



## POLICY & ACTION FROM CONSUMER REPORTS

December 10, 2014

The Honorable Richard Cordray  
Director  
The Consumer Financial Protection Bureau  
1700 G Street NW  
Washington, D.C. 20552

Dear Director Cordray,

Consumer Union, the policy and advocacy arm of Consumer Reports, has been a strong advocate for credit reporting reform and free, reliable credit scores for all consumers. We appreciate the work the CFPB is doing to make the credit reporting industry and furnishers more accountable for accurate and fair credit reports. We are especially pleased that you have called upon the nation's largest credit card companies to provide consumers with free access to credit scores used by lenders.

I wanted to share with you a recent Consumer Reports (CR) article, "How your credit report can help you – or hurt you" that appears in the magazine's January 2015 edition. <http://www.consumerreports.org/cro/magazine/2015/01/how-your-credit-report-can-help-you-or-hurt-you/index.htm> & <http://www.consumerreports.org/cro/magazine/2014/11/11-steps-to-improve-your-credit-score/index.htm> The article explains how a simple mix-up in your credit files can mean you don't get the mortgage or job you want. It offers steps to building a higher credit score and tells consumers how to handle disputes on their credit report.

The article references a recent survey conducted by the Consumer Reports National Research Center. The survey investigated the frequency with which consumers request credit reports and credit scores, their expectation and satisfaction regarding this information, and any errors they encounter with their reports. It was fielded online in May 2014 to a nationally representative sample of 3,112 participants.

The results of the survey are troubling. Only about half of consumers are requesting their credit reports and about one-third of those who requested their credit report found errors. Furthermore, more than 1 in 3 consumers who tried were never able to get the errors corrected to their satisfaction. Specifically, here's what CR found:

- Not enough consumers are requesting credit reports. Only about half (53%) of Americans have ever received their credit report from one or more of the three major credit reporting agencies including Equifax, Experian, and Transunion.

- Of consumers who received their credit report, 61% did not find any errors on their most recent report, 20% found errors that could negatively impact their credit score and the remainder did not look for errors or found less serious errors
- Two-thirds of credit report consumers who found one or more errors tried to correct the error(s) on their report. Among those, approximately 58% of Americans who tried to resolve a credit report error ran into challenges (e.g. were ignored, confused, rejected, or lied to) with credit reporting agencies or data furnishers in their pursuit to resolve credit report errors.

The survey also found that most consumers want free and reliable credit scores. Knowing your credit score is essential to managing your finances and getting the best deal. Many consumers have difficulty obtaining the credit score used by their lender to evaluate their credit worthiness. Oftentimes they are tricked into signing up for expensive credit monitoring products and other add-ons that promise a free score only to find that the score provided is of limited value. The survey found that:

- Most Americans (85%) feel that they should receive a free credit score with their annual free credit report.
- Consumers with lower credit scores are more likely to choose third-party sources such as Credit Karma, creditreport.com, and FreeCredit Report.com for credit report or credit score information, which may expose them to additional fees or advertising related to supplementary products and services offered on these sites.
- Over 80% of consumers who obtain a credit score believe that the specific score they receive is what most lenders and other business use when determining their creditworthiness or financial stability.
- Consumers with lower credit scores are more likely to choose third-party sources such as Credit Karma, creditreport.com, and FreeCredit Report.com for credit report or credit score information, which may expose them to additional fees or advertising related to supplementary products and services offered on these sites.

We would be happy to discuss the survey's findings and methodology in greater detail at your convenience. These findings are consistent with the 1,000-plus stories we have collected from consumers struggling to fix credit report errors or who have purchased credit scores of questionable value. Many of these stories are documented in our recent report, "Error and Gotchas: How Credit Report Errors and Unreliable credit Scores Hurt Consumers".

<http://consumersunion.org/research/errors-and-gotchas-how-credit-report-errors-and-unreliable-credit-scores-hurt-consumers/>

Also, we look forward to your upcoming field hearing on medical debt. Over 73 million Americans have experienced medical billing problems or have been overwhelmed by medical debt. Consumers are being unfairly penalized for medical debt in collection and in some

instances are not given proper credit for medical debt that has been paid or otherwise settled. This could have a significant impact on a consumer's credit scores and ability to access credit.

Credit report errors are far too common and consumers are paying a high price for scores that are likely not used in the marketplace. We look forward to working with you on these important issues.

Sincerely,

A handwritten signature in black ink that reads "Pamela Banks". The signature is written in a cursive, flowing style with a large initial 'P' and 'B'.

Pamela Banks  
Senior Policy Counsel