



September 13, 2004

Jennifer Johnson, Secretary

Board of Governors of the Federal Reserve System

20<sup>th</sup> Street and Constitution Avenue, N.W.

Washington, D.C. 20511

RE: Docket Number OP-1209

Dear Ms. Johnson,

The Florida Association of Mortgage Brokers (FAMB) thanks you for the opportunity to comment for your study of disputed consumer information reported by consumer reporting agencies. FAMB enters this process not only from the viewpoint of Mortgage Brokers, but also as the voice of consumers who come to us seeking home financing.

FAMB's goals in making our comments are to help consumers who are denied the interest rates they deserve due to faulty credit reports, help consumers keep from being denied loan they request due to faulty credit reports and to help improve the lending process.

FAMB is especially pleased with several of the major goals of The Fair and Accurate Credit Transactions Act of 2003.

- Promote increasingly efficient national credit markets.
- Increase the accuracy of consumer reports.
- Bolster efforts to improve financial literacy among consumers.
- Exercise greater control regarding the type and amount of marketing solicitations consumers receive.
- Enhance the ability of consumers to combat identity theft

### Financial Literacy

To bolster efforts to improve financial literacy among consumers, The FAMB Foundation offers free educational seminars to consumers titled "Are You Prepared to Head Down The Road To Home Ownership". Credit topics covered in this seminar include:

Credit Reports – Defining and building credit.

The importance of obtaining and reviewing your credit report.

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**Promote increasingly efficient national credit markets and increase the accuracy of consumer reports.**

If a goal of The Fair and Accurate Credit Transactions Act of 2003 is to promote increasingly efficient national credit markets and increase the accuracy of consumer reports, the target of change should be making credit reports as accurate as possible when they are first issued to the consumer or the consumer's representative.

If the quality of credit reports when they are first prepared for the consumer was higher, there would be fewer items disputed on the credit report. This would make dispute resolution quicker, easier and less expensive.

**The role of consumer reporting companies**

There are two types of consumer reporting companies, the credit bureau gathers credit data from furnishers of consumer information and credit resellers report to the consumer or the consumer's representative what credit bureaus gathered.

All too often, when a credit report is ordered to further the consumers request for credit, the credit report contains errors. When a credit bureau is asked about the error, they will respond, "I can't do anything ... I am just reporting what the creditor sent me." When a credit reseller is asked about an error, they will respond, "I am just reporting what the credit bureau sent me. Either the consumer is left to start the long / hard process of correcting errors on the credit report or the consumer is extended new credit under rates and terms that are not as attractive as they deserve. In either case, the consumer pays in time, effort and money for other people's mistakes.

As long as neither the credit bureaus nor the credit resellers accept responsibility for the contents of the reports they gather and resell, then there is a good chance that the first copy of a credit report viewed by a consumer or their representative will contain errors.

We would recommend that credit bureaus and credit resellers should use proactive rather than passive systems to gather and distribute consumers' credit information. Credit bureaus should screen information received from furnishers of consumer information using currently available technology. When obvious errors are noted, verification should be requested from the furnishers of credit information. Credit resellers should screen information being compiled for distribution to consumers and their representatives using currently available technology. Obvious errors should be noted on the credit report and verification should be requested from the credit bureau where the information was received.

The effect of these recommendations being implemented:

1. A more accurate credit profile would emerge on initial credit report.
2. Fewer cases of time-consuming disputes would arise.
3. The cost of the increased credit screening would be offset by the reduced labor required to handle the fewer cases of consumer disputes.

4. The consumer will be more likely to receive the requested credit product at a price they deserve.

These changes would both promote increasingly efficient national credit markets and increase the accuracy of consumer reports.

**Exercise greater control regarding the type and amount of marketing solicitations consumers receive.**

Currently credit bureaus sell private consumer information based on requested customer profiles. This sale of private consumer information leads to:

- Offers of credit to consumers who have not yet obtained sufficient financial literacy to understand the products and services marketed to them.
- Increased opportunity for identity theft.

Recommendation:

A moratorium should be placed on the sale of consumer information by credit bureaus until consumer credit literacy is improved to allow people to better understand their credit choices. And better safeguards are in place to limit identity theft caused by the sale of private consumers' credit information.

Implementation of these recommendations would lead to better-educated consumers making better credit decisions. Tighter control on sale of profiled information will reduce identity theft.

Thanks once more to the Board of Governors of the Federal Reserve System for giving us the chance to share our thoughts on this important topic.

Sincerely,

Van R. Johnson, CMC

President