Latest Congressional Effort to Improve Credit Reporting Unlikely to Work

August 24, 2018 - You probably havenâ€™t heard of the "Credit Access and Inclusion Act," which passed through the House of Representatives earlier this month. It's a bill to modify the Fair Credit Reporting Act (FCRA) in such a way that landlords, phone companies and utilities to report payment data to the nation's credit reporting agencies. The idea behind the bill is to allow those with lower incomes to more easily establish a credit history, which will give them greater access to credit. While that may be a worthwhile goal, it is unlikely to work without some significant modifications.

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Currently utilities and phone companies will report some payment history; depending upon which state they are located in. In most cases though, these companies will only report negative payment data. That has led a number of states to issue guidance to these companies forbidding them from reporting payment history information in any case. And since the proposed new law doesn't preempt these state rules/laws, its impact will be limited. We would also expect these same states to restrict landlord reporting of payment history information.

In the states where reporting by these companies remains legal, many still choose not to. The reasons for this vary but are due in large part to the FCRA itself. That law establishes clear reporting and dispute guidelines that companies must abide by to be compliant with the law. It also makes liable companies that are not compliant with the law.

Because of the costs and risks associated with credit reporting, it is highly unlikely that small landlords will choose to report payment history information unless the new law somehow shields them from liability in the event of errors or other compliance issues. And even with that, they may not report voluntarily.

At the same time, the changes will not matter at all in the states that prevent these businesses from reporting.
byJim Malmberg
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