New Banking Bill Rewards Equifax After Data Breach

March 14, 2018 - In spite of causing what is probably the worst data breach ever for an American company to date, the Senate is expected to pass a banking bill this week that will provide Equifax and the other consumer reporting agencies (TransUnion and Experian) with significant protection from consumer lawsuits. At the same time, the bill will further reward these companies by channeling even more business to them through Fannie Mae and Freddie Mac. It isn't the response that we would expect given the fact that Equifax is now responsible for breaching the personally identifiable information of nearly half of all Americans; exposing them to the potential fraud and identity theft.

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The bill moving through the Senate is supposed to reverse some of the more harmful effects of 2008's Dodd-Frank legislation. Among other things, it would provide regulatory relief to small community banks and some regional lenders with the goal of pushing these lenders to make more loans. It would also provide consumers with free access to credit freezes, which are one of the most effective ways of preventing identity theft.

The bill would also stop Sallie Mae and other student lenders from declaring student loans in default when a co-singer on the loan dies. This has been a big problem for some borrowers who are forced either to immediately repay their loans to prevent their credit from being ruined.

While these changes are positive news for most consumers, the bill does a couple of things that aren't good. First, it forces the CRAs (Experian, Equifax and TransUnion) to provide free credit monitoring service to active duty military personnel and their families. In return for this, the law would prevent these families from filing class actions lawsuits against the CRAs in the event of a data breach. Given the extent of the damage done by last year's Equifax breach, this is a tremendous injustice to military families.

The bill also forces Fannie Mae and Freddie Mac to start using VantageScore for some credit scoring. These companies currently only use FICO scores. VantageScore is credit scoring model that is owned by the CRAs themselves. FICO is completely independent of the CRAs. If the bill passes in its current form, it would mean that the CRAs would be responsible for assembling credit reports and then grading them themselves. What could possibly go wrong with that?

We can't support the bill in its present form. Fortunately, even if it passes in the Senate, it will then need to be approved by the House of Representatives where changes to the final bill are likely.

byJim Malmberg

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