



Coalition to Improve **CREDIT EDUCATION**

October 3, 2016

The Honorable Randy Neugebauer, Chairman
The Honorable Wm. Lacy Clay, Ranking Member
Subcommittee on Financial Institutions and Consumer Credit
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Re: Tuesday, September 27, 2016 Subcommittee Hearing on Legislative Proposals to Address Consumer Access to Mainstream Banking Services

Dear Chairman Neugebauer and Ranking Member Clay,

I am writing in my role as Executive Director for the Coalition to Improve Credit Education (CICE), a coalition of consumers and organizations that want to make it easier for people and small businesses to get the tools and information they need to understand and improve their credit reports and scores. The coalition believes that the Credit Repair Organizations Act (CROA) is unintentionally preventing consumers and small business owners from receiving credit education that would tell them specific steps they can take to improve their credit scores.

Congress passed CROA in 1996 to keep scam artists and fly-by-night credit fix services from harming vulnerable consumers. These operators take advantage of consumers in tough financial straits. They often take big fees up front and do not follow through on what they indicate they will do for them. In other cases they seek to remove accurate and current information fraudulently on credit reports through multiple spurious disputes. The law serves an important need. Unfortunately, the broad language of the law has been interpreted by the courts in a way that prevents legitimate consumer reporting agencies, like the three major credit bureaus, from providing easy-to-use credit education services and improvement tools.

Under current federal law, it is very difficult for consumers and small business owners to get personalized information on how to improve their creditworthiness. For example, if you call a major credit bureau today and ask them what steps you can take to improve your credit score, you have to slog through a lengthy legal disclaimer, then wait three full business days before speaking with a credit educator.

Most people don't have time to jump through these time-consuming and difficult hoops, so they don't get the information and advice they need to improve their credit scores. According to a study released last year by the Policy and Economic Research Council (PERC), only one in 17 consumers (6 percent) complete the registration process for such services after being forced to sit through the mandatory disclosure and wait three business days for the support they need.

By placing unnecessary obstacles in the credit education process, the current law is preventing vulnerable consumers and small business owners from using effective tools to improve their credit. The PERC study found that consumers using personalized coaching from a major credit bureau improved their credit scores at twice the rate of those who received only general educational materials.

My interest in this issue comes from more than three decades of work with consumers to teach them financial literacy and financial education. I travel to teach and coach people on what it takes to be successful in their financial life. In my work, I have heard time and time again that the more consumers know about credit, the better off they are. As for the organizations that support the coalition, they may seek to improve their communities in a number of different ways, but they all share a common desire to improve the financial wellbeing of consumers and small business owners. Improving credit education is a goal that unites us all. You can find more information about CICE and its members at our website www.mycreditlife.org.

It is clear that consumers and small business owners demand to know what specific steps they should take to improve their credit standing. It is also clear that consumer and small business owners would benefit from personalized credit education over and above the generic credit information that is currently available. Congress and the federal agencies have pushed more credit information into the hands of consumers. We have seen this with free annual credit reports, credit score disclosures for risk-based pricing notices, and most recently credit scores on statements. Today, consumers know significantly more about their credit report and how those reports are used than I have seen in my long career. As consumer credit awareness has increased, more consumers are contacting the three major credit bureaus. However, the credit bureaus are not easily able to answer the common question, "How do I improve my credit score?"

Take the example in the attached article. Janean, a woman from Ohio, improved her credit by 150 points thanks to personalized credit education. She was able to change her behavior so that creditors and employers could see that she would be a reliable borrower. This actionable information provides meaningful benefit for individual people. It should be more widely available.

One way that Congress could address this problem would be to exempt the major credit bureaus from CROA, as we see in H.R. 347 that was introduced by Congressmen Ed Royce (R-Calif.) and Rubén Hinojosa (D-Tex.). This bill, the Facilitating Access to Credit Act, would exempt the major credit bureaus from the onerous CROA notification and delay requirements. The

bureaus are legitimate and heavily regulated businesses, and they were never the intended target of the original law because the law seeks to prohibit making fraudulent statements to creditors and credit bureaus. In addition, it would not undermine the ability to pursue actual credit repair clinics that are defrauding consumers under the law.

Consumers would retain robust protections in their interactions with the credit bureaus under a numbers of laws: the Fair Credit Reporting Act, the Federal Trade Commission (FTC) Act, the Dodd-Frank Act and the state consumer protection laws against unfair or deceptive acts or practices, among others. Consumers could file a complaint with the CFPB and the credit bureau would have to respond to the complaint within 15 days or the complaint would go on the public CFPB Consumer Complaint Database indicating no response. The CFPB also supervises those credit bureaus, so it would be able to look into a business that was generating consumer complaints and take an enforcement action.

For example, last week, the CFPB announced that it is pursuing an enforcement action against a credit repair company for misleading consumers and charging illegal fees. The CFPB is pursuing this case under violations of the Telemarketing Sales Rule (TSR) and for deceptive acts or practices under the Dodd-Frank Act. Similarly, this week, the FTC brought to a conclusion an enforcement action against a company that charged consumers for credit monitoring they never ordered. The action will result in almost \$20 million being returned to consumers. The Commission used the FTC Act and the Restore Online Shoppers' Confidence Act (ROSCA) while the states of Illinois and Ohio used their state consumer protection statutes. In neither case did the agencies turn to CROA even though they could have. There are many tools that protect consumers from any potential unfair behaviors by a credit bureau.

Congress could make a simple change to the existing law that would allow millions of Americans to get the information and tools they need to understand their credit scores and reports and take the steps necessary to improve them. As a coalition, we advocate for the necessary revisions in the CROA statute.

Sincerely,

A handwritten signature in black ink that reads "William Cheeks". The signature is written in a cursive style and is contained within a thin black rectangular border.

William "Bill" Cheeks
Executive Director
Coalition to Improve Credit Education

cc:

Chairman Jeb Hensarling
Ranking Member Maxine Waters
Representative Ed Royce
Representative Rubén Hinojosa