SENs. WARREN & WARNER RAISE NEED FOR STRENGTHENING FCRA

from The Privacy Times

A long-awaited study by the Federal Trade Commission of the U.S. credit reporting industry has found that 21% of consumers had verified errors in their credit reports, 13% had errors that affected their credit scores, and 5% â€“ more than 10 million Americans â€“ had errors serious enough to cause denials or pay more for mortgages, refinancing, auto loans, insurance and credit cards.

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s.src = 'http://widgets.digg.com/buttons.js';
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The FTC study, which was six years in the making, was based on the experiences of 1,001 consumers who reviewed a total of nearly 3,000 credit reports with the assistance of research associates who helped them identify errors and register disputes with the credit-
reporting companies.

Importantly, the study confirmed there were systemic flaws in the dispute-response systems of the â€œBig Threeâ€• consumer reporting agencies (CRAs) â€“ Equifax, Experian and TransUnion, which are required under the Fair Credit Reporting Act (FCRA) to investigate and correct or verify disputed information within 30 days.

â€œOf the 262 study disputants who filed disputes regarding potentially material errors under the FCRA dispute process, 206 experienced a modification by a CRA. Over half of the

206 consumers with modifications continued to have information appear on a credit report that the consumer alleged was inaccurate,â€• the report stated.

 - 97 consumers (37% of disputants) had modifications that addressed all of their disputes in some manner so that there was no longer conflict between the credit report and consumer allegations.

 - 109 consumers (42% of disputants) had modifications to their reports but also had some disputed items remain as originally stated on their credit report.

 - 56 consumers (21% of disputants) disputed information but had no changes made to their report; i.e., the allegedly incorrect information was maintained by the data furnisher as being correct.

The study was preceded by a CBS â€œ60 Minutesâ€• expose on problems in the credit

reporting industry, with CBSâ€™s Steve Kroft stating it was â€œnearly impossibleâ€• for ordinary consumers to remove mistake from CRA files. (www.ftc.gov/opa/2013/02/creditreport.shtm)

 The New York Times followed up with an editorial stating, â€œGiven the evidence, it is imperative that the federal government do more to make the credit-reporting process transparent and to protect consumers from errors that can drive up their borrowing costs and cause them to be denied jobs or be turned away by landlords.â€• www.nytimes.com/2013/02/13/opinion/victimized-by-credit-reports.html?emc=tnt&tntemail1=y&_r=0

In a letter to outgoing FTC Chairman Jon Leibowitz and Richard Cordray, head of the U.S. Consumer Financial Protection Board, Sens. Elizabeth Warren and John Warner stated:

â€œThe FTC report shed light on a cumbersome, unresponsive and nontransparent process for those consumers who dispute or try to correct errors in their credit reports. The significant impact of consumer credit scores on the general public is not, in our minds, matched by the degree of transparency and responsiveness of the consumer credit reporting system to meeting consumer needs. Our nation remains in a critical period of economic recovery, and tens of millions of Americans are emerging from problematic mortgages and other debts that have become more burdensome since the financial crisis began. We find this situation unacceptable.â€•

 â€œWe urge you â€¦ to work with us to take further action to improve credit reporting.

In addition, we ask that your staffs prepare a report on whether the current legal framework regulating the credit reporting industry and protecting consumers is sufficient, or if additional oversight or legislation in this area would be beneficial.

The Consumer Data Industry Association (CDIA), which includes as its members the â€œBig Threeâ€• CRAs, blasted CBS ahead of the story. CDIA President and CEO Stuart Pratt, who declined to be interviewed for the 60 Minutes story, said, â€œThe FTC study shows that 98% of credit reports are materially accurate, a fact it appears '60 Minutes' is set to ignore.â€•

 Pratt said it was â€œirresponsibleâ€• for 60 Minutes to report it was â€œnearly impossible to expungeâ€• errors. He cited the in funded PERC studyâ€™s findings that 95% consumers were satisfied with the results of the dispute process.

Pratt rebutted suggestions on 60 Minutes that CDIA members were in violation of federal law. â€œFederal courts have found just the opposite on multiple occasions. Further, Congress directed the FTC to conduct a year-long review of the dispute process and it did not find any violations of law,â€• he asserted in a statement.

â€œThere seems to be some misunderstanding about what the law requires of a credit bureau when a consumer submits a dispute. This is a good time to get the facts straight,â€• Pratt continued, adding:

- The FCRA requires a credit bureau to send the consumerâ€™s dispute to the lender or other data source within five days of receiving it. Congress required this because it correctly recognized that a credit bureau cannot, on its own, determine whether or not a consumer, for example, missed a payment. [Editorâ€™s note: In addition, the FCRA requires CRAs to conduce a â€œreinvestigationâ€• upon receiving a consumerâ€™s dispute.] .

- Congress imposed a duty on lenders to reinvestigate a consumerâ€™s dispute because it recognized that lenders have the relevant data about their customerâ€™s loan. .

- The statement, â€œThey're not doing an investigation at allâ€• in the â€œ60 Minutesâ€• piece is incorrect. First, it ignores the timeframes dictated by federal law under which a dispute must be resolved. In almost every instance, we not only meet that deadline but complete the dispute process well within the time allotted. Second, it ignores recent findings by the new Consumer Financial Protection Bureau (CFPB) which show that credit bureaus are working proactively to resolve disputes even when the data resides with the consumerâ€™s lender. Lastly, it completely ignores the advances the CRAâ€™s have made and are implementing â€“ and which the CFPB and FTC have reviewed â€“ to significantly streamline the reinvestigation process.â€•

â€œLetâ€™s have a responsible discussion and step back from the hyperbole,â€• Pratt urged in the CDIA statement.

In fact, the FTC pointed out shortcomings in the industry-funded PERC study that sought to minimize the rates of credit report errors by only counting ones it considered to be â€œmaterialâ€• â€“ i.e. causing consumers to pay more for credit.

Consumer advocates applauded the FTC study. Ed Mierzwinski, U.S. PIRG Consumer Program Director, said the findings were no surprise and were consistent with several PIRG studies. â€œWeâ€™ve criticized the credit reporting industry fo decades over unacceptable levels of seriously damaging mistakes, many of which are entirely preventable.â€•

Mierzwinski noted the FTC study found that the percentage of serious errors was about 10 times the percentage reported by the May 2011 industry-funded â€œPERCâ€• study, which had claimed that only 0.51% of credit reports had errors serious enough to cause the consumer to be denied or pay more for credit.

â€œItâ€™s unconscionable that 40 million American have errors in their credit reports, and that 10 million have errors grave enough to cause them to be denied or charged more for credit or insurance or even be denied a job,â€• noted Chi Chi Wu, staff attorney at the National Consumer Law Center. â€œThere needs to be serious and wholesale reform of the credit reporting industry.â€•

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