Testimony of Corey Stone
Assistant Director
Deposits, Cash, Collections, and Reporting Markets
Consumer Financial Protection Bureau
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Chairman McCaskill, Ranking Member Heller, and members of the Subcommittee, thank you for the opportunity to testify today on the consumer credit reporting industry.

Credit reporting plays a critical role in consumers' financial lives. Credit reports on consumers' financial history and behavior can determine their eligibility for credit cards, car loans, and home mortgage loans – and they often affect how much consumers pay for their loans. The industry is critical in our economy. It promotes access to credit that consumers can afford to repay. Without credit reporting, many consumers likely would not be able to get credit.

Credit reports are also often used in a number of non-credit decisions about consumers. They can be used to determine whether a consumer is offered a job or rental housing, or what rates a consumer might pay for homeowner's, renter's, or auto insurance.

The CFPB is the first federal agency to supervise both credit reporting companies and the largest furnishers of consumer credit information. This responsibility is a priority for us. In 2011 and 2012, the CFPB published reports to Congress on credit scores – the three-digit numbers used to summarize consumers' creditworthiness. Last year, we published a Consumer Advisory about credit reports. And last July, the CFPB adopted a rule to extend its supervision authority to cover larger credit reporting companies.

The Fair Credit Reporting Act sets out an ambitious goal to ensure that credit reporting companies meet "the needs of commerce for consumer credit, personnel, insurance, and other information in a manner which is fair and equitable to the consumer." In this context, we are exercising our supervisory authority to make sure that the consumer financial laws are being followed. And in mid-October, the CFPB began handling individual complaints about consumer reporting companies. If a consumer files a complaint with a credit reporting company and is dissatisfied with the resolution, the CFPB is available to assist.

As many of us at the CFPB conduct outreach all over the country to learn how families hurt by the financial crisis are recovering, we've heard many express frustrations about their credit reports or credit scores. And we've heard a considerable amount of confusion and misunderstanding about credit reporting.

So this past December, the CFPB issued a report based on information provided by the big three credit reporting companies — Equifax, Experian, and TransUnion — and their industry association. Our report characterizes three key processes that affect credit report accuracy. These are how creditors, debt collectors, and other third parties furnish consumer information to the credit reporting companies; how these companies screen incoming consumer data and match it to consumer files in their databases; and how the credit reporting companies and furnishers handle consumer disputes about the accuracy of information in consumers' credit reports.

Our report, along with the latest study of credit report accuracy from the FTC, represents a significant step in advancing understanding of this industry and making it more transparent for consumers and users of credit reports.

Some of the key findings in our report are that:

- **More than three quarters of the trade lines in the credit reporting companies' databases come from the top 100 furnishers of information.** These are largely the large bank and non-bank financial services providers that fall under the CFPB's supervision. This means that for the first time a federal agency has the tools to examine and understand how well all parts of the credit reporting system are working—including both the sources of credit information and credit reporting companies themselves.

- **More than one-third of consumer disputes relate to collection items.** In fact, the information provided by the collections industry is five times more likely to be disputed than mortgage information.

- **A relatively small percentage of consumers – approximately 20 percent – look at their credit reports each year.** This is a shame as it is likely that many additional consumers could identify and correct inaccuracies if they reviewed their credit report.

- **Most complaints are forwarded to the furnishers that provided the original information.** But documentation that consumers mail in to support their cases may not be getting passed on to the data furnishers for them to properly investigate and report back to the credit reporting company.

Our report's three areas of focus – accuracy of the information received by the credit reporting companies, how they assemble and maintain that information, and the processes that govern error resolution – are just a start. They are the obvious and essential basics. As we learn more about the credit reporting system from consumers, from the supervised firms, and from others, we will adapt and adjust to ensure that it meets the FCRA's aspiration of treating consumers fairly and equitably.

Thank you for inviting me to testify today. I will be happy to answer questions you may have about my testimony.