

Report: Despite Efforts by Regulators, Credit Bureaus Still Need Serious Reform; Consumer Complaints Skyrocket and Errors Not Fixed

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National Consumer Law Center Attorney Chi Chi Wu to Testify on February 26 at U.S. House Hearing: Holding Credit Bureaus Accountable and Repairing a Broken System

Download the report at: <https://bit.ly/ajustre>

Wu's testimony will be available to download on or before Feb. 26 at 8am ET at: <http://bit.ly/fcr-score>

Boston - Ten years ago, the National Consumer Law Center (NCLC) issued a landmark report on the serious dysfunctions in the American credit reporting system. Since then, the Consumer Financial Protection Bureau (CFPB) began exercising supervision authority over the Big Three credit bureaus (Equifax, Experian and TransUnion), and along with a 2015 settlement obtained by more than 30 state Attorneys General, required credit bureaus to reform their procedures and practices.

Automated Injustice Redux: Ten Years after a Key Report, Consumers Are Still Frustrated Trying to Fix Credit Reporting Errors finds that despite these very laudable achievements, the credit bureaus and the companies that supply them with information still have serious problems in ensuring the accuracy of credit reports and the dispute process meant to fix them remains biased and ineffective.

"Nearly 50 years after the Fair Credit Reporting Act was adopted, the credit reporting system is still mistreating consumers, as evidenced by the more than a quarter-million complaints about the three largest credit bureaus submitted to the CFPB," **said National Consumer Law Center attorney Chi Chi Wu.** "A key reason is the structure of the system is that consumers are the commodity, not the customer of the credit bureaus. When Equifax, TransUnion, or Experian fails to respond to consumers' problems, we can't vote with our feet to leave."

The report uses stories from lawsuits and the CFPB Complaint Database to illustrate that Americans still suffer from credit reporting abuses, such as having their credit files "mixed" with the wrong person, negative information that remains even after court judgments or legal settlements declare that a consumer doesn't owe a debt, the after-effects of identity theft when credit bureaus and creditors don't believe the victim, and being labeled as dead when they are alive and breathing. With an estimated 208 million Americans with credit reports, about 42 million consumers have errors on their credit reports, and 10 million have errors that can be life-altering, according to a 2012 Federal Trade Commission study.

These widespread inaccuracies are made worse by the broken dispute process system that fails to properly correct them. Some furnishers (creditors or other companies that supply information to the

credit bureaus) still conduct pro forma, perfunctory investigations into credit reporting disputes and ignore CFPB guidance to consider critical documents and information. Compounding this issue is that the credit bureaus still fail to conduct their own independent investigations, but blithely accept what a furnisher tells them, despite evidence such as court judgments or police reports to the contrary.

Automated Injustice Redux also documents the massive number of credit and consumer reporting complaints to the CFPB, over 380,000 since July 2011, with over three quarters or about 285,000 involving Equifax, Experian, or TransUnion. Credit reporting is often the top category of complaints to the CFPB.

Key Recommendations to Congress and Regulators

- a right of appeals for consumers when they disagree with a furnisher or credit bureau about the results of a dispute investigation,
- stricter matching criteria to ensure that information belonging to one consumer does not get wrongfully mixed into the credit report of another consumer,
- a requirement that credit bureaus devote sufficient resources to the dispute system and a clarification that they must conduct independent analyses instead of simply parroting what furnishers tell them,
- a right to seek court orders to compel credit bureaus to fix reports,
- more control for consumers by requiring that they must proactively authorize the use of their credit reports for credit, insurance and other uses, and
- a publicly-owned alternative to the credit bureaus.

NCLC Attorney Chi Chi Wu to Testify Before House Financial Services Committee

Ms. Wu will draw from information in this report in her testimony before the U.S. House Financial Services Committee on Tuesday, February 26 at 10 a.m. ET at the hearing “Who’s Keeping Score? Holding Credit Bureaus Accountable and Repairing a Broken System.” Witnesses at the hearing will include each of the CEOs of the Big Three credit bureaus, along with other consumer advocates. In her testimony, Wu will discuss ongoing problems for consumers with the credit bureaus, including:

- unacceptable error rates and the myriad types of systemic inaccuracies in credit reports;
- the travesty of the automated dispute system used by the credit bureaus;
- the absurdity that credit reports and scores treat consumers who have fallen on hard times as irresponsible deadbeats;
- systemic racial disparities in credit scoring;
- the unfair impact of medical debt on credit reports;
- the problems with use of credit reports for employment purposes, and
- the deficiencies in data security that led to the massive Equifax data breach, which has not yet been adequately addressed.

Learn more about NCLC’s extensive body of work on credit reports at:

<https://nclc-old.ogosense.net/issues/credit-reports.html>