

Consumer Advocates Applaud CFPB Rule Affirming States' Ability to Police Credit

June 28, 2022

CFPB Interpretive Rule Clarifies that Scope of Federal Preemption is Narrow and Targeted

BOSTON – Today, advocates at the National Consumer Law Center commended the Consumer Financial Protection Bureau for affirming the authority of states to regulate credit bureaus, tenant screening companies, and background check agencies, with only limited restrictions. The CFPB issued an interpretive rule clarifying that the scope of preemption under the Fair Credit Reporting Act (i.e. the FCRA's ability to override state laws) is narrow and targeted.

"This interpretive rule will allow states to better protect their consumers, workers, and tenants from the abuses and flaws of companies that traffic in and profit from our data," said Chi Chi Wu, National Consumer Law Center staff attorney, "As the laboratories of democracy, states are often faster and better positioned to safeguard their residents against emerging problems than the federal government. Enabling states to step in and step up is necessary when problems start locally or are unaddressed by the void left by a divided Congress."

NCLC advocates noted that state legislatures can adopt stronger laws than currently exist to govern tenant screening, which is especially critical given the rental housing crisis in the United States.

"It's up to the states now to pass laws to ensure that people aren't unfairly locked out of housing because of tenant screening reports that aren't reliably predictive of someone's ability to be a successful tenant," said Ariel Nelson, NCLC staff attorney. "States should prohibit including questionable eviction records in tenant screening reports, such as evictions that did not result in a judgment against the tenant. States should also prohibit the reporting of rental arrears by debt collectors, or impose significant requirements before such debts can be reported."

For more information: NCLC submitted amicus briefs in the two cases discussed in CFPB's interpretive rule, *Consumer Data Industry Association v. Frey* and *Consumer Data Industry Association v. Bruck*.