

# Improving Consumer Access to Innovative Credit Education

## Background

The Credit Repair Organizations Act (CROA) was enacted in 1996 in response to a specific predatory practice engaged in by “credit repair clinics” or “credit repair organizations” that represent to consumers that they can remove accurate but derogatory information from consumers’ credit reports in exchange for a substantial fee paid before any of the promised services were performed. Consumers, legislators, the Federal Trade Commission and the credit bureau industry all agreed that these practices harmed consumers, credit reporting, and creditors.

## The Problem: The misinterpretation of CROA is blocking the rollout of important and innovative credit education tools that can help consumers.

- CROA was intended to protect consumers from credit repair scams. Its provisions are designed to prevent the abusive acts and practices of CROs.
- Expansive judicial interpretation of CROA has stretched CROA beyond its original intent of combatting fraudulent credit repair practices. Under this judicial expansion, the law now sweeps in credit monitoring and identity protection services, as well as other consumer-friendly credit education services that are provided by credit bureaus.
- CROA’s unintended expansion is deterring legitimate and trusted companies from providing credit education products and services to consumers, including innovative credit simulators that help consumers understand how to improve their credit scores. As long as CROA remains unchanged, consumers are effectively prevented from accessing these tools.

## The Solution: Narrow amendment to CROA

- H.R. 347, the Facilitating Access to Credit Act has been introduced in the House by Congressman Ed Royce (R-CA) and Rubén Hinojosa (D-TX).
- CROA already excludes nonprofits, depository institutions and creditors from the definition of “credit repair organization.” This bill fixes the problem described above through a very narrow amendment to CROA that would exclude credit bureaus that are supervised and examined by CFPB.
- Recent laws have resulted in hundreds of millions of credit score disclosures being given to consumers in addition to access to their credit reports. Consumers’ desire to understand how they can improve their credit scores has created a strong demand for credit education tools. The credit bureaus are uniquely positioned to help consumers in this space, but CROA effectively prevents them from helping consumers who ask for help.
- **Consumers remain fully protected.** Credit bureaus would remain subject to oversight and examination by the CFPB. The FTC and state attorneys general would continue to be able to protect consumers from unfair and deceptive acts or practices.

## Support for Reform

- On-the-record-support from National Bankers Association; US Hispanic Chamber of Commerce; National Black Caucus of State Legislators, National Hispanic Caucus of State Legislators; US Black Chambers; and Florida House of Representatives.