- *your file contains inaccurate information as a result of fraud;*
- *you are on public assistance;*
- *you are unemployed but expect to apply for employment within 60 days.*

In addition, [since] September 2005 all consumers [have been] entitled to one free disclosure every 12 months upon request from each nationwide credit bureau and from nationwide specialty consumer reporting agencies. See www.ftc.gov/credit for additional information.

You have the right to dispute incomplete or inaccurate information. If you identify information in your file that is incomplete or inaccurate, and report it to the consumer reporting agency, the agency must investigate unless your dispute is frivolous. See www.ftc.gov/credit for an explanation of dispute procedures.

Consumer reporting agencies must correct or delete inaccurate, incomplete, or unverifiable information. Inaccurate, incomplete or unverifiable information must be removed or corrected, usually within 30 days. However, a consumer reporting agency may continue to report information it has verified as accurate.

The staff and systems used by our members to handle consumer requests for reinvestigations of data reported to them are first-class and this is not merely an opinion.

The PERC data quality study discussed above measured consumer satisfaction with the reinvestigation process and fully 95% of consumers were satisfied with the results. These data are facts and not merely anecdotes and set aside unfounded accusations by consumer advocates that our members' systems fail to meet consumer expectations.

Further indication of our members' success in meeting consumers' needs can be found in a 2008 report to congress regarding complaints submitted to the Federal Trade Commission. Note in the excerpt below that consumers appeared to be complaining to the FTC concurrent with the submission of a dispute directly to a consumer credit reporting agency. More than 90% of the disputes were resolved when submitted directly to the CRA, a percentage that is very consistent with the findings of PERC

The data indicate that a significant number of disputes were resolved in the consumer's favor (i.e., the disputed information was either removed from the file or modified as requested). The data further indicate, however, that in most cases, the favorable resolutions took place as part of the normal dispute process, and not as a result of the referral program. Specifically, the CRAs' reports show that over 90 percent of disputes that were resolved "as requested by the consumer" were resolved before the CRA processed the referral from the Commission.¹

It is also important to note that in 2003 consumers were given the right to dispute information furnished to a consumer reporting agency directly with the furnisher of the data (e.g., lender, etc.). A March 2012 FTC report on a survey of consumers indicated that 46% chose to dispute an item of information directly with the data furnisher rather than with a consumer credit reporting agency. It is our view that consumers will continue

¹ See page 5 of the FTC Report to Congress Submitted on December 29, 2003:
<http://www.ftc.gov/os/2008/12/P044807fcracmpt.pdf>

to grow in their understanding of this right and will more often dispute with the data furnisher.

The 95% satisfaction rate and the FTC’s analysis of complaints received are strong, empirical evidence of our members’ commitment to getting it right for all consumers.

Committee Request III – Communication between Furnishers and Credit Reporting Agencies

New data furnishers – all of our members have specialized staff, policies and procedural systems in place to evaluate each new data furnisher. Common practices include reviews of licensing, references, and site visits. All apply robust tests to sample data sets and all work with the furnisher to conform data reporting to the Metro 2 data standard. Once a furnisher is approved, there may be ongoing monitoring of this data reporting stream during a probationary period of time.

The CFPB’s newly-released report, “Key Dimensions and Processes in the U.S. Credit Reporting System: A review of how the nation’s largest credit bureaus manage consumer data”, provides additional details on our members’ efforts at Section 4.1 on pages 18-19.

Ongoing furnishing – Our members employ a variety of practices; some of these are listed below:

- Producing reports for data furnishers which outline data reporting problems, including errors in loading data and data which is not loaded. This reporting process ensures data furnishers are receiving feedback regarding the quality of their data furnishing practices.
- Cross-referencing data in certain fields to look for logical inconsistencies are often used as a data quality check.
- Historical data reporting trends, at the database level or data furnisher level, are used as baseline metrics upon which to evaluate incoming data.
- Manual reviews of data can occur when anomalous data reporting trends are identified.
- Reviewing incoming data for consistency with the Metro 2 data standard.

Beyond the extensive, individual corporate strategies for ensuring data quality, our members have undertaken industry-level strategies as well. Central to these efforts has been the development of a data reporting standard for all 10,000 data sources which contribute to their databases. The latest iteration of this standard is titled Metro2.

Standardizing how data is reported to the consumer is a key strategy for improving data quality. Consumer advocates appear to agree. The National Consumer Law Center,

writing on behalf of a range of consumer groups, appears to agree with this point when it stated in its letter to the Federal Reserve Board²:

“However, the failure to report electronically or to use Metro2 creates even more inaccuracies.”

CDIA provides free access to a “Credit Reporting Resource Guide” which is the comprehensive overview of the Metro2 Format. This guide is designed for all types of data furnishers, but it also provides specific guidance for certain types of furnishers to encourage proper use of the format. Target audiences include collection agencies, agencies which purchase distressed debt, all parties which report data on student loans, child support enforcement agencies and utility companies. CDIA and its Metro2 Task Force have administered telephonic and in-person workshops for thousands of data furnishers representing the majority of all data furnished to their systems. These programs include a range of specialized topics including, for example:

- Reporting Requirements for Third Party Collection Agencies and Debt Purchasers.
- Reporting Requirements Specific to Legislation & Accounts Included in Bankruptcy.

The CFPB report also discusses oversight of ongoing data furnishing at Section 4.2, page 19 and an outline of the Metro 2 Data Format (Section 3.1.2, page 15 and

² Comments of the National Consumer Law Center, ANPR: Furnisher Accuracy Guidelines and Procedures Pursuant to Section 312 of the Fair and Accurate Credit Transactions Act, Pp. 16.

following). Our members' efforts to audit incoming data and to work with both new and current data furnishers are well-documented. However, the Congress recognized that data furnishers have to have duties to ensure that accuracy of what they report which is why, in 1996, the FCRA was amended to create an accuracy duty for data furnishers and again in 2003, the Congress enacted new FCRA requirements on data furnishers via the issuance of regulations regarding the "accuracy and integrity" of information furnished to consumer reporting agencies.

Committee Issue IV – Nationwide Specialty Consumer Reporting Agencies

Some consumer reporting agencies regulated under the FCRA are further defined a "nationwide specialty consumer reporting agency." This term is defined as follows:

§ 603. Definitions; rules of construction [15 U.S.C. § 1681a]

“(x) The term “nationwide specialty consumer reporting agency” means a consumer reporting agency that compiles and maintains files on consumers on a nationwide basis relating to--

- (1) medical records or payments;*
- (2) residential or tenant history;*
- (3) check writing history;*
- (4) employment history; or*
- (5) insurance claims.”*

NSCRAs have to provide a free annual disclosure. Below is the section of law which establishes this duty:

§ 612. Charges for certain disclosures [15 U.S.C. § 1681j]

(C) Nationwide Specialty Consumer Reporting Agency

- (i) In general. The Bureau shall prescribe regulations applicable to each consumer reporting agency described in section 603(w) to require the establishment*

of a streamlined process for consumers to request consumer reports under subparagraph (A), which shall include, at a minimum, the establishment by each such agency of a toll-free telephone number for such requests.

(ii) Considerations. In prescribing regulations under clause (i), the Bureau shall consider—

(I) the significant demands that may be placed on consumer reporting agencies in providing such consumer reports;

(II) appropriate means to ensure that consumer reporting agencies can satisfactorily meet those demands, including the efficacy of a system of staggering the availability to consumers of such consumer reports; and

(III) the ease by which consumers should be able to contact consumer reporting agencies with respect to access to such consumer reports.

(iii)7 Date of issuance. The Bureau shall issue the regulations required by this subparagraph in final form not later than 6 months after the date of enactment of the Fair and Accurate Credit Transactions Act of 2003.

(iv)7 Consideration of ability to comply. The regulations of the Bureau under this subparagraph shall establish an effective date by which each nationwide specialty consumer reporting agency (as defined in section 603(w)) shall be required to comply with subsection (a), which effective date –

(I) shall be established after consideration of the ability of each nationwide specialty consumer reporting agency to comply with subsection (a); and

(II) shall be not later than 6 months after the date on which such regulations are issued in final form (or such additional period not to exceed 3 months, as the Bureau determines appropriate).

Committee Issue V – Differences in Credit Scores Available to Clients versus

Consumers

In September of 2012 the CFPB issues a reported entitled “Analysis of Differences between Consumer- and Creditor-purchased Credit Scores.” The findings of this report were very favorable to consumers and set aside any concerns regarding which score a consumer chooses to purchase. 4 out of 5 consumers get exactly the same result regardless of the score they choose and where this isn’t the case it is a result of how lenders set their prices in the market place. No one credit score will every match up with all lender pricing strategies or with their internal underwriting systems which include

customized credit scores designed uniquely for them. From a statistical/scientific perspective the CFPB reports that all scores they studied were highly correlated (.9 out of 1). In a competitive credit scoring marketplace correlations could not likely be better, and this is good news for consumers, as well.

Because, as the CFPB itself reports, there is no one score in the marketplace (some commonly used score brands have as many as 49 different versions operating in the current marketplace) and lenders make different offers to the same consumer, we agree with the CFPB that the lesson learned from this study is that it is essential that consumers shop around for a deal. Consumers should never take the first offer on the table. Consumers should take advantage of the availability of credit scores and set aside unfounded concerns about the variety of high-quality credit scores available in today's competitive marketplace.

CDIA issued a release in support of the CFPB's report and we have included it below. It captures our industry's reaction to the study.

WASHINGTON, Sept. 25, 2012 /PRNewswire-USNewswire/ -- "We applaud the Consumer Financial Protection Bureau's credit score report that was released today. We think it puts an end to the debate over the value of educational scores versus those scores lenders use," said Stuart K. Pratt, president and CEO of the Consumer Data Industry Association.

The CFPB study concluded that "correlations across the results of the scoring models were high." As a result, it determined "that for a majority of consumers the scores produced by different scoring models provided similar information about the relative creditworthiness of the consumers. The study found that different scoring models would place consumers in the same credit-quality category 73-80% of the time."

"The study sheds new light on why consumers can trust the credit score disclosures they receive and the products in the commercial marketplace that help consumers build a deeper understanding of their credit scores and how they affect their financial decisions. Consumers want to be proactive in learning about their scores. Unfortunately, too many mixed messages

have made them hesitant to access the data currently available that will help them better understand the scoring process. This study is good news for consumers who can now be confident that the disclosures and services they are getting today are helping to empower them to receive better prices tomorrow in the credit market," stated Pratt.

The study was built on the foundation of two key facts made clear in the Bureau's 2011 report and reiterated again in this study:

- "Given this complexity it is unlikely that a consumer will often be able to know the exact score that a particular lender will use to evaluate them." [1]
- "Lenders use credit scores produced by many different scoring models." [2]

"The CFPB is right," said Pratt, "no one score is used by all lenders. However, the credit score is a valuable educational tool and can enable consumers to better understand their creditworthiness relative to other consumers." As the CFPB's report notes, the many credit score options in the marketplace today will help consumers answer these questions. CDIA recommends that when consumers obtain their credit scores they should ask these important questions:

1. What credit scoring model was used?
2. What's the scale?
3. What does the score I received mean in terms of lending risk?
4. What are the key factors affecting my credit score?
5. How might my future financial decisions affect my credit score?

CDIA's members are global leaders in the development of credit score technology. While the CFPB was not charged by Congress with studying every effective and reliable credit score in the marketplace, this report shows that all such scores designed using the same common principles will help educate consumers with equal effectiveness.

In support of the CFPB's study, the CDIA will fund a new series of public service announcements focused on encouraging consumers to read the CFPB's report, obtain their credit scores and also, in support of the Consumer Federation of America's latest credit score poll, avail themselves of resources that are available to better understand what does and doesn't affect a credit score.

[1] July 19, 2011 CFPB Report, "The impact of differences between consumer- and creditor-purchased credit scores," Pg. 18.

[2] July 19, 2011 CFPB Report, "The impact of differences between consumer- and creditor-purchased credit scores," Pg. 1.

SOURCE Consumer Data Industry Association

Conclusion

I am grateful of this opportunity to testify and for your interest in our members. They are

a vital and successful part of our U.S. economy. I am happy to answer any questions.