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Hearing Examines Proposals to Overhaul Credit Reporting to Achieve Equity

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On June 29, 2021, the United States House of Representatives Committee on Financial Services held a hybrid hearing entitled “A Biased, Broken System: Examining Proposals to Overhaul Credit Reporting to Achieve Equity” on a virtual meeting platform and at the Rayburn House Office Building in Washington, D.C. A webcast of the hearing, which examined credit reports containing incomplete or erroneous information, is available here.

The panel for the hearing included these witnesses: Mr. Syed Ejaz, Financial Policy Analyst, Consumer Reports; Mr. Jeremie Greer, Co-Founder and Co-Executive Director, Liberation in a Generation; Ms. Amy Traub, Associate Director of Policy and Research, Demos; Ms. Chi Chi Wu, Staff Attorney, National Consumer Law Center (NCLC); and Mr. Dan Quan, Adjunct Scholar, Cato Institute’s Center for Monetary and Financial Alternatives.

“The U.S. credit reporting system is unique because it relies on consumer data for use and profit by private companies,” a Memorandum for the hearing stated. “Credit scores and credit reports are increasingly relied upon by creditors and employers, housing providers, insurers, and even law enforcement. Despite this, it has been nearly two decades since Congress enacted comprehensive reform of the consumer reporting system.”

The Fair Credit Reporting Act (FCRA) provides the legal framework for the consumer credit reporting system. The Consumer Financial Protection Bureau (CFPB) and the Federal Trade Commission (FTC) share jurisdiction in implementing and enforcing FCRA. Credit Reporting Agencies (CRAs) are also subject to the data protection requirements that mandate safeguards to maintain the security and confidentiality of consumer information.

Independent analysis found that complaints sent to the CFPB regarding credit reporting surged 50 percent in 2020 and reached an all-time high of 48,558 complaints in December 2020. Consumers continued to experience challenges with the credit reporting system, including fixing errors spotted on their credit reports, more than one year after the beginning of the Coronavirus (COVID-19) pandemic outbreak in the United States.

“As the title of this hearing indicates, our current credit reporting system is broken,” Congresswoman Maxine Waters (D-CA), Chairwoman of the House Committee on Financial Services, stated in a press release. “That’s why even before the pandemic, the House passed two bills out of this Committee — the Comprehensive CREDIT Act and the Protecting Your Credit Score Act — that provide long overdue reforms to our credit reporting system.”

The “Comprehensive CREDIT (Credit Reporting Enhancement, Disclosure, Innovation, and Transparency) Act of 2021” would reform the FCRA by requiring CRAs like Equifax, Experian, and TransUnion to better ensure that information on consumer credit reports is accurate and complete and increasing consumers’ rights to report and appeal credit report disputes. The bill would also create stronger CFPB oversight to stop disparate impact.

In addition, the “Protecting Your Credit Score Act of 2021” would require the three largest CRAs – Equifax, Experian, and TransUnion – to establish a single online consumer portal landing page that gives consumers free and unlimited access to their consumer reports and credit scores. This bill also provides consumers with the ability to initiate disputes about report accuracy and to place or remove a security freeze.