Today the Federal Trade Commission is releasing the results of a study of the data broker industry. The report we are issuing, *Data Brokers: A Call for Transparency and Accountability*, explores how data brokers amass detailed profiles about consumers from an array of online and offline sources, largely without consumers’ knowledge, and then sell those profiles to other data brokers and businesses. You may not know them, but data brokers know you. They know where you live, what you buy, your income, your ethnicity, how old your kids are, your health conditions, and your interests and hobbies.

This is an industry that largely operates in the dark. Most consumers have never heard of the data broker industry, let alone the names of even the largest data brokers. The FTC’s study – an examination of nine companies representing a cross-section of the data broker industry – has led us to conclude that the industry suffers from a fundamental lack of transparency. To address this, our bipartisan Commission calls for more transparency and accountability. We want to lift the veil of secrecy that shrouds data broker industry practices. Accordingly, the Commission calls on Congress to consider legislation to require data brokers to make their practices more visible to consumers and to give them greater control over data brokers’ collection and use of their data.

The legislation we propose would not limit the ability of data brokers to continue to provide important products and services. Data brokers help prevent fraud, improve product offerings, and deliver tailored advertisements to consumers, which benefit businesses, consumers, and our economy more generally.
Notwithstanding these benefits, we have concluded that there are serious privacy concerns with the data broker practices we examined. I will highlight three of them.

First is a concern about the sheer breadth and complexity of the data broker industry and its practices. Data brokers collect and store billions of data points about nearly every U.S. consumer, which they use to compile extensive profiles about us. This information comes from widespread sources—sources as varied as social media posts, Census data, retailers, and DMV and real property records. Once a data broker has obtained the information, it can be sold to other data brokers, who in turn may sell it to several more brokers and so on down the line. The result is that if a consumer wanted to trace the original source of a data broker’s information about her, she would have to sift through a complex maze of companies. And data brokers are helping to blur the line between online and offline behavior. Our study reveals that data brokers use your offline purchases and information to find and target you online.

A second concern is that data brokers classify and segment consumers by race and ethnicity, income, socioeconomic status, age, health conditions, religious affiliation, and even political leanings. For example, some consumers are categorized as “financially challenged,” which includes single parents with “some of the lowest incomes” and “little accumulation of wealth”; others are deemed “Urban Scramblers” and “Mobile Mixers,” both of which includes a high concentration of Latinos and African-Americans with low incomes; and other consumers are classified as “Rural Everlasting,” meaning single men and women over age 66 with “low educational attainment and low net worth[].”

These troubling classifications lead to the third main concern, which relates to how data brokers’ information may be used. What are the implications of consumers being categorized by their ethnicity, socioeconomic status, or health conditions? Does it mean many among us will be
cut off from being offered the same goods and services, at the same prices, as our neighbors? Will these classifications mean that some consumers will only be shown advertisements for subprime loans while others will see ads for credit cards? Will some be routinely shunted to inferior customer service? Will consumers not mind if they are placed in a category called “Diabetes Interest,” if it means they’ll get coupons for sugar-free products? But many would undoubtedly mind if an insurance company used that same category to classify them as a high risk.

Another concern is that a cell phone company may not let me get a cell phone contract because a data broker product suggests I’m an identity thief. If this is a mistake, I may have no way to learn about the source of the problem, let alone fix any incorrect information.

The Commission proposes legislation to address the lack of visibility into data broker practices and to give consumers much-needed control over their information. For example, the Commission advocates that Congress consider requiring that the largest data brokers create a centralized portal where consumers could easily go to link through to the sites of individual brokers. There, consumers could see what information brokers have about them and could choose to opt out of having it used in the future.

The Commission also concludes that retailers and other businesses should be required to clearly notify consumers that the information they are handing over will be shared with data brokers, and to give consumers a chance to say “no.” And if the information at stake is sensitive, such as certain health information, then consumers should have to give their express affirmative consent before the information is shared with a broker. The Commission also proposes that when consumers are limited in their ability to complete a transaction because a data broker’s
product has flagged them as a potential fraudster, they be given the ability to make appropriate corrections.

These legislative recommendations would help inject a degree of transparency, access, and consumer control that is greatly lacking today in the data broker industry.

Thank you for your attention. Before we move to your questions, I’d like to thank the team from the FTC’s Division of Privacy and Identity Protection that worked so hard on this report – Tiffany George, Katherine Armstrong, Andrea Arias, Monique Einhorn, and Chris Olsen. I’d also like to introduce Maneesha Mithal, the Associate Director of the Division of Privacy and Identity Protection, and Tiffany George, a senior lawyer in our privacy division who is one of the principal authors of the FTC report. We are happy to answer any questions you may have.