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New FTC Study Points to Much-Needed Reforms for Credit Reporting Industry

Advocates Call on Senate to Confirm CFPB Director to Remove Any Uncertainty over CFPB Authority over Credit Bureaus

(WASHINGTON, DC) Advocates from two national consumer groups on credit reporting lauded the findings of a Federal Trade Commission (FTC) study made public today that confirms their own findings that credit reports are riddled with errors. Advocates from the National Consumer Law Center (NCLC) and the U.S. Public Interest Research Group (U.S. PIRG) also urged the Senate to confirm a full-term director of the Consumer Financial Protection Bureau (CFPB) to eliminate any uncertainty over the CFPB's supervisory authority to examine credit bureau operations and order reforms.

The FTC study, featured on *60 Minutes* and formally released today, found that 21% of consumers had verified errors in their credit reports, 13% had errors that affected their credit scores, and 5% had errors serious enough to be denied or pay more for credit. The FTC's study was mandated by the Fair and Accurate Credit Transactions Act of 2003, and has been nearly a decade in the making. The FTC released pilot versions of the study in 2006 and 2008.

"The FTC's findings are no surprise," said Ed Mierzwinski, U.S. PIRG Consumer Program Director. "We've criticized the credit reporting industry for decades over unacceptable levels of seriously damaging mistakes, many of which are entirely preventable." Mierzwinski noted that the FTC study found that the percentage of serious errors was about 10 times the percentage reported by a May 2011 industry-funded 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.

Consumer advocates agreed with statements by FTC Chairman Jon Leibowitz on *60 Minutes* that the new study provided "pretty troubling information" and that the error rates were "pretty high".

"It'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," noted Chi Chi Wu, staff attorney at the National Consumer Law Center. "There needs to be serious and wholesale reform of the credit reporting industry."

The advocates noted the critical role of the CPFB in achieving such reform. When the Dodd-Frank Act created the CFPB as part of Wall Street reform, it recognized that credit bureaus required greater oversight. It gave the CFPB rule-writing, supervisory and enforcement authority over credit bureaus that the FTC has never had. However, there is some uncertainty over parts of the CFPB's authority, including its powers over credit bureaus, because of the Senate's failure to confirm director Richard Cordray, who currently has a recess appointment. Recently, 43 Republican Senators sent the President a letter saying that they would refuse to confirm Cordray unless the bureau's powers and independence were first weakened.

"While I believe that the controversy over Mr. Cordray's recess appointment does not affect the CFPB's authority, the best way to remove any uncertainty is for the Senate to swiftly confirm Richard Cordray as CFPB director without weakening the bureau as a condition of his confirmation," said Wu.

"Consumers need to be protected in the entire financial marketplace, at banks and non-banks, including credit bureaus, who have acted as reckless gatekeepers to financial and employment opportunity for too long," said Mierzwinski.

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