A Broken System:
How the Credit Reporting System Fails Consumers and What to Do About It

Findings and Recommendations
From the Consumer Reports
Credit Checkup Study

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Executive Summary

The COVID-19 pandemic has affected almost every aspect of the U.S. economy, fundamentally reshaping the lives of millions of consumers. Many remain out of work or struggle to make ends meet, forcing some to turn to family, friends, state and federal governments, banks, and creditors to stay afloat and find financial relief. Now, as the U.S. economy emerges from the financial impacts of COVID-19, consumers need the most critical pillars of the economy to work in their favor.

One of those pillars is the credit reporting system, which is used not only by financial institutions as the basis for credit and lending decisions—its original purpose—but also by companies making employment decisions, landlords considering prospective tenants, and insurance companies pricing their policies.

Unfortunately, several aspects of the credit reporting system appear to be fundamentally broken. CR's current study, as well as previous research on the topic, suggests that credit report errors are all too common. The credit reporting system was originally designed to serve the interests of financial institutions and continues to function in much the same way—despite its massive and growing effects on the economic welfare of ordinary consumers.

The credit reporting system, in short, treats consumers primarily as its *product,* not as its customer. During February and March 2021, CR asked Americans to check their credit reports and let us know about their experience, in a project we called Credit Checkup. Nearly 6,000 people responded to our survey and provided valuable feedback. The information they provided highlights how the current system fails to serve consumers, and points to several reasonable reforms needed to address and rectify these problems.

By the Numbers

Credit Checkup participants found ...

34% found **at least one error** on their credit reports

29% found **errors related to their personal information,** with over half of those errors being incorrect address information

11% found **errors related to their account** information

15% of participants with accounts in forbearance found that **their accounts were not being reported as "current"**

10% found it was **difficult or very difficult** accessing their credit reports

Key Findings

Consumers are finding errors on their credit reports. More than one-third (34 percent) of consumers who participated in CR's Credit Checkup survey reported that they found at least one error on their report, with 29 percent saying that they found errors in personal information and 11 percent finding account information errors.

Consumers, through no fault of their own, are struggling to access their credit reports. One in 10 consumers who completed the survey found accessing their credit reports to be "difficult" or "very difficult." Many consumers gave accounts of being locked out of their credit reports because of identity verification questions that they could not answer.

Credit bureaus sometimes push consumers to purchase products and services that should be available free through AnnualCreditReport.com. Consumers are legally entitled to access their credit reports free once per year, which they can do at the websites of credit reporting agencies (CRAs) and at AnnualCreditReport.com.[1] Multiple consumers report being asked for their credit card information before seeing their reports, and later being charged.

The credit reporting system is confusing to navigate and to understand. Some consumers are confused about why their credit scores are not included with their credit reports and why they are being shown advertisements for paid credit monitoring services while checking their free credit reports.

Marketplace and Policy Recommendations

The credit reporting system simply does not work for consumers. They do not have access to or control over their own information, and even the first step of checking a credit report for accuracy can be difficult to accomplish. In this report, we make four key marketplace and policy recommendations.

1. *Strengthen accuracy requirements for credit reports and improve enforcement of existing laws.* Consumer reporting agencies, lenders, and debt collectors must be required to abide by stronger standards to ensure that the information contained in credit reports is accurate and that all consumer disputes are properly investigated. The Consumer Financial Protection Bureau and the Federal Trade Commission should use their full authority to establish stronger accuracy regulations and penalize companies for any violation of the Fair Credit Reporting Act (FCRA).

2. *Provide consumers control over their own credit information.* Consumers should have control over their credit information. Access to reports and scores should be free at any time; credit reports should be "frozen" by default, meaning that an individual's credit information cannot be used to open new accounts without the consumer first unfreezing

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[1] For this project, CR took advantage of the fact that the three big consumer reporting agencies have expanded free access to reports. During the pandemic, they have made free reports available weekly: https://www.cdiaonline.org/wp-content/uploads/2021/03/CDIA-Release-FINAL.pdf

their credit. And consumers should be able to directly compare their reports, freeze and unfreeze their credit, easily file disputes, and correct errors.

3. *Redesign the identity verification system used by Equifax, Experian, and TransUnion.* Consumers should not be locked out of their reports because of bad or very old information being used to verify their identity. They should not be blindsided by questions they cannot answer when trying to access their credit reports.

4. *Rein in the role of credit reports in consumers' lives.* Credit reports should be used for the purpose for which they were developed—to assess creditworthiness. They should not be used for any other decisions about a consumer, such as insurance pricing. Credit reports should not be used in decisions regarding anything other than a consumer's creditworthiness.

1. Background

a. *The Credit Reporting System*

A credit report is a record of a consumer's history of paying their debt obligations. Though originally intended only to help lenders determine a consumer's creditworthiness, credit reports are now often used by prospective landlords, potential employers, and in some states insurance companies to make a variety of decisions about consumers. A credit report is also the source document used to determine the consumer's credit score, which is supposed to be a numerical approximation of the consumer's creditworthiness. As such, credit reports are enormously consequential financial documents that can greatly influence a consumer's ability to access employment, housing, affordable credit, and affordable auto and homeowners insurance.

Credit reports are housed by consumer reporting agencies (CRAs), also known as credit bureaus. Three major credit bureaus—Experian, Equifax, and TransUnion—dominate the credit reporting system. These three for-profit companies hold credit files on over 200 million U.S. consumers.[2] There are also a number of specialized CRAs that gather information such as payment history for TV and cell phone plans, public records data, eviction information, and criminal records.[3] However, Equifax, Experian, and TransUnion are the CRAs most commonly referenced by lenders, landlords, potential employers, and insurance companies, and are therefore the focus of this paper.[4]

The CRAs earn revenue in a variety of ways, including by selling consumer credit reports to lenders, landlords, employers, and other institutions.[5] They also earn revenue by charging consumers for enhanced access to their own credit reports and for services such as credit monitoring. The level of access consumers have to their own credit information varies by agency, especially among the smaller and more specialized CRAs, but federal law requires the three major CRAs to provide consumers with free credit reports once per year.[6]

The CRAs obtain information on consumers from *data furnishers.* Any institution where consumers have credit accounts or are responsible for payments can be a data furnisher. The FCRA does not require any person or institution to furnish information to the credit bureaus.[7] Furnishers can pass information to the CRAs at any time they wish.[8] Consumers have no

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[2] Consumer Financial Protection Bureau (CFPB), *Key Dimensions and Processes in the U.S. Credit Reporting System,* 19, (2012): https://files.consumerfinance.gov/f/201212_cfpb_credit-reporting-white-paper.pdf
[3] CFPB, "List of consumer reporting companies": https://www.consumerfinance.gov/consumer-tools/credit-reports-and-scores/consumer-reporting-companies/companies-list/
[4] Id.
[5] Hurley and Adebayo: *Credit Scoring in the Era of Big Data,* 8, Yale J.L & Tech (2016): https://digitalcommons.law.yale.edu/cgi/viewcontent.cgi?article=1122&context=yjolt
[6] Federal Trade Commission (FTC), "Free Credit Reports": https://www.consumer.ftc.gov/articles/0155-free-credit-reports
[7] Experian, "Mortgage Company Not Required to Report Payments": https://www.experian.com/blogs/ask-experian/mortgage-company-not-required-to-report-payments/
[8] TransUnion, "How long does it take for a credit report to update?": https://www.transunion.com/blog/credit-advice/how-long-does-it-take-for-a-credit-report-to-update

control over which furnishers report information to the CRAs. The most common furnishers are lenders and debt collectors.[9]

While a consumers' credit report provides the base information for developing a credit score for that consumer, credit scoring models are developed by credit scoring companies that are distinct from CRAs.[10] The two most commonly referenced credit scoring companies are the Fair Isaac Corp. (FICO) and VantageScore. As with CRAs, many alternative credit scoring companies exist; some use data not conventionally reported to the CRAs,[11] such as payment history for TV and cell phone bills, and public records data.[12]

Consumers have multiple credit scores, which vary based on the type of credit the consumer is being evaluated for, the company that created the algorithm that calculates the score, and the version or "generation" of the credit score. Consumers are not always shown the scores lenders use to make lending decisions. The most common consumer-facing credit scores can range from 300 to 850, with 850 being considered "exceptional" and 300 being considered "very poor."[13]

b. Credit Reports

Credit reports contain a variety of personal and financial information about a consumer, and may include the following:

Personally identifiable information: Credit reports include a consumer's name, date of birth, Social Security number, current and former addresses, employers, and phone numbers.[14] Additional information might include personal statements submitted to the CRAs by consumers themselves, information regarding security freezes, and power of attorney status.[15]

Accounts and payment history: Credit reports include details on each account that data furnishers provide to the CRAs. This includes the type of account, balance, account status, credit limits, and whether payments have been made on time.[16]

Collections, bankruptcies, inquiries, and other information: Credit reports also include information on accounts that are currently past due or assigned to a debt collector, which can significantly affect a consumer's credit score. Both "hard" and "soft" credit inquiries are also noted on credit reports. Hard inquiries are recorded when a consumer's credit report is checked

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[9] CFPB, *Key Dimensions* 14
[10] VantageScore was first established by the three major CRAs but is not managed by any CRA.
[11] CFPB, "Using alternative data to evaluate creditworthiness": https://www.consumerfinance.gov/about-us/blog/using-alternative-data-evaluate-creditworthiness/
[12] Ibid.
[13] Experian, "What Are the Different Credit Scoring Ranges?": https://www.experian.com/blogs/ask-experian/infographic-what-are-the-different-scoring-ranges/
[14] Equifax, "What is a Credit Report and What Does it Include?": https://www.equifax.com/personal/education/credit/report/what-is-a-credit-report-and-what-does-it-include/
[15] myFICO, "What's in your credit report?": https://www.myfico.com/credit-education/whats-in-my-credit-report
[16] Equifax, "What is a Credit Report and What Does it Include?"

for the purpose of making lending or credit decisions, and can affect the consumer's credit scores. Soft inquiries, which do not affect credit scores, are recorded when credit reports are pulled to conduct a background check, to review existing account information, and to fulfill requests for consumers' annual credit reports.[17] Bankruptcy information is also on credit reports and can stay on them for up to 10 years.[18]

c. *Laws and Institutions Protecting Consumers in the Credit Reporting System*

The Fair Credit Reporting Act, enacted in 1970*,* is Title VI of the Consumer Credit Protection Act and grants consumers certain rights regarding their credit reports and scores. These rights include a consumer's right to know whether their report has been used to deny them credit, the right to obtain a credit score, the right to know what is in their credit report, the right to seek damages for violations of the FCRA, and the right to dispute incorrect information.[19] The CRAs are required to follow "reasonable procedures to assure maximum possible accuracy.[20]" They are responsible for fixing errors and are typically required to do so within 30 days of receiving a dispute from a consumer. In practice, however, this provision is typically satisfied by the CRAs accepting the furnisher's findings, resulting in no changes to the consumer's credit report.[21] There is no way for consumers to appeal the result of a dispute investigation beyond filing another dispute. The FCRA is enforced federally by the Consumer Financial Protection Bureau and the FTC.

The Equal Credit Opportunity Act prohibits people and institutions from considering race, color, religion, national origin, sex, marital status, age, and whether or not the consumer is receiving public assistance when making credit and lending decisions.[22] The ECOA is enforced by multiple federal agencies, including the CFPB and the FTC.[23]

d. *Likelihood of Errors on Credit Reports*

Credit report errors have been studied and documented for a long time. In its American Experiences Survey, a nationally representative survey addressing a wide variety of consumer concerns, Consumer Reports asked 1,040 American consumers in February 2020 and 2,223 American consumers in January 2021 whether they had checked their credit reports, whether they had found errors, and, if they had found errors, whether the errors had been disputed and

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[17] Experian, "What Are Inquiries On Your Credit Report?": https://www.experian.com/blogs/ask-experian/credit-education/report-basics/hard-vs-soft-inquiries-on-your-credit-report/
[18] Experian, "How to Remove Bankruptcy from Credit Report": https://www.experian.com/blogs/ask-experian/removing-bankruptcy-from-your-credit-report/
[19] While the Fair Credit Reporting Act provides consumers the right to obtain their credit score, it does not outline how scoring companies should provide the score nor how much they can charge for scores. See FTC, https://www.ftc.gov/system/files/documents/statutes/fair-credit-reporting-act/545a_fair-credit-reporting-act-0918.pdf
[20] Fair Credit Reporting Act, § 607. Compliance procedures [15 U.S.C. § 1681e] (1970)
[21] Ibid.
[22] FTC, "Your Equal Credit Opportunity Rights": https://www.consumer.ftc.gov/articles/0347-your-equal-credit-opportunity-rights
[23] Ibid.

corrected. In February 2020, 14 percent of consumers who had ever checked their credit reports said they had found errors, and 53 percent of those who had disputed errors were able to get them corrected.

This year's survey results were largely consistent. In January 2021, 12 percent of consumers who had ever checked their credit reports said they found errors, with 57 percent able to get their errors corrected after filing a dispute.

All these findings are also consistent with a 2012 FTC study on credit reporting accuracy, which found that 21 percent of consumers had at least one verified error in their credit report that was corrected by a CRA, and 5 percent of consumers had errors so significant that they were put in a different credit risk tier altogether.[24] This point is echoed by the complaints found in the CFPB complaint database. Complaints regarding credit reporting errors have remained among the most frequent submissions to the database and have more than doubled since 2019.[25] All told, the 2012 FTC study estimated that 21 percent of all consumers with files in the credit reporting system had at least one verified error in their report.[26]

In addition, the January 2021 CR survey, which had a sample large enough to explore racial and ethnic differences, found significant racial and ethnic differences in reported credit report error rates. A higher percentage of Black, non-Hispanic adults who had ever checked their credit reports found errors (26 percent) than did Hispanic adults (14 percent), English-speaking Asian adults (9 percent), and white, non-Hispanic adults (8 percent).

e. *Types and Causes of Credit Report Errors*

Mistakes on credit reports can include accounts or loans that have been paid off but appear unpaid, individual loans that are listed multiple times, and debts that are incorrectly reported in collection. Even seemingly small errors, such as misspelled names, wrong addresses, and incorrect birth dates, can cause problems for consumers.

The most common errors in credit reports occur when mistakes are made in matching specific consumer credit information (known in the industry as tradeline data) with a consumer's credit file.[27] The result is a so-called mixed file, where data about one consumer is mistakenly attributed to—and ends up in the credit file of—one or more other consumers with similar names. A 2012 FTC study found that roughly 35 percent of consumers saying they found an error on their credit reports also said the item or account in question did not belong to them.[28]

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[24] FTC, *Report to Congress Under Section 319 of the Fair and Accurate Credit Transactions Act of 2003* (2015) ii: https://www.ftc.gov/system/files/documents/reports/section-319-fair-accurate-credit-transactions-act-2003-sixth-interim-final-report-federal-trade/150121factareport.pdf
[25] CFPB, Consumer Response Annual Report (2021) 22: https://files.consumerfinance.gov/f/documents/cfpb_2020-consumer-response-annual-report_03-2021.pdf
[26] FTC, *Report to Congress* 6
[27] Ibid.
[28] Ibid.

Among those consumers who have collection account disputes, the incidence of mixed files is even higher, with over 80 percent saying the collection item did not belong to them.[29]

Errors in credit reports have a wide range of causes and can be introduced by both CRAs and data furnishers. Some types of errors are introduced into individual files or small groups of files, while others have systemic or technological causes and can affect thousands or even millions of files. Several error types are related and can compound—for example, an error such as a misspelled name or an incorrect address can lead to a mixed file.

The CFPB highlighted a variety of reasons for matching errors in another report on the credit reporting system published in 2012. Matching errors can happen as a result of insufficient identifying information from data furnishers, changes to marital status, or two people being related, sharing an address, or having similar names.[30] Name changes in particular often lead to the creation of mixed files, the CFPB report notes.[31]

All types of errors can significantly affect a consumer's credit score, their ability to verify their identity with the CRAs, and their access to affordable credit, employment opportunities, and auto and homeowners insurance.

f. Other Error Sources: Data Furnishers and Debt Collectors

While a consumer may be the one taking out a loan, it is the furnishers—lenders, banks, and debt collectors—that are responsible for reporting information about the consumer's account to the credit bureaus. In this way, furnishers are a critical node in the credit reporting system: Any mistakes made at the furnisher level affect the data held by the bureaus and any subsequent decisions based on the credit reports they hold.[32]

Some furnisher errors are caused by outdated software or flaws in administrative procedures. In November 2017, the CFPB issued a consent order against Conduent Business Services, formerly known as Xerox, for software errors that led to incorrect information on over 1 million consumers being furnished to the credit bureaus.[33] The CFPB alleged that Xerox had been using unreleased, modified loan servicing software that incorrectly reported consumer accounts containing errors to the credit bureaus.[34] As this example demonstrates, mistakes do not necessarily happen at the account level. Errors in software can have a broad impact, in this case affecting over 1 million consumers.

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[29] Ibid.
[30] CFPB, *Key Dimensions* 24
[31] Ibid.
[32] CFPB, *Key Dimensions* 19: https://files.consumerfinance.gov/f/201212_cfpb_credit-reporting-white-paper.pdf
[33] CFPB, *CFPB Fines Xerox Business Services $1.1 Million for Incorrect Consumer Information Sent to Credit Reporting Agencies*: https://www.consumerfinance.gov/about-us/newsroom/cfpb-fines-xerox-business-services-11-million-incorrect-consumer-information-sent-credit-reporting-agencies/
[34] Xerox consented to the issuance of the consent order but did not admit or deny any of the CFPB's findings of fact.

In some cases a furnisher's internal procedures—or lack thereof—may cause inaccuracies. In a 2015 enforcement action against used auto dealer CarHop, the CFPB alleged that Universal Acceptance Corp., the entity furnishing data on behalf of CarHop, lacked any written procedures for accurately reporting consumer data.[35] As the CFPB alleged, Universal Acceptance "had no written policies and procedures regarding the accuracy and integrity of the consumer information it furnished until early August 2013. The policies it adopted that month were not reasonable or appropriate to the nature, size, complexity, and scope of the company's activities."[36] Where having consistent rules and procedures for handling consumer data mattered the most, the rules were not written down, were not sufficient, or simply did not exist, according to the CFPB.[37]

Another example involves a 2018 enforcement action against State Farm Bank, in which the CFPB alleged that State Farm violated the FCRA multiple times "by obtaining consumer reports without a permissible purpose; furnishing to credit-reporting agencies (CRAs) information about consumers' credit that the bank knew or had reasonable cause to believe was inaccurate; failing to promptly update or correct information furnished to CRAs; furnishing information to CRAs without providing notice that the information was disputed by the consumer; and failing to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of information provided to CRAs."[38]

Debt collectors also furnish consumer credit information, and mistakes on their part can also be damaging to consumers. In a 2015 CFPB enforcement action against EOS CCA, a debt-collection firm based in Massachusetts, EOS was alleged to have purchased a portfolio of consumer debt, did not verify its information, and proceeded to collect on the portfolio.[39] Errors were allegedly so significant that the accuracy of the entire portfolio was ultimately disputed. In this way, consumers who are hounded by debt collectors for debts they do not owe can be doubly harmed: They need to not only stop the collection process but also repair the errors on their credit report.[40]

As these examples demonstrate, it is not enough to have rules in place. Meaningful enforcement of the FCRA and a close watch over both furnishers and CRAs are key to preventing mistakes that can affect millions of consumers. In order to prevent upstream mistakes that affect the bureaus, lenders, and consumers, furnishing standards under the FCRA

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[35] CFPB, *CFPB Orders CarHop to Pay $6.4 Million Penalty for Jeopardizing Consumers' Credit* (2015): https://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-carhop-to-pay-6-4-million-penalty-for-jeopardizing-consumers-credit/
[36] Ibid.
[37] As part of the consent order, Universal Acceptance Corp. did not admit or deny any of the CFPB's findings.
[38] CFPB, *Bureau of Consumer Financial Protection Settles with State Farm Bank* (2018): https://www.consumerfinance.gov/about-us/newsroom/bureau-consumer-financial-protection-settles-state-farm-bank/; State Farm consented to CFPB's issuance of the consent order but did not admit or deny any of its findings.
[39] CFPB, *CFPB Takes Action Against Debt Collector for Pursuing Disputed and Unverified Cellphone Debts* (2015): https://www.consumerfinance.gov/about-us/newsroom/cfpb-takes-action-against-debt-collector-for-pursuing-disputed-and-unverified-cellphone-debts/
[40] EOS CCA did not admit or deny any of the CFPB's findings as part of the consent order.

must be fully enforced and the CRAs must ensure that the information being fed into their records is accurate.

g. *The Dispute Process*

In order to dispute an alleged credit report error, a consumer must file a dispute with the CRAs. The major CRAs maintain a software system, called e-Oscar, that classifies each dispute with a code[41] and transmits the dispute data—including any supporting documentation provided by consumers—to furnishers.[42] While e-Oscar has been improved over time, consumer complaints related to the CRAs' investigations into problems on consumers' credit reports remain high—in 2020, 24 percent of all closed complaints to the CFPB about consumer or credit reporting were about disputes.[43]

One persistent consumer complaint is that furnishers do not always address the documentation supplied by consumers in support of their dispute. The e-Oscar system requires that the CRAs forward any supporting documents provided by the consumer to the appropriate data furnisher. But some furnishers neglect or refuse to open the supporting documentation, relying instead on their own data and the limited information provided by e-Oscar.[44]

Another common complaint is that credit bureaus often accept the results of furnisher investigations without scrutiny, essentially "parroting" the decision made by the furnisher. Failing to genuinely consider the validity of the furnisher's findings undermines the integrity of the dispute process.[45]

Additionally, consumers may not always get back the complete results of investigations regarding their dispute. In 2017, the CFPB found that at least one consumer reporting company did not provide the results of dispute investigations in consumer dispute notices. Instead, consumers were told that their dispute investigation was complete.[46]

[41] National Consumer Law Center (NCLC), *Automated Injustice Redux: Ten Years after a Key Report, Consumers Are Still Frustrated Trying to Fix Credit Reporting Errors* 6 (2019): https://www.nclc.org/images/pdf/credit_reports/automated-injustice-redux.pdf
[42] Ibid.
[43] In 2020, the CFPB received 66,900 closed complaints regarding dispute investigations and 280,822 closed complaints regarding consumer or credit reporting. *See:* CFPB, *Consumer Annual Report*
[44] NCLC, *Automated Injustice Redux* 6
[45] Ibid.
[46] CFPB, *Supervisory Highlights Consumer Reporting Edition* (2017): https://files.consumerfinance.gov/f/documents/201703_cfpb_Supervisory-Highlights-Consumer-Reporting-Special-Edition.pdf

2. Methodology

On Feb. 1, 2021, Consumer Reports launched the survey project Credit Checkup. Consumers were asked to take advantage of free weekly access to their credit reports from the major CRAs and to report on their experiences to Consumer Reports through a short questionnaire. The goal of this project was to obtain a better understanding of consumers' perceptions of their own credit reports. Although industry group Consumer Data Industry Association told CR that it disputes CR's methodology, the findings are consistent with previous research discussed in this paper.[47]

As described below, the project was voluntary and therefore not representative of the country as a whole. In fact, the participants were largely white, with only small percentages of individuals who identify as being of another race or ethnicity. Given that previous studies have shown that credit reporting errors can be worse for individuals of color,[48] these findings may understate the overall rate of problems that consumers find when checking their credit.

Survey Design

The survey asked questions regarding consumers' understanding of their reports, whether they had found errors, and the ease or difficulty of accessing their reports. This survey began Feb. 1, 2021, and ended April 1, 2021. More than 7,000 consumers participated in the project, with 5,858 completing the survey.[49] Responses were collected through a 14-question SurveyMonkey questionnaire. Consumer Reports made consumers aware of the survey through several promotional efforts—more on that below—and participation was voluntary.

Questions 1 through 13 were multiple choice; they can be found in the Appendix. Question 14 was a free-response question in which consumers were asked, "Is there anything else you would like to tell us about your experience checking your credit report?" Consumers were free to write anything and, in fact, addressed a wide variety of concerns.

Survey Promotion

The survey was the focus of a promotional campaign coordinated by Consumer Reports and partnering organizations. This campaign included social media promotion by both CR and the other organizations, as well as a series of panel discussions with consumer experts experienced

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[47] When asked about CR's findings, Francis Creighton—president and CEO of the Consumer Data Industry Association, the trade association that represents the credit bureaus—challenged the results. "We strongly caution against drawing conclusions from non-empirical surveys of consumers, such as this," Creighton says. "The credit reporting industry takes data accuracy extremely seriously, and improvements to the system cannot be achieved by relying on questionable and skewed data studies." He also says that "CDIA and our members are proud of our high-accuracy rates" and that "we are committed to continually improving the accuracy of credit reports." *See* Consumer Reports, *More Than a Third of Consumers Discovered Errors in Their Credit Reports, CR Study Finds:* https://www.consumerreports.org/credit-scores-reports/consumers-found-errors-in-their-credit-reports-a6996937910/.
[48] Consumer Reports, *American Experiences Survey: January 2021 Results - Credit Report Errors, Video Doorbells, and Product Safety Recalls* (January 2021)
[49] The remaining respondents began but did not complete the survey.

in the credit reporting advocacy space. The priority goals of the campaign were to educate consumers about credit reporting, encourage them to take advantage of the CRAs temporarily offering free weekly access to credit reports, and ask them to participate in the survey. A majority of the survey participants checked their credit reports within a day of completing the survey, but some had already independently checked their reports and were allowed to participate in the survey if they reported having checked their reports within the previous month. Partnering organizations included Americans for Financial Reform, Consumer Action, National Association of Consumer Advocates, National Consumer Law Center, and U.S. PIRG.

3. Key Findings

The thousands of consumers who checked their credit reports and filled out our survey provided us with a picture of a credit reporting system that is rife with errors, is difficult to access and navigate, and can trap people into paying for services that they neither want nor need.

The consumers who provided us with written responses expressed deep frustration with a system that has an enormous impact on their lives but that they cannot control. As one wrote:

> **"TransUnion and Equifax make it difficult to find your free credit freeze functionality. And Equifax required me to get my free credit report via snail mail instead of online. In other words, they just do whatever they can to fool or persuade you to subscribe to their vastly overpriced services instead of allowing you to easily access the information that you're supposed to get for free. Considering their poor record on accuracy and security, these bureaus should be forced to meet a much higher standard. Our financial lives depend on how these bureaus handle our information. And they are fumbling the ball left and right."**

A. Credit Reports Contain Inaccuracies

More than one-third (34 percent) of the individuals who completed CR's Credit Checkup survey reported that they found at least one error on their report, with 29 percent reporting that they found errors in personal information and 11 percent finding account information errors.

Among those who found errors in their personal information, the most common were errors in address information, which can cause difficulty for the consumer when verifying their identity with the CRAs or during employment and tenant screenings.

Among those who found errors in account information, 41 percent saw accounts they didn't recognize. Others found debt reported to collections that they didn't recognize, one or more payments reported late that they recalled having made on time, and missed payments that they knew they had made.

In addition, legislation was enacted during the COVID-19 crisis to protect consumers with accounts that are in forbearance—in which a borrower is given the option of postponing or reducing payments on a loan for an established period of time—or accounts that have other accommodations. The law requires that accounts be frozen at their pre-accommodation status so that the borrower's credit score is not harmed because of the accommodation, as long as the consumer complies with the accommodation agreement. Of the individuals who told CR that they have an account in forbearance, 15 percent told us that their account was not being reported as "current."

Errors in personal information. Consumers who completed the Credit Checkup survey provided Consumer Reports with additional information about the types of errors they found in their reports. They noted bad addresses, extra addresses, and missing information that should have been included:

> **"Experian did not have my current address, for more than one year, or phone number. They omitted that I had lived in my current address previously for two years, more recently than a St. Louis address they listed. They listed our previous address, a five-plex in which we occupied two units, three times and characterized it as both a multifamily and an apartment complex. They listed an apartment in St. Louis that I did not live in."**

Another consumer found multiple strange errors regarding their address:

> **"I found all sorts of combinations of details. There were five addresses listed—all pointing to my actual address—but each was slightly different from the others."**

One consumer found an inconsistency between the Experian credit report accessed through AnnualCreditReport.com and the report accessed directly through Experian's site:

> **"The AnnualCreditReport.com report from Experian listed an additional address unknown to me. However, upon pulling an actual credit report with my FICO score from Experian, the unknown address was not listed."**

Errors in account information. Consumers reported to CR concerns about inaccurate account information in their reports. As one wrote:

> **"I found a charge account that I did not recognize. It had been closed in 2017. It did not say closed at customer's request, which I always specify. I called TD Credit but they were unable to find me in their system. They said to talk to TransUnion for details. TransUnion told me to call them. The account is called "Shopper's Charge" followed by some numbers. Since I was part of the [Equifax] breach, I have to**

wonder if my information was used to open this account. We pay cash for cars and have not financed any large items. The account was only open for about 2 years. It does not have any adverse reporting associated with it. But I wish I could find out what it was all about.”

B. Difficulties Accessing Credit Reports

Ten percent of consumers who completed the survey found accessing their credit reports “difficult” or “very difficult.”[50] Of particular note is that consumers gave accounts of being locked out of their credit reports because of identity verification questions that they could not answer. Consumers were then told to verify their identity through the mail, a process that significantly delays access to credit reports. One consumer told us:

> **“I tried at first at AnnualCreditReport.com to get Experian, Equifax, and TransUnion all at once; after about 20 minutes I finally got an error message generated by Equifax, so I started over, this time only Experian; that came up OK; then I tried TransUnion; after 15 minutes I received a message that TransUnion couldn’t confirm my identity and so I would have to call them; I didn’t try again with Equifax.”**

Another consumer expressed suspicion that, because the identity verification questions contained information that matched a family member whose name is similar to theirs, their report probably contained bad or incorrect information. But because they couldn’t answer the questions, they were unable to access their report to figure that out:

> **“The reason I only got the TransUnion credit report was because Experian wouldn’t let me go forward and Equifax had security questions that didn’t match me (although they matched my daughter who has the same first initial and last name). So Equifax has errors—but I can’t get in to fix them!”**

Consumers also told CR that the security questions asked were very specific, often pertaining to details regarding credit accounts used years ago, posing problems for recollection. As one consumer noted, the Equifax “verification questions they asked relied on me remembering what account I might have opened four to 10 years ago, which I really can’t do.” Another consumer told CR they were tripped up by a question about a decade-old loan:

> **“The questions they ask to verify your identity are difficult even when it is really me. For example, they asked who the lender was on a mortgage refi I did 10 years ago, and refused my request for an online credit report because I had forgotten the lender name. I had to mail in a request, which I have done.”**

[50] 6.50% of respondents expressed that accessing their credit report was “difficult,” and 3.81% expressed that it was “very difficult.”

These complaints reveal that it is not always simple for consumers to check their credit online. The CRAs operate with the assumption that their information is correct, when too often it historically has not been, and use that information to verify identity. If a report has errors, and the identity verification system relies on those errors, consumers will be locked out of their reports. One consumer understood this problem and its implications, telling CR:

> **"I tried to get the other two credit agency reports, but after answering the security questions, I was told they could not provide the document online and I would have to mail a request. I tried to access the form to print out, and it would not work. So I could not access the other two credit agency reports online today. This concerns me, as the security questions were all 'no' answers. So there might be something on them that is inaccurate that they're asking me to verify. Which of course I can't. So I will try again tomorrow or so to try to access the other two."**

Yet another consumer expressed concern that if they cannot verify their identity online, they are asked to do so by sending information through physical mail, which they did not trust:

> **"Yes—I tried to view all three credit reports, but Equifax would not let me view it online—it requires me to fill out a form and send (via the MAIL!!) photocopies of two forms of sensitive identifying information, such as Social Security card and driver's license! That is both frustrating and very risky."**

C. Surprise Charges

Despite the legal requirement that consumers have access to credit reports free of charge, some consumers reported to CR that they were marketed to during the process of accessing their report, and some told us that they found they had been charged money as they went through the process to access their reports. As one consumer wrote, "The system seems rigged to try to sell you more services and make it overly difficult to get your credit report."

One consumer reported that they were able to avoid the charges by clicking past offers for paid services:

> **"Without a reason, it threw up a window to charge me for services starting at $1 to try it out, then more (I assume) to continue with upgraded reporting. It was confusing, since I knew they were supposed to offer it free. I discarded that window to find that I could finally print my report free."**

Another consumer reported that they were unwittingly being charged for services they did not sign up for:

> **“Yes!!! TransUnion charged $25 to my AmEx card for ‘membership’ when I applied for the ‘free credit report.’ I called. Refund arrived via an AmEx email two days later. I believe Experian is trying to do the same thing, but as usual, one cannot reach the dispute center by phone. I will continue trying.”**

Another consumer shared that they were being charged for monthly services they did not sign up for:

> **“After entering a bunch of personal information, Experian said, ‘Report unavailable online’ and wanted me to send a letter with copies of documents (driver’s license, Social Security number, etc.); Equifax said an error had occurred and they couldn’t complete my request at this time; TransUnion ran me through an exhausting series of questions, sales offers, and ridiculous permutations until I was able to get a credit report and score displayed. Then I found that they had signed me up for a monthly service and charged my credit card $27 and change for the first month, to be charged monthly. I immediately canceled the ‘subscription,’ and had to call the helpline to get this charge removed from my card.**

D. Other Frustrations and Confusion

Problems with disputes. The Consumer Reports survey did not specifically ask about consumer experiences in disputing errors on their reports. Nevertheless, some consumers shared their frustrations with the dispute process and reported problems they had in disputing errors. One noted that he had tried to dispute bad information but couldn’t get it removed:

> **“An account which never was mine is still on my credit report. That account was established in 2013 and closed in 2015, and years ago I contacted the credit report companies to remove that entire account from my record. That account is noted as closed, but still appears on my report. It was not removed.”**

And one consumer told CR that they could not dispute a problem that they found:

> **“I was concerned that a name was listed that I’ve never used, but was not allowed to dispute it on my credit report, as well as an address in a town I’ve never lived in, but was not allowed to dispute.”**

Combinations of problems. Some consumers experienced just about every problem all at once. Problems in credit reporting are not mutually exclusive. As shown below, consumers can easily experience the failures of the credit reporting system on multiple levels:

> **“Is this different from my credit score? I didn’t get my credit score. When I tried, TransUnion wanted me to fill out a separate form, and it looked like the company wanted to charge me. Also, TransUnion had an address at which I have never lived. I filled out a dispute, but I was never asked for any details. The information used to verify my identification was for an ex-brother-in-law (ex for nearly 21 years) and someone I’ve never heard of. Also, it had as my only place of employment a place I worked at in 1988. Should I be concerned about this?”**

4. Marketplace and Policy Recommendations

A mix of marketplace and policy changes can improve the credit reporting system so that it works better for consumers. Consumer Reports recommends four broad categories of changes for policymakers and CRAs to implement.

Strengthen accuracy requirements for credit reports and improve enforcement of existing laws.

Credit bureaus, as well as the lenders and debt collectors that furnish information to them, should be held responsible for maintaining the accuracy of consumers’ credit reports. [51]

- CRAs and data furnishers should be required to match first name, last name, date of birth, and all nine digits of Social Security numbers when placing information on consumers’ reports.[52]
- Furnishers and CRAs should be required to retain documents relating to an account for as long as the relevant information appears on the credit report, and should be required to delete information from a credit report if they cannot provide the documentation to back it up.
- Debt collectors should be required to document and maintain an itemized record of the total principal, interest, fees, and other charges that have been added to the debt, and the name of the original creditor when suing over a debt. Selling or collecting debt that is more than seven years old, which is too old to be reported on a credit report under the FCRA, should be made illegal.

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[51] Consumer Reports has supported federal legislation requiring CRAs to better monitor furnishers for high error rates and to use stricter matching criteria: https://ourfinancialsecurity.org/wp-content/uploads/2020/01/2020.1.27-House-floor-credit-reporting-bill-support-letter.pdf; *See eg.,* H.R. 3621 (116th Congress) - Comprehensive CREDIT Act of 2020.

[52] Consumer Reports has supported federal legislation requiring CRAs to match all nine digits of a consumer’s social security number when placing information on credit reports: https://www.nclc.org/images/pdf/credit_reports/support-for-protecting-credit-score-2020.pdf; *See eg.,* H.R. 5332 (116th Congress) - Protecting Your Credit Score Act of 2020.

- The dispute process must be improved so that it is responsive to consumers and thorough in its fact finding. Furnishers should not be allowed to dismiss a dispute without considering new information that is relevant to the complaint submitted by the consumer. The CRAs should not have the last word if consumers disagree with the results of a dispute.[53]
- The CFPB should require the CRAs to better monitor furnishers for high error rates.

Provide consumers control over their own credit information.

Key to improving the accuracy of the credit reporting system is making sure consumers are appropriately informed about their credit records, are able to monitor their credit report without cost, and have control over when and how their credit information is used.

- Consumers should be able to access their credit reports and scores securely and free of charge at any time.[54]
- Consumers should not be harassed with advertisements for paid services while checking their free reports.
- Credit reports should be frozen by default, so potential lenders can access credit information only if a consumer grants them access.[55]
- Consumers should be able to access their credit reports on a secure portal site where they can directly compare their reports, freeze and unfreeze their credit, and easily file disputes to correct errors.[56]

Redesign the identity verification system.

The identity verification system used by Equifax, Experian, and TransUnion should be redesigned so that consumers are not locked out of their credit reports if they cannot answer a question based on inaccurate information. Should this happen, consumers should be given a method faster and more secure than physical mail to verify their identity. Consumers should not be blindsided by questions they cannot answer when trying to access their credit reports.

Rein in the role of credit reports in consumers' lives.

Even if credit reports were consistently accurate, there would be many strong arguments for restricting their use to their original purpose of measuring creditworthiness. CR has long documented the problems with using credit scores as a rating factor for auto insurance, for

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[53] Consumer Reports has supported federal legislation establishing consumers' right to appeal the results of dispute investigations. *See eg.,* H.R. 3621 (116th Congress) - Comprehensive CREDIT Act of 2020.
[54] Consumer Reports has supported federal legislation that allows consumers to check their credit reports and scores from the CRAs for free an unlimited number of times. *See eg.,* H.R. 5332 (116th Congress) - the Protecting Your Credit Score Act
[55] Consumer Reports has supported federal legislation that requires consumers' credit to be frozen by default. *See eg.,* S. 1343 (117th Congress) - Consumer Credit Control Act of 2021.
[56] Consumer Reports has supported federal legislation that establishes a secure portal site where consumers are able to securely access their credit reports and scores from the CRAs for free, file disputes, and place security freezes. *See eg.,* H.R. 5332 (116th Congress) - the Protecting Your Credit Score Act.

instance. A 2015 study found that a single driver who had a good credit score paid $68 to $526 more per year, on average, than similar drivers with the highest credit score, depending on the state they lived in.[57] These scores are not relevant to determining driver risk, and should not be used for that purpose.[58] Given the thoroughly documented inaccuracies of the system, it is simply unconscionable to use credit reports for other purposes, thereby extending the potential damage of such errors.

[57] Consumer Reports, *The Truth About Car Insurance*, Sept. 2015: http://www.consumerreports.org/cro/car-insurance/auto-insurance-special-report/index.htm

[58] Consumer Reports has supported federal and state legislation that restricts the use of credit reports in auto insurance pricing. *See eg.,* New Jersey A1657 (2020) Prohibits use of education, occupation, and credit score as rating factors in automobile insurance underwriting; HR 1756 (116th Congress) - Preventing Credit Score Discrimination in Auto Insurance Act.

Appendix: Complete Results From Consumer Reports' Credit Checkup Survey

The survey questions and descriptive statistics for 13 of the 14 questions are presented below. The final question of the survey was a free-response question asking consumers to tell CR anything they would like to about their experience checking their credit reports.

Credit Report Check Survey Tabs (Non-Representative Convenience Sample)	
When did you last check your credit report?	**Percentage**
Today	66
This week	18
This month	16
Base: All respondents. Note: Participants could also answer "This Year," "Never," or "Can't Recall." Those who did were redirected to check their credit report. They had to answer this question again before proceeding with the survey.	*5,839*
Which credit bureau(s) did you get your credit report from?	**Percentage**
Experian	59
TransUnion	57
Equifax	43
Unsure	3
Base: All respondents.	*5,858*
Did you use AnnualCreditReport.com to access your credit report(s)?	**Percentage**
Yes	73
No	24
Can't remember	3
Base: All respondents. Note: AnnualCreditReport.com was where Consumer Reports sent survey-takers who had not recently checked their credit reports.	*5,849*
Now we want to ask you about what you found on your credit report. Credit reports contain several types of data; personal information, such as your name and address; and information about any time you've borrowed money, including credit cards, auto loans, and, in some cases, other types of debt that have gone to collections, such as medical bills. We want to ask you about both in separate questions.	

Did you find any personal information on your credit report(s), such as misspellings or names or addresses that you don’t recognize?	**Percentage**
Yes	29
No	71
Base: All respondents.	*5,821*

If you found incorrect personal information on your credit report, which types of errors did you find? Check all that apply.	**Percentage**
Wrong address (address you do not recognize, etc.)	56
Your name misspelled	33
Wrong name (a name that is not yours)	17
Other (please specify)	37
Base: Respondents who found incorrect personal information on their credit report.	*1,739*

Did you find information on your credit report(s) related to debts that you believe is incorrect? This can include payments that are noted as late when you know you made them on time, or an account that you don’t recognize, such as a credit card that you don’t have.	**Percentage**
Yes	11
No	89
Base: All respondents.	*5,821*

If you found an error on your report regarding a debt, what kind of error was it? Check all that apply.	**Percentage**
An account that I don’t recognize	41
A debt reported to collections that I don’t recognize	26
One or more payments reported late that I made on time	23
A missed payment that I know I made	12
Other (please specify)	33
Base: Respondents who found an error related to a debt on their credit report.	*695*

Combined: Any error on credit report (personal information and/or debt-related)	**Percentage**
No errors	66
Any error	34
Base: All respondents.	*5,858*

Some borrowers have an agreement with the lender, sometimes called a forbearance agreement, that allows them to skip payments on some of their debts, such as mortgages, credit cards, and student loans. These agreements can be made under various circumstances, but for many people, they have happened by arrangement or even automatically during the pandemic (such as for federal student loans). Do you have an account where you have an agreement with the lender that allows you to skip making payments?	Percentage
Yes	5
No	86
Unsure	8
Base: All respondents.	*5,835*

If you have an account for which you are being allowed to miss payments, is that account(s) being reported as "current" on your credit reports?	Percentage
Yes	75
No	15
Unsure	10
Base: Respondents who said "yes" when asked whether they have a forbearance agreement.	*308*

How easy or difficult was it to access your credit reports?	Percentage
Very easy	40
Easy	35
Not easy or difficult	14
Difficult	7
Very difficult	4
Base: All respondents.	*5,848*

How easy or difficult was it to read and understand what you saw on your credit report?	Percentage
Very easy	26
Easy	43
Not easy or difficult	23
Difficult	6
Very difficult	2
Base: All respondents.	*5,827*

Race/ethnicity (respondents could select all that apply)	Percentage
White	86

Black	3
Asian	2
Latinx	2
Biracial/multiracial	1
Native American	1
Pacific Islander	<1
Prefer not to say	6
Base: All respondents.	*5,858*