

Consumer Financial Protection Bureau Field Hearing on Credit Reporting
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Detroit Institute of Art

Prepared Statement of
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Thank you Deputy Director Date, Director Cordray and the CFPB Team for the opportunity to testify in today's historic hearing.

The National Credit Reporting Association is celebrating its 20th year of representing its members who are identified as "resellers" in the Fair Credit Reporting Act.

These specialty consumer reporting companies provide credit reports and other products to mortgage lenders and property managers. For example, our members routinely provide updates and corrections credit reports ordered securing mortgage loans. NCRA membership currently represents 80% of the companies that can produce credit reports that meets the requirements of HUD, Fannie Mae and Freddie Mac for mortgage lending.

For the first time government will start examining credit reporting agencies in a way that is analogous to what the banking industry has experienced for decades. While the credit reporting industry provides the vast majority of Americans a complete and accurate recording of their credit history, there are also many Americans who experience problems with their credit histories through no fault of their own. These problems have been documented by the CFPB and the FTC before it through volumes of consumer complaints. The unique role of NCRA members is to work with consumers, lenders and the national data repositories to provide all participants with the most accurate credit reports possible so that consumers and lenders will have reliable information on which to make credit decisions.

One of the greatest debates about the credit reporting system is regarding data accuracy. Results from data accuracy research vary widely with error rates of less than 1% to greater than 50%. Even at the most conservative 1% error rate reported, that means more than 2 million Americans have an error that impacts their ability to secure shelter.

To resolve these issues, I believe one of the most important elements that the CFPB can bring to this new supervision is that of not only reviewing the industry for compliance with the FCRA, but also examining the limitations on the credit reporting process. Many limitations are imposed not by law but, by the policies of dominate industry participants, lenders, and even the formerly government sponsored enterprises Fannie Mae and Freddie Mac. Some of these limitations also come with questionable motives.

For example, Fannie Mae and Freddie Mac completely rewrote the time and recession tested mortgage credit reporting standards in the mid 1990's seeking a "cheaper and faster" report to expedite lending decisions. These expedited decisions were credit score driven and they did not consider the alternative credit data only due to constraints of speed. This quest for speed and the

disregard for quality led to decisions based on incomplete and often inaccurate data resulting in increased fraud and poor lending decisions. This was a significant contributor to the recent credit crises in housing that enabled other bad lending practices to develop. Unfortunately, this sub-standard mortgage credit reporting practice is still in use today.

In closing, we urge the CFPB to go deep into the weeds of the industry to truly understand the complex issues that drive it. Review some of the practices that developed during the era that brought about the mortgage crisis, critically questioning their real value and impact. Practices like credit reporting agencies being owned by the lender whose greatest financial interest is the loan's outcome, restrictions on services like credit rescoring to only mortgage lenders, compliance with the ECOA for policies that knowingly disregard some consumer credit accounts because they are from smaller creditors, the quality of the data being provided by the creditors, and the impact of medical collections on a consumers' credit worthiness are just a few non-FCRA areas in need of your scrutiny to obtain a harmony between credit reporting agencies and lenders for the benefit of the consumers we ultimately all serve.

Thank you.