

**HEARING BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES  
COMMITTEE ON FINANCIAL SERVICES**

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Chairwoman Waters, Ranking Member McHenry, and Members of the Committee, thank you for your invitation to be a witness at today's hearing.

My name is Jim Peck, and, since 2012, I have been fortunate to serve as President and Chief Executive Officer of TransUnion.

TransUnion is a global company headquartered in Chicago, with nearly 4,000 employees in the United States and over 7,000 worldwide. Consistent with our mission, we seek to help people around the world, through the power of information, identify and access opportunities that bring a higher quality of life. We strive to ensure fairness for consumers in the marketplace, through access to information, education and empowerment, and precision in the products and services we provide. We also help businesses identify underserved markets, extend opportunities for credit and employment, and mitigate business risks. We process more than 2 billion credit updates to our database monthly, and match these to more than 230 million credit active Americans. Over 166 million Americans have taken advantage of free access to their credit information through TransUnion and our partners.

You have invited our industry to speak before you on a matter of great importance to all of us and to the people of the United States—a vital part of the global economy: credit reporting.

We agree with Congress's findings in the Fair Credit Reporting Act ("FCRA") that "[t]he banking system is dependent upon fair and accurate credit reporting" and that "consumer reporting agencies have assumed a vital role in assembling and evaluating consumer credit and other information on consumers." We also agree that "there is a need to [e]nsure that consumer reporting agencies exercise their grave responsibilities with fairness, impartiality, and a respect for the consumer's right to privacy." At TransUnion, we believe a strong, fair, and accurate credit reporting system benefits everyone, from businesses to consumers.

Today, as requested by this Committee, I would like to share our views on how our credit reporting system works, how regulation shapes and supports that system, and how credit scores and credit reports are used, including the benefits the system provides to consumers. I also want to discuss our commitment to accuracy, data security, financial inclusion, and consumer empowerment. Finally, I will highlight suggestions that TransUnion believes can further improve the current system, some of which this Committee has already been considering. We stand ready to work with this Committee to ensure that America's credit reporting system remains the best in the world.

## I. The Nation's Credit Reporting System

### *How the credit reporting system works*

The credit reporting ecosystem generally consists of five important stakeholder groups:

- Consumers, who rely on the availability of credit reporting information to obtain access to credit and other financial opportunities and who give permission for their data to be used in the process of enabling that access;
- Lenders and data contributors, or “furnishers,” who contribute credit and other payment information to the hundreds of credit reporting agencies, including the three national credit reporting agencies, namely Equifax, Experian, and TransUnion (collectively, the “CRAs”);
- CRAs, who collect and report the information in accordance with rigorous legal regulations and industry standards;
- Analytics firms, who build credit models to generate scores from the credit data; and
- Users, who must have a permissible purpose to use credit information and credit scores.

I will focus on our role as a CRA, and how it fits within the broader credit reporting system.

We curate consumer credit information in three primary forms:

*First*, we maintain consumer credit information in credit files. Credit files contain identifiers, information requests, and account information. Identifiers include names, dates of birth, and Social Security numbers (“SSNs”), and are used to assist in identifying the correct consumer and matching new credit information with that consumer. Credit files *do not* contain information about race, religion, gender identification, or national origin. Information requests include inquiries requesting a consumer credit file. We are required by law to retain and provide records of such inquiries, such as inquiries made to decide whether to extend credit to the consumer. These requests are limited to those entities that have a permissible purpose to access reports under the FCRA. Finally, credit files contain information about a consumer’s credit and other payment behavior, which lenders and others provide us directly. This includes account balances and payment histories; accounts placed in collections; and some public record information, such as bankruptcies. Positive information can stay in a credit file indefinitely, though stale information (such as information about closed accounts) may be removed. Most derogatory information—such as adverse account information—will be removed within 7 years; bankruptcies are removed within 10 years.

*Second*, information from a credit file is structured into a credit report. The report is provided to a consumer, lender, or other permitted user.

*Finally*, credit scores are generated using information in a credit report at the point in time when the scores are requested, such as when a consumer’s credit application is being considered. These scores are calculated by considering factors such as the number of credit accounts, the amount of available credit used by a consumer, the consumer’s account payment history, and other information, as permitted by applicable laws, that is empirically, demonstrably, and statistically proven to predict a consumer’s

ability to repay a loan. Importantly, there is no single credit score for a consumer. Lenders use different scoring models, which can vary for different credit products (*e.g.*, a model that is predictive for a credit card may be different than a model that is predictive for a car loan).

As a CRA, TransUnion does *not* make lending, employment, or underwriting decisions. Nor do we make decisions as to who should be permitted to access credit reports, or for what purposes they should be used. Rather, we provide *information*, as permitted by law to those with a Congressionally-defined permissible purpose, that can support consumers' applications for credit or other opportunities, based on the information contained in the credit report.

The information we provide, for example, helps lenders make informed credit decisions. This process enables prompt and efficient consumer credit transactions. For example, if a consumer applies for a credit card from a bank, the bank will access the consumer's information from us to support the bank's assessment of the consumer's creditworthiness.

#### *Regulation of the credit reporting system*

The primary regulatory framework that governs the credit reporting process is the FCRA, and our compliance with the FCRA is overseen and enforced by the Consumer Financial Protection Bureau ("CFPB") and the Federal Trade Commission.

Enacted in 1970, the FCRA promotes the accuracy, fairness, and privacy of personal information assembled by CRAs. One of the FCRA's most important functions is governance of the process by which consumers can dispute, or correct inaccurate, information in their credit files. The FCRA has been amended many times over the years to improve the dispute process, as well as to prevent and mitigate identity theft through expanded rights to credit freezes and alerts and increased protections for minors.

TransUnion is committed to meeting or exceeding all these requirements through the establishment and continuous refinement of our compliance mechanisms. As our business, technological innovations, and the legal landscape have evolved, we have worked collaboratively with regulators to effectively serve consumers and the credit market.

#### *Use of credit reports and the benefits of the credit reporting system*

Ready access to credit for qualified borrowers—from small business owners to car buyers to first-time homeowners—helps to propel America's economy forward. As the former Director of the CFPB, Richard Cordray, observed:

*Credit reporting is an important element in promoting access to credit that a consumer can afford to repay. Without credit reporting, consumers would not be able to get credit except from those who have already had direct experience with them, for example from local merchants who know whether or not they regularly pay their bills. This was the case fifty or a hundred years ago with "store credit," or when consumers really only had the option of going to their local bank. But now, consumers can instantly access credit because lenders everywhere can look to credit scores to provide a uniform benchmark for assessing risk. Conversely, credit reporting may also help reinforce consumer incentives*

*to avoid falling behind on payments, or not paying back loans at all. After all, many consumers are aware that they should make efforts to build solid credit.*<sup>1</sup>

The CRAs play a pivotal role in the efficient and stable functioning of the nation’s credit system. We essentially act as curators, collecting and assembling information about consumers from lenders, creditors, and others. We share that information with third parties in accordance with specific legal and regulatory requirements, including requirements that dictate who is permitted to obtain consumer credit information, under what circumstances, and for what purpose.

Ultimately, TransUnion is a steward of the framework established by Congress, regulators, and state legislatures under the FCRA and various state consumer protection laws. We defer to policymakers’ judgment regarding the permissible purposes for use of credit reports.

As Congress intended when enacting the FCRA, people benefit when their credit behavior is curated and available to the companies that extend them credit without requiring any action on their part. Benefits include:

- *Instant access to funds, goods, and services.* Today’s consumers expect instant access to credit, and credit reporting enables this: people can walk into a car dealership, give permission for the dealership to access their credit, and drive away in a new car shortly thereafter. Credit reports showcase consumers’ good choices and hard work so that lenders can assess consumers’ ability to repay credit. Ultimately, this system enhances consumers’ quality of life and strengthens the American economy.
- *Financial inclusion.* Credit reporting also enables an inclusive lending system. Before the first credit bureaus, credit decisions could be highly subjective—a consumer often had to have an established history with a particular institution or a personal relationship with the people making the credit decisions. This often limited the options of women, minorities, and other historically underserved groups. By providing objective data to lenders, the U.S. credit reporting system reduces the risk of human bias in the underwriting process, helping Americans from every background.

For example, we are proud to foster financial inclusion through partnerships with organizations such as the non-profit Credit Builders Alliance. They work with their network of non-profit lenders to report payment histories for their clients, who typically have little credit history. These non-profits include microlenders who provide small loans to people with limited credit histories and collect and report the borrowers’ repayment history. This builds the borrowers’ credit history, positioning them to access larger lines of credit going forward.

- *Opportunities to build and rebuild credit.* Over the course of their lifetimes, many consumers find themselves making late payments or missing a payment, with negative consequences. The U.S. credit reporting system, however, including TransUnion’s innovations in “trended data,” as we discuss further below, enables consumers to reestablish their credit relatively quickly with prompt payments.

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<sup>1</sup> Richard Cordray, *Prepared Remarks by Richard Cordray on Credit Reporting*, Consumer Financial Protection Bureau (July 16, 2012), <https://www.consumerfinance.gov/about-us/newsroom/prepared-remarks-by-richard-cordray-on-credit-reporting/>.

- *Better products for consumers through lender competition.* As curators of consumer information from lenders both large and small, the national CRAs ensure that when lenders fully report to us their substantial consumer information, lenders of all sizes can obtain the data they need to offer competitive products to consumers. As the CFPB found in December 2012, the 10 largest institutions furnishing credit information to the CRAs account for more than half of all accounts reflected in consumers' credit files. By allowing smaller lenders to access the data they need to make safe and sound decisions to extend credit to consumers, we enable a competitive financial marketplace and allow consumers to choose from among the best offerings from both small and large lenders nationwide, resulting in better products and services for consumers.
- *Fraud prevention.* TransUnion's fraud prevention products help reduce the risks of identity theft and other forms of fraud. For example, we offer analytical tools to businesses that can help flag potentially fraudulent behavior, detect fraudulent identities, and even find anomalous behavior indicative of fraud using predictive analytics. And we help consumers protect their identities through credit freezes, locks, alerts, and monitoring.
- *Managing risk for lenders and consumers.* Credit reports help lenders understand the relative creditworthiness of consumers and manage risk across the lifecycle of accounts, which in turn helps them offer credit on more affordable terms to more consumers. Consumers who take on loans they cannot afford to repay risk significant financial and personal hardship to themselves—and sometimes, as we saw with the financial crisis in 2008, to the entire economy. When lenders use credit reports responsibly, they can help ensure that consumers are extended credit only to the extent they can afford and have the ability to repay.

No other economy in the world offers consumers the quick and straightforward access to credit that we do in the United States. This capability provides opportunities to people and gives our economy a valuable global edge.<sup>2</sup>

## II. Our Commitment to Accuracy

Data accuracy is the fundamental underpinning for the entire credit reporting system. Lenders and other users of credit information need accuracy to help make good decisions about when to extend credit and other opportunities. Consumers deserve accuracy so they can be rewarded for their efforts to diligently pay their debts and obtain the right credit for their needs.

While we succeed in almost every instance, given the extraordinary volume of information we receive, it is inevitable that sometimes errors occur. We recognize that no statistic of excellence matters to an individual who has been impacted by an error on their report, and we know how distressing any mistake

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<sup>2</sup> See, e.g., World Bank, *General Principles for Credit Reporting 1* (September 2011), <https://openknowledge.worldbank.org/bitstream/handle/10986/12792/701930ESW0P1180ting0pub010028011web.pdf?sequence=1&isAllowed=y> (“Well functioning financial markets contribute to sustainable growth and economic development, because they typically provide an efficient mechanism for evaluating risk and return to investment, and then managing and allocating risk. . . . Credit reporting is a vital part of a country’s financial infrastructure and is an activity of public interest.” (footnote omitted)); John M. Barron & Michael E. Staten, *The Value of Comprehensive Credit Reports: Lessons from the U.S. Experience*, in CREDIT REPORTING SYSTEMS AND THE INTERNATIONAL ECONOMY, 273, 2731 (2003) (“Armed with the most comprehensive consumer payment histories on the planet, creditors [in the United States] apply statistical scoring models to estimate an individual’s repayment risk with remarkable accuracy. Reliance on risk scoring has fundamentally improved the efficiency of U.S. credit markets and has brought consumers lower prices and more equitable treatment. Perhaps most significantly, credit bureau data has made a wide range of credit products available to millions of households that would have been turned down as too risky just a generation ago.”).

can be to a consumer. We work hard to prevent errors and address them quickly and efficiently when they occur. It is our shared interest to make the data as accurate as possible. We hold ourselves accountable, learn from our mistakes, and improve every day.

All stakeholders in the U.S. credit market play an active role in establishing and maintaining accuracy, which depends upon (a) TransUnion receiving accurate, complete, and timely information; (b) TransUnion's ability to match incoming data with the correct consumer; and (c) consumers reviewing their credit reports for accuracy and engaging in the dispute process.

#### *Receiving accurate, complete, and timely information*

TransUnion receives data on a voluntary basis from a range of data furnishers. Each furnisher is thoroughly vetted before being approved to provide data and is repeatedly reviewed throughout their relationship with TransUnion. We use a combination of technology, people, and processes to validate information and review anything flagged as anomalous. In accordance with the FCRA and to ensure the maximum possible accuracy, TransUnion:

- Applies a rigorous screening process that includes on-site visits to assess and vet furnishers;
- Reviews data to confirm it is in the correct format for inclusion in the TransUnion data environment;
- Confirms provided data is consistent with previous data; and
- Flags any anomalies, which are returned to the provider for them to address.

#### *Matching incoming data with the correct consumer*

As noted earlier, we process more than 2 billion credit updates monthly, and match these to more than 230 million active credit consumer profiles in the United States. Because of the importance of accuracy, we have invested in developing industry-leading matching algorithms. We constantly assess—and seek to improve—the accuracy of our algorithms to maximize our ability to match the right information to the right consumer. We continually look for ways to get the balance right: tight enough to yield a correct match, but loose enough to not exclude appropriate information.

Matching errors sometimes occur due to manual errors furnished to TransUnion. We employ a range of capabilities that automatically identify and correct issues, such as transposed digits in SSNs, name misspellings, and near-miss addresses. These processes are designed to produce the most accurate matching results possible. In 2018, less than ½ of 1% of disputes filed with TransUnion were associated with incorrectly combining credit files.

Despite tremendous efforts by both TransUnion and our furnishers to match with the highest degree of accuracy possible, no process or person is perfect and mistakes happen. When they are identified, steps are taken to correct them as quickly as possible.

## *Consumer disputes*

Consumers are vital stakeholders in the U.S. credit reporting system because they rely on the availability of credit reporting information to access opportunities and because they give permission for their data to be used to enable that access. That is why we believe that consumer empowerment, as described more fully below, is a key element for accuracy and a successful and meaningful dispute process.

TransUnion's dispute process is governed by the FCRA as well as various state laws, and we have a reliable, well-documented dispute process. Under the FCRA, we are required to investigate a consumer's claim within 30 days (subject to extensions in certain circumstances); contact the originating data furnisher within 5 days; notify data furnishers when changes are applied; and inform the consumer of investigation results.

If a consumer identifies an error, we assist them with resolving the issue. Most disputes result from a discrepancy between the furnished information and what the consumer believes to be correct. We work hard to help consumers quickly address any errors in their credit report and to work with the furnishers to quickly resolve inaccurately-reported items.

- Consumers can address inaccuracies on their TransUnion credit report for free online, by phone, or by mail. They can also supply us with supporting documentation. Consumers can file disputes both directly with TransUnion, and indirectly via many of our partners.
- If we can resolve the dispute based on the information provided by the consumer, we make changes to the consumer's credit report within days to ensure consumers get the benefit of their payment behavior. Over 25% of disputes are resolved within one week.
- If we cannot resolve the issue, we contact the provider of the disputed information and forward the consumer's dispute and supporting documentation to the provider to investigate and verify the information, or modify or delete the item with us and in their records. Investigations are typically concluded within 30 days.
- Once the investigation is complete, the consumer is provided with the results of their dispute investigation, details on how their disputed account(s) changed, and information about what they can do if they are not satisfied with the outcome of the dispute. When we communicate the results, TransUnion also provides access to a free copy of a full credit report.

Changes made as part of the National Consumer Assistance Plan resulted in improvements in communicating dispute results to consumers, as well as the removal of commonly-disputed items from TransUnion credit files, including tax liens, civil judgments, certain medical debt, and non-contractual collections.

While TransUnion has continually strived to enhance our data accuracy and consumer experience, we recognize that nobody can improve the credit reporting system single-handedly. All participants in the credit market—including data furnishers and other information sources—will need to work together to improve accuracy, consumers' experience, and availability of credit in a safe and secure environment.

### **III. Our Commitment to Data Security**

As a nationwide CRA, we collect, store, and transmit a large amount of sensitive and confidential information. We are acutely aware that consumers count on us to safeguard their information, as do TransUnion's furnishers and business customers. Like many financial institutions and other companies holding valuable data, we experience numerous attempts to attack our systems, networks, and other assets on a daily basis. That is why information security is a priority company-wide at all levels of our organization.

The TransUnion information security team operates globally across all of our business units and locations, ensuring coverage and visibility 24 hours a day, 7 days a week. Threats are monitored and evaluated, and our internal controls are adjusted as needed, as we strive to remain effective in a rapidly changing threat environment. Our global information security team is staffed with cyber threat and intelligence experts who have backgrounds in law enforcement, the military, and elsewhere in government. Our Information Security program also includes robust policies, employee training, and advanced technology with support and oversight from the Board of Directors and executive management, including me.

We choose to follow and assess ourselves against numerous standards set by the National Institute of Standards and Technology ("NIST"), which focus on preventing, detecting, and responding to cyber threats. This includes, among other technical standards, the NIST Cybersecurity Framework, a voluntary protocol consisting of standards, guidelines, and best practices to manage cybersecurity-related risk. We also follow the Financial Services Sector Cybersecurity Profile, which was developed collaboratively between public and private sectors and which recommends steps beyond those in the NIST Cybersecurity Framework to reduce cybersecurity risk unique to the financial sector.

The large financial institutions we work with, who share our interest in safeguarding the information they share with us, also require us to comply with the highest standards. We are regularly subject to third-party vendor audits by the most sophisticated financial institutions in the world. We welcome the rigor of these reviews, as we are confident that our security controls are compliant with the highest standards to which banks are held.

TransUnion takes a multi-layered, risk-based approach to security, which is based on a number of overlapping and redundant controls to reduce the risk of a single point of failure, consistent with consumer, business customer, and regulator expectations. This approach is designed to prevent, detect, and respond—that is, to decrease the likelihood of a breach occurring; reduce the duration of any breach that does occur by ensuring that it is quickly identified; and minimize the impact of a breach by quickly limiting the reach of any compromise and closing off any further access to the environment.

Of course, like virtually any industry and government, we are routinely subject to cyber attacks that we must defend against and vulnerabilities we must address. We also constantly have to defend against fraudulent misuse of customer accounts with access to our data. TransUnion has not had a material event that resulted in the loss of consumer credit data.

Examples of the types of tools, controls, and procedures we use include:



- *Network tools.* TransUnion deploys intrusion detection and prevention systems that monitor for, alert on, and block malicious network attacks; web application and network firewalls that analyze traffic, limit traffic from unknown and potentially malicious IP addresses, and prevent the denial of services or data theft; an advanced network threat protection and breach detection platform that provides visibility and protection against sophisticated and damaging attacks; and network security monitoring to detect emerging, targeted, and unknown network threats.
- *Endpoint tools.* TransUnion leverages advanced malware detection and blocking that utilizes artificial intelligence, algorithmic science, and machine learning.
- *Audits and assessments.* In addition to audits and reviews conducted by our financial institution customers and regulators, we continually evaluate and assess our own program, including by regularly engaging external companies to pressure test our security governance, environment, and controls through assessments, penetration tests, and simulated attacks.
- *Incident response planning and readiness.* We recognize the importance of ongoing preparedness, so we regularly update and test our response plans, educate our leaders and employees around the world on protocol, and host drills to pressure-test our capability. In the past three years, we have conducted data breach tabletop exercises with more than 250 leaders worldwide. These efforts have helped us respond quickly and effectively to situations affecting our industry. For example, when we learned of the Equifax breach, we immediately activated our data issue response plan, notifying executive leadership and our Board of Directors quickly and ramping up consumer phone and online support.
- *Information sharing and collaboration.* We are committed to working with government, others in our industry, and companies in other sectors to meet these threats head-on. For example, we are a member of the highly-regarded Financial Services Information Sharing and Analysis Center.

But we can always do more. That is why we are devoting increasing resources to cybersecurity to keep pace with the ever-increasing cyber threats facing our economy.

While we are taking extensive measures to meet the increasing threats of cybersecurity and fraud, security is not only a credit reporting problem. This is a serious threat to all industries and organizations, and it is not going away.

#### **IV. Consumer Control of their Data**

##### *Consumer Empowerment*

Our experience tells us the vast majority of American consumers understand the benefits of the U.S. credit reporting system. Consumers would benefit, however, from more education about how to access and manage their own consumer report information.

Our goal is to ensure that all Americans are well-informed and, to that end, we provide substantial educational information and tools to help American consumers better understand their credit information.

Specifically, consumers are empowered to:

- Review the credit information that lenders see via a free credit report every year from each CRA through [annualcreditreport.com](http://annualcreditreport.com), and via TransUnion reports available any time through free products such as TransUnion's TrueIdentity product;
- Know when they are denied credit and why;
- Be notified when their information changes with TrueIdentity's free alerting service;
- Dispute information in their credit report that they feel is incorrect;
- See their credit scores; and
- Control access to their information—to lock or freeze their credit for free—so no one can use their TransUnion credit report to open a new account.

Through these and other tools, TransUnion has been a leader in empowering American consumers through increased access to and control of their personal financial information.

#### *Helping People Preserve Opportunities Through Government Shutdowns*

We understand our obligation to be sensitive to unforeseen financial hardships outside of individuals' control, that could, if not properly understood, adversely impact their credit. That is why we are committed to helping consumers through these circumstances, such as the partial government shutdown. Government employees and contractors work hard for our country, and we have taken several actions to help them alleviate any financial consequences from the shutdown. Specifically:

- We have reminded lenders and landlords about forbearance codes they can use to report missed payments to CRAs without negative impact.
- We are offering affected federal employees and contractors a free subscription to myTrueIdentity. With myTrueIdentity, consumers will receive credit monitoring and alerts, unlimited TransUnion credit reports, credit lock, credit score, and score trending. These tools will help consumers keep track of any changes to their credit information. The subscription is good for one year after activation, free of charge.
- We have a dedicated government shutdown customer service phone line (1-844-253-1943) if a consumer would like to speak to someone directly.
- We also have a comprehensive list of other resources available on [TransUnion.com](http://TransUnion.com).

#### *Emerging data and information issues*

At TransUnion, we are carefully assessing emerging data and information issues, such as artificial intelligence and the proliferation of new data sources. Evolving technology presents both opportunities and challenges. We are committed to working with stakeholders to find the right balance among harnessing innovation, maximizing opportunities to keep our communities and economy safe via fraud prevention and risk mitigation, and respecting consumers' rights. We look forward to working with the Committee to thoughtfully work through these issues to balance these goals appropriately.

## V. Recommendations

While our processes are designed to meet the purposes of the FCRA, we recognize that more can always be done to improve processes for the American consumer, including by having more complete information furnished on a timely basis. TransUnion looks forward to working with the Committee on balanced proposals that would increase transparency, foster financial inclusion, and empower consumers to better understand how their actions affect their ability to receive products and services. Specifically, we recommend exploring how our industry can use technology and processes that could provide more timely updates of critical credit events; establish new standards for reporting student loan data; increase the number of Americans able to access credit; help improve scores and access to credit innovations; protect SSNs; and enhance consumer financial education.

We recognize that our world is not static, and technology, processes, and consumer behavior are constantly changing. Our recommendations are focused on potential areas for improvement that we can begin to explore now. Moving forward, we welcome the Committee's ideas for how we can continue to meet the challenges and needs of an ever-changing American and global economy.

### 1. *More timely updates of critical credit events*

In today's digital economy, consumers can make a payment online and see a new balance reflected almost instantly. More timely reporting of that information, particularly for critical credit events, such as loan payoffs, would be beneficial to consumers.

For example, a family saving money to buy their first home may learn that they need to reduce their debt to qualify for a mortgage or to obtain a better mortgage rate. To achieve this goal, they may decide to pick up overtime shifts or go out to eat less, so they can pay off a prior debt, such as an auto loan. When they look at their credit report, however, the payoff may not show immediately on their report. This might lead them to initiate a dispute, which typically could take up to 30 days—days that are critical in the mortgage approval process. This could result in a family not receiving the best rate or not qualifying for a mortgage at all.

TransUnion recommends more timely reporting of key credit events, such as loan payoffs, where possible. This could enhance credit report accuracy and resolve issues before consumers need to dispute them.

### 2. *Establish new standards for reporting student loan data*

Student loans are often a consumer's first credit obligation and an important way for many consumers to begin establishing a credit history. Lenders extend other types of credit on better terms to young consumers who have shown an ability to manage their student loan payments.

We are working with other industry stakeholders to improve reporting of these loans, in an effort to streamline the reporting process. Although industry guidance provides that student loans from a single entity should be reported as a single account, some student loan servicers continue to report each disbursement as a separate account, and, if a payment is missed, it results in a disproportionate negative impact. While TransUnion has been able to identify examples of such issues through consumer disputes, the data provided from furnishers makes it difficult for us to resolve these issues proactively on our own.

TransUnion recommends process enhancements for how student loans are reported to provide better support for our nation’s student borrowers.

3. *Increase the number of Americans able to access credit*

Today’s typical consumer habits can be very different from consumer habits from only a few years ago: many people have more than one job, they increasingly rent their homes, and car ownership is no longer standard in many communities. What was once common credit data may not be as prevalent in this increasingly technological and mobile age. Data sources that have traditionally been considered “alternative,” such as rental, telecommunications, and utility payment data, are increasingly necessary to provide lenders with a full picture of potential borrowers.

By way of illustration, a 30-year-old, single woman living in a rural area works as a manager at a local grocery store. She rents a home near her job and drives a used car she inherited from a family member. She maintains savings and checking accounts, but has no credit card, since many of the local stores in her community only accept cash. Her on-time payment history with her rental and utility companies show that she is a good candidate for a loan. However, without this data, she would be “credit invisible,” meaning she would not have a nationwide CRA file.

In 2015, a CFPB report estimated that as of 2010, 11% of American adults were credit invisible. Another 8% had a file but the information was insufficient or too stale to be scored.<sup>3</sup> Today, rental payments are not always considered in credit risk decisions. Utility data, such as cell phone bill payments, are either not reported or reported only when late.

This problem disproportionately affects minorities and low-income communities. As a result of our innovations in alternative credit data, financial institutions can now lend to emerging credit populations with greater insight. A study from the Policy and Economic Research Council and Brookings Institution demonstrated that reporting utility and telecommunication payments to credit reporting agencies enables 40% of previously un-scoreable consumers to gain access to prime credit. At TransUnion, alternative data has already helped over 60 million credit invisible or credit-disadvantaged consumers gain greater access to credit by supplementing traditional credit information with new insights that reflect broader payment behaviors.

Consistent with the Chairwoman’s proposals, TransUnion recommends a study of potential content reporting improvements, including reporting of alternative data, to more accurately reflect the modern economy and consumer behavior.

4. *Help improve scores and access to credit innovations*

While credit scores built on traditional data measure consumers’ creditworthiness at the moment the scores are generated, credit scores using trended data provide a more complete picture by showing consumers’ credit usage and payment behaviors over time. Lenders can therefore “see the story beyond the score.” These types of innovations—such as we provide through our *CreditVision* product—help

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<sup>3</sup> Consumer Financial Protection Bureau, DATA POINT: CREDIT INVISIBLES 6 (May 2015), [https://files.consumerfinance.gov/f/201505\\_cfpb\\_data-point-credit-invisibles.pdf](https://files.consumerfinance.gov/f/201505_cfpb_data-point-credit-invisibles.pdf)

consumers re-establish and improve their credit and can help move them from sub-prime to prime rates, and even prime to super prime rates.

For people who may have lost their jobs in the 2008 financial crisis, the impact may be felt for some time. If they defaulted on their mortgage, their credit scores built on traditional data may still be too low to qualify for the best rates. Instead of simply seeing the lower credit score, we can help the lender see the score trend, and that a person has been making payments that indicate a steady consistent upward trend.

TransUnion has used trended data to help previously credit invisible or credit-disadvantaged consumers gain greater access to credit, either for the first time or on more affordable terms. Trended data has also helped consumers raise their credit scores and obtain better credit terms.

TransUnion recommends expanded use of trended data to increase consumer opportunities by empowering consumers to build or rebuild their credit more quickly.

#### 5. *Protect Social Security Numbers*

SSNs continue to be the one unique piece of identification that does not change, unlike names, addresses, and other identifiers. As a result, it is an invaluable piece of data to match information. Because it is so valuable, its compromise can present risks.

TransUnion recommends that standards be developed limiting the use of SSNs to matching purposes. And, as a member of the Better Identity Foundation, TransUnion is open to studying the use and protection of SSNs.

#### 6. *Enhance financial education*

We believe there is opportunity for all members of the credit reporting ecosystem to do more to help consumers understand their credit. The prime opportunity for such engagement is whenever stakeholders interact with their customers.

All stakeholders should work together to enhance consumer financial education programs.

### **VI. Conclusion**

TransUnion is proud of our work to help people access opportunities. We have a long history of empowering American consumers and helping businesses and organizations grow. We know that we can continue to improve by working with this Committee, with regulators, and with the broader industry to make our credit reporting stronger, fairer, and more accurate for everyone.

Thank you for the opportunity to testify today. I look forward to your questions and to a productive dialogue on these important issues.