# EXTENDED SUMMARY:
# COMPREHENSIVE CONSUMER CREDIT REPORTING REFORM ACT OF 2017

## TITLE I - FIXING THE DISPUTE PROCESS

| Problem | Solution |
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| ***Research and government findings show that consumers continue to be plagued by inaccurate information on their consumer reports and are frequently confused by, and frustrated with, the deeply flawed process to dispute credit reporting errors.***<br><br>• Equifax, TransUnion, and Experian-- the three big nationwide consumer reporting agencies (CRAs) in the United States-- maintain files for about 200 million consumers and prepare consumer reports that are commonly referred to as credit reports. A 2012 Federal Trade Commission (FTC) study found that one out of every five consumers has a verified error on their consumer reports and 5 percent had errors serious enough to result in them being denied credit or paying more for mortgages, auto loans, insurance policies, and other financial obligations.<br><br>• CRAs often fail to abide by their statutory obligation under the Federal Fair Credit Reporting Act (FCRA) to conduct reasonable investigations of consumers' disputes. A 2015 FTC survey confirmed that even though over half of the consumers who tried to fix errors on reports still believed that their reports contained inaccurate information after the CRAs' investigations had been completed, a significant number simply gave up trying to correct these mistakes. Unlike most other business relationships, where consumers, who are unhappy with the offering or provision of a consumer financial product or a service can decide to stop doing business with a particular firm and instead take their business elsewhere, consumers have no say in whether their information is included in the CRAs' databases and then sold to creditors and others.<br><br>• The Consumer Financial Protection Bureau (Consumer Bureau) is the first Federal agency to have supervisory authority over the major players in the consumer reporting system, including the largest CRAs. In the winter 2017 "Supervisory Highlights Consumer Reporting Special Edition," released in March 2017, the Consumer Bureau found repeated compliance management deficiencies at nationwide CRAs and by furnishers that necessitated improvements in their data accuracy and dispute resolution practices. | ***The bill significantly improves consumers' ability to fix errors on reports by:***<br><br>• Giving consumers the right to appeal the results of initial reviews about the accuracy or completeness of disputed items that have been conducted by either CRAs or firms that furnish consumers' information to CRAs.<br><br>• Requiring CRAs and furnishers dedicate sufficient resources and provide well-trained personnel to handle consumers' appeals, including mandating that appeals staff be provided with the direct authority to resolve claims to ensure consumers are not frustrated by being bounced from one CRA employee to another. Appeals staff must also meet minimum training and on-going certification requirements that are set by the Consumer Bureau.<br><br>• Barring appeals staff involvement in the initial CRAs' reviews and the tying of any of their compensation to the number of cases that they complete during specific time frames. |

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| ***Consumers do not always know which types of businesses regularly report information about them to CRAs and are often unaware when negative information about them has actually been reported to the CRAs.***<br><br>• Only certain financial institutions that regularly extend credit must currently notify their customers that they may furnish negative information about their activities and transactions with them to the nationwide CRAs. The existing one-time, general notice may even be included as part of the institutions' other account disclosures and, as such, many consumers may overlook this information. Because consumers are not contacted when negative information about them has actually been sent to CRAs, consumers also may not realize the wide range of businesses, besides financial institutions, that regularly send adverse information to CRAs. | ***The bill provides consumers with expanded and meaningful disclosures from the variety of businesses, not just financial institutions, that routinely provide negative information about customers' accounts to the CRAs and are alerted the first time a business actually furnishes negative information about them by:***<br><br>• Requiring any person that regularly furnishes negative information to nationwide CRAs or nationwide specialty CRAs to inform their customers that they may report negative information about account or transaction activities to these CRAs, at least 90 days before they do so.<br><br>• Mandating that companies, within five business days, notify a consumer the first time that they actually send negative information about them to the CRAs. |
| ***Consumers are confused about how to dispute errors on their reports.***<br><br>• A 2005 Government Accountability Office (GAO) report found that over half of consumers did not fully understand their rights to dispute information on their consumer reports or the responsibilities of CRAs to conduct investigations of disputed items. The report found only about one-third of consumers realized that CRAs must conduct dispute investigations for free.<br><br>• Credit reporting problems are consistently one of the top three types of consumer complaints submitted to the Consumer Bureau, and many of these complaints involve consumers' frustration about the burdensome and time-consuming process of trying to fix reporting mistakes. The top three companies about which the Consumer Bureau received the most consumer complaints between November 2015 and January 2016 were the three largest CRAs. The persistent pattern of credit reporting complaints sent to the Consumer Bureau underscores the need for more transparency and accountability in the dispute resolution process within our credit reporting system. | ***The bill increases consumers' awareness of how to dispute errors by:***<br><br>• Requiring nationwide CRAs and nationwide specialty CRAs to establish dedicated "dispute" webpages on their websites that are free of aggressive marketing ploys and instead provide concise and clear information about how consumers can dispute errors for free, along with a description about the process used by CRAs for reviewing consumers' disputes.<br><br>• Mandating consumers receive written, detailed notifications providing the results of investigations about disputed items, including the specific reasons for the decisions made, and copies of all documents used by the CRAs or furnishers, to verify the accuracy or completeness of disputes. |
| ***Consumers are frequently unable to fix inaccuracies listed on their credit reports.***<br><br>• CRAs are required by law to use reasonable procedures to ensure maximum possible accuracy of the information in reports. Although Consumer Bureau examiners have seen some progress from the largest CRAs in complying with their dispute handling obligations under the FCRA, recent reviews identified several practices that still failed to meet their dispute handling obligations. Thus, despite CRAs' existing statutory mandate, numerous | ***The bill enhances accuracy & completeness duties for CRAs and furnishers by:***<br><br>• Directing the Consumer Bureau to develop accuracy guidelines and regulations for CRAs addressing, among other things, the process for the monitoring of furnishers' performance in fulfilling their obligation to report only accurate and complete information to CRAs; standards for matching the personally identifiable information in consumers' files with the identifying information provided by the furnishers; rigorous vetting |

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| studies, the high volume of consumer complaints submitted to the Consumer Bureau and to state law enforcement agencies about inaccurate information on reports, and findings from Consumer Bureau's examinations of industry practices, demonstrates that CRAs still skirt their existing obligations.<br><br>• One of the most devastating, and common, consumer reporting errors is a "mixed credit file" (or "merged credit file"), which occurs when CRAs merge the records of two separate people who have similar names or identifying information, and is caused by the use of over-inclusive criteria to match furnishers' information to consumers' files. Consumers may face years, if not decades, trying to fix these errors.<br><br>• Consumer Bureau examiners have found deficiencies in the updating of public record information at the largest CRAs, which led to errors in the updating of consumers' files after investigations and in the reporting of dispute results to consumers. While the nationwide CRAs have agreed to change their practice to only include verified public records, it is too early to determine whether the CRAs have actually cured their past accuracy failures with this data.<br><br>• Consumers' complaints about shoddy reporting practices triggered investigations by New York State Attorney General Eric Schneiderman and Ohio State Attorney General Richard Michael DeWine that resulted in a settlement agreement with New York and another with 31 states to improve the accuracy of credit reporting with the three nationwide CRAs, which led to the creation of the National Consumer Assistance Plan ("NCAP"). While these voluntary agreements by the nationwide CRAs are a good first step, it is important to codify the enhanced procedures to ensure that the CRAs do not revert back to their less stringent and shoddy practices. | procedures for public record information; and new requirements to include the source from and the data on which any public record information was obtained.<br><br>• Creating accountability measures for furnishers that repeatedly fail to report accurate, complete, and verifiable information to CRAs, such as compulsory retraining of the furnishers' staff and, in some instances, temporary restrictions from their ability to report information to CRAs.<br><br>• Mandating that CRAs remove adverse information that had been submitted by habitually poor data furnishers. |
| ***Furnishers frequently do not retain records of debts or payment histories for a long enough time period to have access to the documents needed to verify the integrity of information that consumers have disputed on their reports.***<br><br>• Currently, there is no explicit Federal requirement that furnishers retain records for the exact same time periods that negative credit information may be retained on reports. | ***The bill requires furnishers to maintain records necessary to verify accuracy of disputes by:***<br><br>• Mandating furnishers retain, or have access to, all relevant account information, including records of payment histories and documents establishing the liability for and terms and conditions of credit extended to consumers. They also must maintain this information for the same amount of time that negative credit information may appear on reports.<br><br>• Requiring that the responsibility for maintaining records substantiating the consumers' liabilities must also be transferred to and maintained by any new entity for as long as that information may appear on reports. |

## TITLE II – RESTRICTING THE USE OF CREDIT CHECKS FOR EMPLOYMENT DECISIONS

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***Despite the fact that credit history has not been proven to predict job performance, credit information is increasingly used by employers for hiring, promotion, and retention. This practice creates obstacles for upward mobility and can be an invasion of consumers' privacy.***

- The widespread use of credit reports to screen job applicants is particularly troubling given that there is no reliable data demonstrating a correlation between credit history and job performance. A 2013 Demos survey of low- to middle-income households with credit card debt found that one in seven respondents who were unemployed had been told by a prospective employer that their credit history contributed to an adverse employment decision.
- A "catch-22" dilemma is created when people who have been unemployed for an extended period of time, and whose credit standing has been damaged because they were unable to pay their bills, cannot find a new job to end their financial distress because prospective employers conduct credit checks as part of an application process.
- The Federal Reserve Board of Governors found in 2007 that different demographic groups have substantially different credit scores, with blacks and Hispanics having lower credit scores than non-Hispanic whites and Asians, and individuals younger than age 30 having lower credit scores than older individuals. Similarly, a 2006 Brookings Institution study found that counties with a higher proportion of racial and ethnic minorities tended to have lower credit scores.
- A 2016 Demos report found that the use of credit reports unnecessarily exposes consumers' financial information and potentially puts existing employees and job applicants in an uncomfortable position of having to discuss private matters, such as divorce, domestic abuse, or health/genetic conditions, in explaining their impaired credit history.

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***The bill bans the use of credit information for most employment decisions by:***

- Prohibiting current and prospective employers from using credit reports for employment decisions, except for two narrow exemptions: when required by local, state, or Federal law or for a national security clearance.
- Barring hiring managers from skirting this restriction by asking questions about past defaults or bankruptcies during job interviews or including questions about credit history on any job applications.
- Forbidding employers from passing on the cost of obtaining credit reports onto existing employees or prospective applicants.

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**TITLE III – REHABILITATING THE CREDIT STANDING OF STRUGGLING PRIVATE EDUCATION LOAN BORROWERS**

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***Given increasing tuition costs, those who need loans to pay for higher education are increasingly incurring larger private education loan debts. However, unlike Federal student loans, private education lenders do not have to offer borrowers flexible repayment options, which has resulted in high defaults and delinquencies on these types of loans that, in turn, impair many young consumers' credit standing.***

- According to the Consumer Bureau, student loan debt exceeds $1 trillion, which creates a drag on our country's economy by hindering borrowers' ability to qualify for mortgage and auto loans, pursue entrepreneurial ventures, build wealth, save for retirement, and pursue certain careers, including civic-minded jobs.
- Federal student loan borrowers have some repayment options that are not required to be provided to private education loan borrowers, such as Income-Based Repayment plans, and unemployment deferments, as well as forbearance and discharges of debt in certain circumstances, like when students become permanently disabled.
- The Consumer Bureau noted in a report that many struggling private education loan borrowers are unable to negotiate modified repayments when experiencing financial hardships, which is exacerbated by the lack of transparent and clear information provided to them by private education loan holders about how to avoid defaulting on these obligations.
- Although some private education loan holders may allow student borrowers to postpone payments while they are enrolled in school full-time, this period is usually capped at 48 or 66 months. This can create a financial paradox for continuing education students, who may need additional time to finish an undergraduate degree, and for those who want to obtain a graduate degree but cannot afford to make loan payments while they are still in school. As such, even before some students graduate, their reports may contain negative information related to their private education loans.

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***The bill removes adverse information relating to defaulted or delinquent private education loans for struggling borrowers who demonstrate a history of timely loan repayments for these loans by:***

- Requiring CRAs to remove delinquent or defaulted private education loan information from consumer reports, if a borrower makes nine out of ten consecutive monthly payments—similar to the credit rehabilitation available for some distressed Federal student loan borrowers.
- Permitting reasonable interruptions in the consecutive repayment periods for those facing unique and extenuating life events, such as service members who are receiving imminent danger or other special pay duty when deployed, and residents in Federally-declared natural disaster areas.

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## TITLE IV – RESTORING THE IMPAIRED CREDIT OF VICTIMS OF PREDATORY ACTIVITIES AND UNFAIR CONSUMER REPORTING PRACTICES

| Problem | Solution |
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| ***Old negative information on consumers' reports can unfairly tarnish victims' credit standing.***<br><br>• The value of most negative information contained on reports in predicting the likelihood of defaulting or being late on a payment gradually diminishes after two years. As such, maintaining adverse credit information on consumer reports long after its predictive value has expired does little to improve creditors' underwriting, but the prolonged appearance of negative items, currently impedes some consumers' ability to obtain a job or promotion, given that employers review consumers' full reports in making employment decisions, rather than relying on scores.<br><br>• The FCRA's lengthy seven- to ten-year time period for retaining adverse credit information is neither a universal nor international standard. According to the European Credit Research Institute, 14 European nations retain consumers' default information for shorter periods than the United States, with eight of these nations limiting the retention of default information to four years or less.<br><br>• An investigation into the origins of the seven-year reporting period for negative credit items under the FCRA reveals that this time period was a subjective legislative choice. A series of hearings to review legislation (S. 823, H.R. 6071, and H.R. 16340) to enable consumers to protect themselves against arbitrary, erroneous, and malicious credit information was held by the Senate Subcommittee on Financial Institutions of the Senate Banking and Currency Committee in May 1969 and the House Subcommittee on Consumer Affairs of the Banking and Currency Committee in March and April 1970. Section 164(d) of S. 823 and its companion bill, H.R. 6071, provided for the destruction of information after it had become obsolete or after the expiration of a "reasonable period of time." H.R. 16340 provided for the removal of all information after three years, except for certain public information for seven years and bankruptcies for 14 years. During the Congressional hearings, several witnesses expressed concerns about having an ambiguous definition in S. 823 and H.R. 6071 and recommended replacing the "reasonable" period with specific time limitations. A witness for the Associated Credit Bureaus Inc. (ACB) noted that its recent guidelines issued to its members provided a general retention of seven years, except for | ***The bill shortens the punitive time period most adverse credit information stays on consumer reports by:***<br><br>• Reducing the unreasonably long statutory time periods that most adverse credit information may remain on reports from seven to four years and from ten to seven years for bankruptcies. |

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| bankruptcies. Another witness from a credit bureau that was not a member of ACB indicated that he considered information obsolete after five years. The Senate-passed S. 823 provided for the removal of all information (unless the governing statute for limitations was longer) after seven years and 14 years for bankruptcies. Congress later reduced the time period for reporting bankruptcies from 14 to 10 years.<br><br>• Congress reduced the time period that bankruptcies stay on reports from 14 to 10 years in 1978 as part of a larger reform of the bankruptcy code (P.L. 95-598). The House passed an amendment offered by Congressman McKinney that would have adopted an even shorter retention period of seven years. During floor consideration, Congressman McKinney pointed out that an "exhaustive search of the legislative history of this provision has disclosed no compelling reason for the statute's unforgivingly lengthy memory." He also underscored that the FCRA's retention period resulted in an "excessive penalty" and "unnecessarily cruel burden" that undermined the beneficial effects of the bankruptcy laws by perverting rather than facilitating the unfortunate (but now solvent) debtor's right to a fresh start.<br><br>• The Federal Reserve Bank of Philadelphia (Fed Bank) found that the net result from reduced negative retention periods is that borrowers have more access to credit. The Fed Bank noted that some adverse information may not reflect borrowers' actual credit risk because it was caused by extenuating circumstances beyond the consumers' control. The Fed Bank also indicated that the removal of negative information may give individuals a greater incentive to maintain their good credit scores and, therefore, may reduce the likelihood that they will default or be delinquent on a payment obligation in the future.<br><br>• In 2014, the Consumer Bureau found that there are no objective or enforceable standards that determine when a debt can or should be reported as a collection trade line. Furthermore, because debt buyers and collectors generally determine whether, when, and for how long to report collections, there is only a limited relationship between the time period reported, the severity of a delinquency, and when or whether a collection trade lines appear on reports. | |
| ***Despite the fact that recent credit scoring models exclude, or nominally weigh, paid or settled debts, consumers continue to be harmed by the inclusion of this information on their reports because creditors use older, outdated credit scoring models.*** | ***The bill mandates the expedited removal of paid or settled debt from consumer reports by:***<br><br>• Requiring CRAs to remove collections from reports within 45 calendar days after it is paid or fully settled, regardless of who ultimately ends up |

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| • While the latest credit scoring models recognize that paid collections have little, if any, predictive value, these new credit scoring formulas are not widely used in the marketplace. Many mortgage lenders, in particular, continue to use older versions of credit scoring models that utilize adverse information in evaluating prospective borrowers' creditworthiness. FICO 9, FICO's latest model, disregards any collections that a consumer has paid in full. VantageScore 4.0, VantageScore's latest model that is expected to be available in the fall of 2017, will also weigh medical collections less than nonmedical ones. | paying the debt. |
| ***Negative information on consumers' reports relating to medical debts unfairly tarnish consumers' credit standing.***<br><br>• In contrast to most consumer credit products or services that have contractual disclosures where pricing information is clearly disclosed ahead of time, consumers may not be fully informed in advance of what they may have to pay for a medical service before having the procedure done. Consumers needing emergency care, for example, rarely know, or are provided with, the cost of a medical treatment or procedure. The Consumer Bureau found that the medical pricing, billing, and reimbursement process lacks transparency and is prone to consumer confusion, which can result in consumers delaying or withholding payments until they have adequate time to clarify or resolve disputes with their insurance companies or medical service providers about what they actually owe. For this reason, establishing an extended grace period before medical debts can appear on reports gives consumers the necessary and appropriate time to resolve any disputes before a collection damages their credit standing.<br><br>• Millions of consumers are adversely impacted by medical collections on their consumer reports, with medical debt accounting for over half of collections on consumer reports. About 64.3 million consumers, or one in five Americans, had a medical collection on their Experian report as of July 2014. The Consumer Bureau concluded that medical collections may underestimate consumers' creditworthiness by 10 points, and, even after the debt is paid, may still underestimate creditworthiness by up to 22 points. A 10- to 22-point difference in consumers' credit scores can result in consumers having to unnecessarily pay tens of thousands of dollars over the life of a loan for a large dollar purchase.<br><br>• In 2015, the nationwide CRAs agreed, as part of the NCAP, to delay the appearance of medical collections on reports until 180 days after the date of first delinquency of the debt, starting in September 2017. These nationwide | ***The bill imposes restrictions on the appearance of medical debts on consumer reports by:***<br><br>• Prohibiting CRAs from including medical collections on reports until 180 calendar days after the date of first delinquency and requiring CRAs to remove paid or fully settled medical collections, regardless if the consumer or the insurance company ultimately is responsible for and pays the debt, from reports within 45 calendar days. |

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| CRAs will also remove a medical collection from a report, but only if the debt is owed and paid by an insurance company. | |
| ***Negative information on consumers' reports relating to mortgages that consumers were deceived into obtaining because of predatory lending or servicing unfairly tarnish victims' credit standing.***<br><br>• The Center for Responsible Lending concluded that families of color were three times as likely to be targeted with abusive subprime loans as other borrowers with the same credit record and that these lending abuses perpetuated and expanded the racial wealth gap.<br><br>• As noted by a 2011 *New York Times* article, although pricing discrimination (illegally charging racial and ethnic minority customers more for mortgage loans than similarly qualified whites are charged) has been a longstanding problem, these predatory practices increased during the housing boom. As such, large numbers of minority borrowers who were eligible for safe and affordable loans were inappropriately steered toward high-priced subprime loans with ruinous features, which ultimately tarnished their creditworthiness.<br><br>• According to FICO, from 2008 to 2009, about 50 million people experienced a 20 point drop in their credit scores and about 21 million people had their scores decline by more than 50 points. | ***The bill provides credit restoration for victims of predatory mortgage lending or servicing practices by:***<br><br>• Requiring CRAs to remove adverse information from reports relating to a residential mortgage loan that is found to have resulted from an unfair, deceptive, or abusive act or practice, or a fraudulent, discriminatory, or illegal activity, of a financial institution, as determined by the Consumer Bureau or a court. |
| ***Tens of thousands of private education loan borrowers, many of whom have been cheated out of a valuable education and had their credit ruined by deceptive, for-profit colleges, desperately need help restoring their credit standing and rebuilding their lives.***<br><br>• Instead of providing students with quality education that leads to good job opportunities, some unscrupulous career education programs have taken advantage of students, leaving them with large debts but few job prospects. In October 2014, the Department of Education (DOE) noted that, "[t]oo often, students at career colleges—including thousands of veterans—are charged excessive costs, but don't get the education they paid for. Instead, students in such programs are provided with poor quality training, often for low-wage jobs or in occupations where there are simply no job opportunities. They find themselves with large amounts of debt and, too often, end up in default. In many cases, students are drawn into these programs with confusing or misleading information." The DOE, for | ***The bill provides credit relief for private education loan borrowers who were defrauded or misled by a proprietary education institution or career education provider by:***<br><br>• Requiring the Consumer Bureau to develop and implement a program to remove adverse information related to defaulted or delinquent private education loans from consumer reports in instances when borrowers are found, through a valid state or Federal cause of action, to have been deceived by abusive acts or practices of for-profit colleges or career education programs, including misrepresentations from these colleges about graduation or gainful employment rates or their failures to offer necessary coursework to complete a professional or certification degree. |

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| example, found Corinthian Colleges Inc. (known under the brand names Heald, WyoTech, and Everest) misrepresented job placement rates to students for a majority of programs at its Heald College campuses between 2010 and 2015.<br><br>• It is unfair to allow innocent for-profit college students, who are struggling with large amounts of private education loan debt because they were duped by the unscrupulous practices of for-profit colleges, to suffer the consequences of having impaired credit. While Federal law allows defrauded for-profit college students to have the debt from their Federal student loans discharged and any negative information about these loans removed from their consumer reports, as the DOE has said it will do for certain Corinthian College students, no similar debt or credit relief currently exists for these students' private education loans.<br><br>• Attending a two-year, for-profit college costs, on average, four times as much as attending a community college. Students at for-profit colleges represent only about 11 percent of the total higher education population but a startling 44 percent of all Federal student loan defaults, according to the DOE. | |
| ***It is unnecessarily difficult for victims to have adverse information related to fraud committed by a family member, caregiver, or abusive partner removed from their consumer reports.***<br><br>• According to Javelin Research and Strategy's Identity (ID) Fraud study, about 847,000 adults were victims of fraud committed by family members in 2013.<br><br>• While some may think it would be simple to expunge familiar fraud from consumer reports because it is so obviously fraudulent, in practice, it can be difficult, if not impossible, to have this information removed from victims' consumer reports. According to the Empire Justice Center, establishing they have been a victim of ID theft may also raises safety and other non-credit concerns. Victims seeking to remove this information are also likely to face skepticism because of assumptions that they were aware of, and complicit in, the fraudulent activity committed by a spouse or family member. | ***The bill establishes the right for victims of financial abuse to have adverse information associated with an abuser's fraudulent activity removed from their consumer reports by:***<br><br>• Allowing victims, who know the person responsible for the fraud or ID theft committed against them, but who did not participate in or agree to that thieves' criminal behavior, to obtain court orders requiring the removal of any adverse information from their reports related to the bad actors' illicit activities. |

## TITLE V – MONITORING THE DEVELOPMENT AND USE OF CREDIT SCORES

| Problem | Solution |
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| ***The absence of Federal government oversight of the development of credit scoring models hurts consumers' access to credit and impairs creditors' ability to underwrite loans accurately and manage credit risks.***<br><br>• Although Federal prudential regulators review the performance of the use of credit scoring models by lenders as part of safety and soundness reviews, no Federal regulator is currently tasked with monitoring the development or initial and ongoing validation of credit scoring models. | ***The bill establishes clear Federal oversight of the development of credit scoring models by:***<br><br>• Directing the Consumer Bureau to set standards, within 1 year, for validating the accuracy and predictive value of credit scoring models, both before their initial use by creditors and at regular intervals thereafter, for as long as those models are available for purchase.<br><br>• Giving the Consumer Bureau explicit authority to prohibit credit scoring developers from weighing, considering, or including certain factors or making available for purchase or using certain outdated credit scoring models or versions that may create misleading and false determinations of consumers' creditworthiness. |
| ***The reference to a specific name-brand scoring model that was developed more than a decade ago in the Government-Sponsored Enterprises' ("GSEs") seller-servicer guides may unduly restrict access to mortgage credit from certain borrowers and impair mortgage lenders' ability to manage credit risks accurately.***<br><br>• Even though credit scoring developers release updated models to reflect current consumer behavior analytics, creditors may still rely on older, outdated models. Many residential mortgage lenders adhere to the underwriting guides approved by the Federal Housing Finance Agency (FHFA) to ensure that the loans that they originate are eligible for purchase by Fannie Mae and Freddie Mac. Because these guides reference the Classic FICO model developed in 2004, loan borrowers may be disadvantaged because by lenders' use of outdated models that do not incorporate recent analytics. | ***The bill mandates an ongoing review of whether to allow GSEs to use additional, alternative, or updated credit scoring models by:***<br><br>• Directing the FHFA, in consultation with the Consumer Bureau, to review the merits of using additional, alternative, or updated credit scoring models in setting eligibility requirements for mortgage loans purchased by Fannie Mae and Freddie Mac within 18 months and, after that, requiring them to review the matter at least every two years. |
| ***Consumers with minimal or no traditional credit history may have difficulty accessing affordable credit or unable to secure rental housing because they do not have sufficient credit information to generate a score.***<br><br>• The Consumer Bureau estimated that one in every 10 adults has no credit history with a nationwide CRA and that blacks, Hispanics, and consumers in | ***The bill requires a robust study on the impact of using non-traditional data by:***<br><br>• Directing the Consumer Bureau to study the impact of having more non-traditional data on consumer reports and the use of alternative data in credit scoring models on consumers' access to, and the affordability of, credit products and services and other matters, including a review of the |

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| low-income neighborhoods are more likely to have no credit records or not enough current credit history to produce a credit score. These "credit invisibles" have difficulties accessing credit, even if they are regularly paying their financial obligations on-time and may pose low credit risks.<br><br>• Some stakeholders point to the benefits of using alternative payment data, such as utility, rental and telecommunications payment histories, to improve creditors' ability to differentiate between high- and low-risk profiles of consumers with no or thin credit files, which, presumably, would also expand access to credit for "credit invisibles."<br><br>• Other stakeholders, however, have warned that the consideration of certain non-traditional data, such as utility, rental, and telecommunications data, to evaluate consumers' creditworthiness may cause more harm than good for some consumers. These stakeholders recommend evaluating the unique benefits and disadvantages of increasing the reporting of alternative data to the nationwide CRAs and as factors in scoring models.<br><br>• A Consumer Bureau study on remittances transfers—one type of non-traditional data—found that the use of this payment information is unlikely to increase the credit scores of consumers who send remittances because remittance histories are positively correlated with delinquencies.<br><br>• Some delinquent rental payment information may also not accurately reflect consumers' likelihood to default on future credit obligations, given that multiple parties on leases are held accountable for failing to pay rent when one party pays their portion of the rent late even though the other parties have made timely rental payments.<br><br>• Consumer advocates have also expressed concerns about the increased full reporting of utility payments because of the significant disparities in certain states in the stringency of their customer service rules, the level of home energy prices, the availability of low-income energy assistance programs, consumers' privacy protections, and seasonal or temperature-based disconnection limitations. The advocates argue that each of these factors raises unique considerations about how full reporting of utility information to nationwide CRAs may impact consumers. | impact on consumers with limited or no traditional credit histories, racial and ethnic minorities, women, and consumers residing in Federally-assisted rental housing. |

## TITLE VI – PROVIDING GREATER CONSUMER ACCESS TO AND UNDERSTANDING OF CONSUMER REPORTS AND CREDIT SCORES

| Problem | Solution |
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| ***While current law provides consumers with the right to obtain free annual consumer reports from each of the nationwide CRAs and nationwide specialty CRAs, consumers are not entitled to a free credit score when they obtain this report.***<br><br>• According to the Consumer Bureau, many consumers believe consumer reports are "hard to get and hard to understand." Providing all consumers with free credit scores, with their free annual consumer reports, will ensure that consumers, regardless of their income, have access to a useful tool to enable them to better understand their credit standing.<br><br>• Except in very limited circumstances (e.g. mortgage lending borrowers and adverse and risk-based pricing notices), consumers do not currently have a Federal right to free scores.<br><br>• Although several large credit card issuers offer their customers access to free scores, not all of these companies are sharing scores actually used by creditors and not all consumers qualify for the types of credit cards that provide this free benefit.<br><br>• A February 2011 survey conducted by the Consumer Federation of America and VantageScore found that the general public lacks a clear understanding of what credit scores represent. The study also found that many consumers did not know what numerical range constitutes excellent credit standing or the financial implications of having a low credit score. | ***The bill provides consumers with free credit scores with their free annual consumer reports by:***<br><br>• Requiring nationwide CRAs and nationwide specialty CRAs to give consumers free copies of their credit scores that are actually used by creditors in making credit decisions, as determined by the Consumer Bureau, or if not practicable, educational credit scores whenever consumers obtain their free annual consumer reports. |
| ***When consumers are denied credit, or offered it on less than favorable terms, they are entitled to receive a free copy of their report relied on by the creditor but, to do so, they must go through the hassle of requesting that the CRA send them a copy of the report.***<br><br>• The Consumer Bureau estimated that only 15.9 million credit-active adults receive their free reports from one or more of the largest CRAs through AnnualCreditReport.com, which means that only 10 percent of the eligible | ***The bill expands the instances in which consumers automatically receive free consumer reports and scores by:***<br><br>• Requiring nationwide CRAs and nationwide specialty CRAs to include free credit scores with reports when consumers exercise their rights to free consumer reports under existing law, such as when individuals are unemployed, receiving public assistance, or believe they may or have been victims of fraud. Under the newly created rights in the bill, it would also apply when individuals submit disputes and file appeals. |

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| population takes advantage of the free benefit that requires consumers to request disclosures. | • Eliminating time-consuming, procedural burdens for consumers of having to request free disclosures by instead mandating that, in specific instances, nationwide CRAs and nationwide specialty CRAs send consumers these free disclosures automatically. |
| ***When consumers apply for credit, they often do so without having critical information about their creditworthiness to be able to make more informed credit decisions.***<br><br>• In 2011, the Consumer Bureau confirmed in its report titled "The Impact of Differences between Consumer-and Creditor-Purchased Credit Scores" that consumers with accurate perceptions of their credit standing may be better equipped to shop for favorable credit terms. Free consumer reports and credit scores given to prospective borrowers, therefore, will increase consumers' awareness about their credit standings to empower them to negotiate for the best deals on large dollar loans, yet does not impede same-day shopping and buying for cars because indirect auto dealers and auto lenders satisfy the requirement as long as they provide prospective borrowers the disclosures on separate documents from the leases or purchase contracts.<br><br>• Equifax's Black Book Activator e-credit project with several dealerships gives prospective car buyers' free access to their educational credit scores online, citing the company's testing and consumer feedback showing car shoppers want access to their credit scores when they are making buying decisions. Despite the CRAs' acknowledgment that consumers want, and will benefit from having their credit scores, this project does not provide consumers with the scores that lenders actually use for underwriting.<br><br>• The State of California's (CA's) "Car Buyer's Bill of Rights" requires car dealers who finance a sale to disclose to consumers: before the purchase or lease of a vehicle, the credit score that they obtained and used, the name and address of the CRA providing the score, the range of possible credit scores, and a written notice regarding credit scores.<br><br>• The legislative history for CA's Car Buyer's Bill of Rights from 2005 – 2006 notes that, based on an analysis of records from General Motors Acceptance Corp. transactions in CA, some consumers were charged between $8,237 and $19,577 in hidden dealer kickbacks on auto loans – despite having excellent or very good credit. These practices were also shown to have a discriminatory impact on African American and Latino | ***The bill requires certain lenders to provide consumers with free copies of any reports and scores that they actually used for underwriting, before consumers take out large dollar loans by:***<br><br>• Requiring mortgage and private education lenders to provide prospective borrowers copies of any reports and credit scores that they obtained and relied on in making or arranging loans, without charge, to borrowers no later than three business days, after the lenders have acquired these materials.<br><br>• Mandating that indirect auto dealers and auto lenders give prospective borrowers free copies of any consumer reports and scores used in their credit-making decisions before the consumer signs any lease or purchase agreement. |

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| purchasers, even when they have earned the same credit scores as comparable white consumers. The vehicle credit score disclosure under the state law was intended to help combat predatory and discriminatory financing practices by making it easier for consumers to comparison shop for credit and harder for dealers to deceive consumers about their creditworthiness in order to justify charging exorbitant interest rates.<br><br>• In 2013, Barclaycard was the first top-ten card issuer to partner with FICO to provide its customers with free access to FICO 8 credit scores. Although Barclaycard anticipated that doing so could increase the volume of its customer complaints, it found that the impact to its contact centers was light, and that the program enhanced customer loyalty. | |
| ***Too many consumers do not understand how credit scores are calculated and what actions that they can take to improve their credit standing.***<br><br>• A 2015 Consumer Bureau survey found that consumers had questions about what actions to take to improve their scores once they had seen them, suggesting that additional disclosures and educational content is necessary. The Consumer Bureau found that consumers were commonly confused by conflicting advice on how to improve their scores. | ***The bill increases the explanatory information given to consumers about how credit scores are calculated by:***<br><br>• Enhancing the contextual information that accompanies numerical scores, to include both negative and positive factors that impacted scores, which will reduce consumers' confusion about how to improve their scores by providing information on positive actions that can be taken to improve their scores instead of the existing practice of merely telling consumers about the top four factors that negatively impacted their credit scores. The increased information will enhance available tools for consumers to improve their credit standing and financial well-being. |

## TITLE VII – BANNING MISLEADING AND DECEPTIVE MARKETING AND OTHER UNFAIR CONSUMER REPORTING AND CREDIT SCORING PRACTICES

| Problem | Solution |
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| ***CRAs frequently market consumer reporting products and services as "free" when they are actually paid-subscription services that automatically convert after a trial period.***<br><br>• Vulnerable consumers who have concerns about the security of their personal and financial information, deserve clear, accurate, and transparent information about products and services that may be available to them and the costs associated with such tools.<br><br>• While the Consumer Bureau issued consent orders against the nationwide CRAs banning this practice, it is important to codify the restriction to ensure that the CRAs do not return to deceptive practices. | ***The bill bans deceptive promotional marketing of consumer reporting products and services by:***<br><br>• Directing CRAs to provide consumers with meaningful and clear information about credit scoring products and credit monitoring services to prevent them from unknowingly purchasing expensive products and services, such as ID theft services, that they may not fully understand or need.<br><br>• Prohibiting CRAs from misleading consumers by describing certain products and services as "free" that are, in truth, provided at no charge only for a limited trial period before automatically converting into a paid subscription service. |
| ***It can be confusing and time-consuming for consumers to purchase a report or a score from CRAs and CRAs are being rewarded with huge profits from direct-to-consumer sales driven, in part, by consumers' concerns about the industry's ongoing failures to comply with requirements to adopt procedures to ensure reports contain accurate information.***<br><br>• The dollar amount that CRAs can charge consumers to obtain a report is set under the FCRA, and the FTC was directed in the FACT Act to set a fair and reasonable amount that CRAs could charge consumers to buy their credit scores. Despite these statutory provisions, it can be difficult and time-consuming for consumers to purchase a report or score from CRAs without having to sign up for paid, monthly credit monitoring services or a bundled package of a report and a score. This problem is discussed in an article titled "In Search of the Elusive $11 Credit Report."<br><br>• Direct-to-consumer sales exploded in the early 2000s after legislation was enacted at both the state and Federal levels requiring nationwide CRAs and nationwide specialty CRAs to disclose credit information, including scores, to consumers and to provide consumers with free annual reports. When consumers obtain their free reports online, all of the largest nationwide CRAs offer fee-based products at the same time, ranging from paid subscriptions for monthly credit monitoring services to scores. In 2011, these CRAs generated revenues of about $4 billion in the United States. | ***The bill gives the Consumer Bureau the discretion to cap excessive fees charged to consumers for credit reporting products and services sold by CRAs by*:**<br><br>• Giving the Consumer Bureau authority to set a fair and reasonable amount for credit reporting products and services sold by the CRAs to consumers. |

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| • Because the Consumer Bureau has direct supervisory and examination authority over the largest CRAs, the agency is well-positioned with the necessary expertise to determine whether CRAs' market prices of products and services sold to consumers are exorbitantly excessive.<br><br>• As discussed in an *American Banker* article titled "Can the Credit Bureaus Finally Be Tamed?" consumers' concerns about credit reporting errors and insecurity about stolen credit information and ID theft has driven the direct-to-consumer sales of credit monitoring and education products by the nationwide CRAs, which ironically has allowed the industry to profit from their own shoddy practices. | |
| ***Consumers with limited English proficiency have inadequate access to critical information related to their consumer reports and scores.***<br><br>• In 2010, GAO found that the number of people in the United States who speak a language other than English at home has nearly tripled over the past three decades, with 37.6 million speaking Spanish and 2.9 million speaking Chinese. Besides these two languages, the use of Vietnamese, Russian, Persian, Armenian, Korean, and Tagalog has doubled in the last 30 years.<br><br>• GAO also found that non-English speakers are more vulnerable to fraud and translation confusion. Written financial information and documents tend to be complex and translations may not be clear if not written using colloquial or culturally appropriate language. For example, many English financial terms have no equivalent in Spanish, such as "401(k)," "balloon payment," and "subprime." | ***The bill enhances access to credit reporting and scoring information for all consumers, including those with limited English proficiency or vision and hearing impairments, to ensure all consumers have the ability to understand their credit information and exercise their rights provided under the FCRA by:***<br><br>• Directing the Consumer Bureau to issue a rule to ensure fair access for all consumers by mandating that CRAs and furnishers, to the maximum extent possible, provide materials in, and hire dispute and appeals staff who, speak the 10 most commonly spoken languages in the United States other than English, and in formats accessible to those with hearing or vision impairments. |
| ***Consumers who responsibly shop around for the best rates and terms for large dollar loans risk reducing their credit standing by doing so.***<br><br>• "Hard" inquiries occur when a creditor pulls consumers' reports to determine their eligibility. This information typically remains on a credit report for two years and adversely factors into credit scores. As such, loan shopping for the best rate and terms on new lines of credit could lower consumers' credit scores. While most credit scoring models treat multiple hard inquiries as a single inquiry when they occur within a certain time period, the time span varies from 14 to 45 days. | **The bill establishes consumers' right to shop for the best deal on certain large dollar loans without harming their credit standing by:**<br><br>Requiring credit scoring models treat multiple hard inquiries for a mortgage, auto, or private education loan as a single inquiry for each of these types of loans, if it is conducted within a 120-day window. |

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| • VantageScore treats each multiple major credit inquiry as a single inquiry within a 14-day window, and excludes utility inquiries entirely. FICO provides a 45-day window during which time multiple inquiries for mortgages, auto loans, and student loans are treated as a single inquiry for these specific types of loans in its FICO 8 model. Older FICO models, including Classic FICO score referenced in the GSE's seller-servicer guides, contained the same 14-day window as the VantageScore model. These short time spans may unduly inhibit consumers' ability and likelihood to comparison shop for the best deals for large dollar loans, particularly for people with thin files or with credit scores below 760.<br><br>• The Consumer Bureau found that consumers may choose not to review their reports for errors because of their mistaken fear that doing so may lower their credit scores. Consumers' concern about the impact of hard inquiries may also drive them to avoid shopping for the best credit terms for loans. According to the Consumer Bureau, nearly half of mortgage borrowers do not shop for loans when they buy a home. | |

## TITLE VIII – EXPANDING ACCESS TO TOOLS TO PROTECT VULNERABLE CONSUMERS FROM ID THEFT, FRAUD, OR A RELATED CRIME, AND PROTECT VICTIMS FROM FURTHER HARM

| Problem | Solution |
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| ***As incidences of ID theft continue to rise, consumers experience significant financial loss and emotional distress from their inability to effectively and inexpensively safeguard their credit information from bad actors.***<br><br>• ID theft consistently tops the FTC's ranking of consumer complaints, which is consistent with a finding by the Bureau of Justice Statistics that it affected seven percent of American adults in 2014. The Ponemon Institute also found that 47 percent of American adults had their personal information, including user names, debit or credit card numbers, phone numbers, security questions, addresses, and other types of information, exposed by hackers in 2014. Despite the total number of hacked accounts reaching 432 million in 2014, protections available to ID theft victims have not been extended to those who suffer any number of harms from the unauthorized disclosure of their financial or personally identifiable information under the FCRA. The extent of the problem is highlighted by the September 2017 announcement by Equifax that approximately 143 million American consumers' sensitive information had been exposed. Following the incident, the company failed to immediately provide impacted consumers with access to free credit freezes.<br><br>• Despite its importance in determining whether consumers can access key protections under the FCRA, obtaining a police report that alleges ID theft is notoriously difficult, if not impossible, to obtain in certain jurisdictions. According to the FTC, police sometimes are reluctant to provide victims with a police report and, in some jurisdictions, officials may feel that they have higher priority matters to handle, or may not understand the importance of the police report in victim recovery. Moreover, some jurisdictions even prohibit the police from giving a victim a copy of the official report.<br><br>• Victims, and those who suspect they may be at risk of ID theft, have enough headaches to deal with without having to jump through unnecessary hurdles to document that they have been victimized or spend extreme amounts of time and diligence to constantly renew requests to have fraud alerts placed on their files. | ***The bill eliminates time-consuming and burdensome obstacles for consumers trying to safeguard their credit information by:***<br><br>• Replacing the onerous requirement of having to obtain a police report with a new requirement of submitting an affidavit developed by the Consumer Bureau for consumers to be able to exercise all the ID theft protections available under the FCRA.<br><br>• Expanding access to ID theft protection tools beyond victims of ID theft to all victims of fraud.<br><br>• Extending the period that initial and extended fraud alerts remain on reports from 90 days to one year in the case of an initial alert, and from five years to seven years in the case of the extended fraud alert, which eliminates the existing burden on consumers to have to frequently request that these alerts be reinstated. |

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| ***Fraud victims and vulnerable consumers lack consistent, affordable, hassle-free access to place, temporarily lift, and remove credit freezes on their reports.***<br><br>• Credit freezes prohibit creditors from obtaining a consumer report for the purpose of determining eligibility for opening a new credit account unless the consumer has provided express authorization. Because there is no Federal requirement to provide a credit freeze, consumer access to and the affordability of credit freezes varies state-by-state.<br><br>• While victims of ID theft generally have free access to credit freezes at the state level, the cost to place a credit freeze ranges across the country from $3 to $15 at each of the largest CRAs for most non-ID theft victims. Although some states provide free access to certain consumers, such as senior citizens, this is not a universal practice. Vulnerable seniors living on a fixed income may have a difficult time protecting themselves from fraud absent safeguards to ensure they are offered the opportunity to place, temporarily lift and remove a freeze free of charge.<br><br>• The timing when CRAs are required to place, lift, and remove these freezes varies. According to the FTC, most states currently require the temporary lifting of a freeze within three days of a written request, and according to the NCLC's Legal Practice Series on the Fair Credit Reporting Act, over half of states require the disclosure freezes to be lifted within 15 minutes if the request is made by telephone or secure electronic means. Consumers seeking to make instant credit decisions, such as the purchase of a car from an auto dealer, would benefit from a Federal standard that ensures that credit freezes are temporarily lifted in a timely manner. The failure to temporarily lift credit freezes in a timely manner would likely encourage consumers to take advantage of the protections afforded by a freeze while being able to apply for credit as needed in a timely manner.<br><br>• Guaranteeing access to credit freezes, setting reasonable time periods for providing, temporarily lifting, and removing such freezes, and setting reasonable limits on the amounts that may be charged for such freezes ensures that all Americans have universal access to the best tool available to prevent new credit from being unlawfully extended in their name without their knowledge or consent, regardless of the state where they reside. | ***The bill provides free credit freezes for fraud victims and vulnerable consumers and caps the cost for others by:***<br><br>• Requiring nationwide CRAs to allow consumers to place a credit freeze on their consumer reports and sets the maximum amount these CRAs can charge to place, temporarily lift, or fully remove a credit freeze at $3, indexed for inflation.<br><br>• Giving both fraud victims and vulnerable consumers, such as senior citizens aged 65 years or older, active duty service members, and people who have a good-faith suspicion that they have been (or are about to be) a victim of fraud because of the unauthorized exposure of their financial or personally identifiable information, the right to place credit freezes of their consumer reports at each of the nationwide CRAs for free.<br><br>• Setting time periods for CRAs to respond to credit freeze requests: one business day for placing credit freezes on reports; one business day for mailed requests to temporarily lift a freeze, and; within 15 minutes for requests to temporarily lift a freeze submitted by telephone or online. |
| ***Consumers with limited English proficiency have inadequate access to critical information related to their consumer reports and scores.*** | ***The bill enhances access to credit reporting and scoring information for consumers with limited English proficiency, vision and hearing impairments to enable all consumers the ability to understand their credit information and*** |

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| • In 2010, GAO found that the number of people in the United States who speak a language other than English at home has nearly tripled over the past three decades, with 37.6 million speaking Spanish and 2.9 million speaking Chinese. Besides these two languages, the use of Vietnamese, Russian, Persian, Armenian, Korean, and Tagalog has doubled in the last 30 years.<br><br>• GAO also found that non-English speakers are more vulnerable to fraud and translation confusion. Written financial information and documents tend to be complex and translations may not be clear if not written using colloquial or culturally appropriate language. For example, many English financial terms have no equivalent in Spanish, such as "401(k)," "balloon payment," and "subprime." | ***exercise rights provided under the FCRA by:***<br><br>• Directing the Consumer Bureau to issue a rule to ensure fair access for all consumers by requiring CRAs and furnishers, to the maximum extent possible, provide materials in and hire dispute and appeals staff who speak the 10 most commonly spoken languages in the United States other than English and in formats accessible to those with hearing or vision impairments. |
| ***Fraud victims and certain vulnerable consumers lack access to affordable credit-monitoring and ID theft protection services that they may wish to acquire in order to protect themselves against further harm, or monitor activity on their consumer reports.***<br><br>• According to Consumer Reports, roughly 50 million American consumers spent about $3.5 billion in 2010 to purchase products aimed at protecting their identity, with the annual cost of the services ranging from $120 to $300.<br><br>• Providing vulnerable consumers with free access to ID theft prevention services ensures that consumers can choose from a wide range of ID theft and fraud prevention measures and determine which tool, or combination of tools, is right for them.<br><br>• According to a 2015 MasterCard survey, a majority of consumers (77 percent) are very anxious about their financial information and Social Security numbers being stolen or compromised, with a shocking 55 percent of consumers indicating that they would rather have naked pictures of themselves leaked online than have their financial information stolen. Consumers' concerns about the online security of their financial information even outweighs fears about physical security dangers such as having their houses robbed (59 percent) or being pickpocketed (46 percent). | ***The bill provides free credit monitoring and ID theft protection services to vulnerable consumers and authorizes the Consumer Bureau to limit the fees for others by:***<br><br>• Requiring the nationwide CRAs to provide vulnerable consumers with free credit monitoring and credit freezes. Vulnerable consumers include: those who assert a good-faith suspicion that they are at risk of ID theft, fraud, or harm caused by the unauthorized exposure of their sensitive, personally identifiable or financial information; unemployed consumers; recipients of public assistance; active duty service members; senior citizens aged 65 or older; and other classes of consumers as determined by the Consumer Bureau. |