

## KnowledgeVision | Accuracy\_in\_Consumer\_Reporting\_Part 1\_1

---

TIFFANY GEORGE: --to Accuracy in Consumer Reporting, an FTC CFPB workshop. My name is Tiffany George, and I am an attorney in the division of privacy and identity protection here at the FTC. Thank you for joining us today.

Before we get started with our substantive program, I need to review some administrative details. Please silence any mobile phones and other electronic devices. If you must use them during the workshop, please be respectful of the speakers and your fellow audience members. Please be aware that if you leave the Constitution Center building for any reason during the workshop, you will have to go back through security screening again. Please bear this in mind and plan ahead, especially if you are participating on a panel so we can do our best to remain on schedule.

Most of you received a lanyard with a plastic FTC event security badge. We reuse these for multiple events. So when you leave for the day, please return your badge to security.

If an emergency occurs that requires you to leave the auditorium but remain in the building, follow the instructions provided over the building PA system. If an emergency occurs that requires the evacuation of the building, an alarm will sound. Everyone should leave the building in an orderly manner through the main 7th Street exit.

After leaving the building, turn left and proceed down 7th Street and across E Street to the FTC emergency assembly area. Remain in the assembly area until instructed to return to the building. If you notice any suspicious activity, please alert building security. Restrooms are located in the hallway just outside the auditorium.

The cafeteria is open from 7:30 AM until 3:00 PM, except it closes from 11:00 AM to 11:30 AM to restock. No food or drink except water is allowed in the auditorium. Please be advised that this event may be photographed, webcast, or recorded. By participating in this event, you are agreeing that your image and anything you say or submit may be posted indefinitely at [ftc.gov](http://ftc.gov) or on one of the commission's publicly-available social media sites.

There are staff in the room who will collect question cards if you want to submit questions during any of the panels to hand up to the panelists. If you want to follow along on Twitter, we will be live-tweeting the event using the hashtag #AccuracyWorkshop.

And now, please welcome FTC Commissioner Noah Phillips, who will give opening remarks. Thank you.

[APPLAUSE]

**NOAH PHILLIPS:** Thank you, Tiffany, and thanks everyone for being here today. Welcome to today's joint FTC-CFPB workshop on accuracy in consumer reporting, a topic that's very important, as all of you know, for the lives of consumers and for the businesses that rely everyday on this kind of information. Where inaccuracies exist in credit reporting, they can impact consumers' pocketbooks, their benefits, and even their livelihoods.

When consumers do manage to learn of inaccuracies, they can then spend hundreds of hours trying to correct them just to make themselves whole. As we all know, inaccuracies can come from including inaccurate information, but also from leaving out accurate information that should feed into consumer reports. Consider a sex offender who gets a job at a school because his application records did not perfectly match the name on the sex offender registry. That's a rather scary prospect.

Today's workshop attempts to examine these and other issues related to the accuracy of consumer reports. To start things off, I want to set the stage, first by providing some historical background on the Fair Credit Reporting Act, consumer reports, and accuracy. Second, I'll talk a little bit about our recent efforts to improve the accuracy of consumer reports.

And third, I want to preview a little bit of what is going to be discussed today. I know that you have some other really important speakers. I should just note that my remarks are my own and don't necessarily reflect the views of my fellow commissioners or the commission as a whole.

So again, first, some historical background. Congress enacted the FCRA in 1970 to ensure that consumer reporting agencies exercised their responsibilities with fairness, impartiality, and a respect for consumer privacy. Indeed, the FCRA was really one of the first privacy laws passed anywhere in the world.

It has three main goals. First, to prevent the misuse of sensitive consumer report information by limiting recipients to those with a legitimate need for it. Second, to improve the accuracy and integrity of consumer reports. And third, to promote the efficiency of the nation's banking and consumer credit systems.

In enacting the accuracy and dispute resolutions of the FCRA, our focus here today, Congress recognized that Consumer Reporting Agencies-- or CRAs, as I'll call them just to save a few

words in time for all of you-- assemble or evaluate consumer data for third parties to make critical decisions about the availability and cost of various consumer products and services, including credit, insurance, employment, and housing.

These reports are often used to evaluate the risk of future non-payment, default, or other adverse events. Complete and accurate consumer reports enable creditors to make informed lending decisions, benefiting both those creditors and the consumers who wish to have access to credit. Errors in consumer reports can cause consumers to be denied credit or other benefits, or pay a higher price for them.

They can also cause credit issuers to make inaccurate decisions that result in them declining credit to a potentially valuable customer, or issuing credit to a riskier customer than intended, all of which raises the overall cost of credit in the system and makes the market less efficient. This assessment of credit risks, of course, was a very important part of the financial crisis.

The FCRA thus imposes a number of accuracy-related obligations on CRAs. For example, they must maintain reasonable procedures to ensure the maximum possible accuracy of consumer reports. They must also maintain procedures through which consumers can dispute and correct inaccurate information in consumer reports.

Finally, the FCRA imposes obligations on those who furnish information about consumers to CRAs. For example, furnishers have a duty to report accurate information and investigate consumer disputes about inaccuracies. We hear echoes of all of these obligations in today's privacy debate.

As part of the Fair and Accurate Transactions Act of 2003, which amended the FCRA, Congress required the FTC to study consumer report accuracy. The 2012 study was the first major study that looked at all of the primary groups that participate in the credit reporting and scoring process. Consumers, furnishers-- that is, creditors, lenders, debt collection agencies, and so forth-- the Fair Isaac Corporation, which develops the FICO scores, and national credit bureaus, or the CRAs.

To implement the study, associates worked with approximately a thousand consumers to review their free credit reports from the three major credit bureaus. The study associates also helped consumers identify and dispute possible errors on their reports. According to the study's findings, one in four consumers identified errors in their credit reports that might affect

their credit scores.

Four out of five consumers who filed disputes experienced some modification to their report. And 5% of all consumers had errors that could impact their credit risk classification. We are fortunate to have the primary author of that study here today, Beth Freeborn from the bureau of economics. Where's Beth? Is Beth here? Oh, hey, Beth. How are you? Good work.

Since the study was published, of course, the CFPB has exercised its supervisory authority over the credit bureaus and large data furnishers and has thus become the lead agency studying accuracy issues with respect to these entities. In the last decade, the commission has brought over 30 actions to enforce the FCRA against consumer reporting agencies, users of consumer reports, and furnishers.

As the consumer reporting system evolves, and new technologies and business practices emerge, FCRA enforcement continues to be a top priority for the commission, as does consumer and business education concerning applicable rights and responsibilities under the statute.

With the advent in 2012 of the CFPB's supervisory authority over the credit bureaus, the FTC has focused its law enforcement efforts on other entities in the system and other aspects of the industry more broadly. Specifically, we have focused primarily on four industry sectors. First, background screening.

Last year, the commission announced a \$3 million settlement against a tenant-screening company called RealPage. Our complaint alleged that the company failed to take reasonable steps to ensure the accuracy of tenant screening information provided to landlords and property managers, causing potential renters to be falsely associated with criminal records.

Notably in that case, the complaint alleged that the company used a proprietary computer software program to match applicants with criminal record information, producing results in real time or near-real time. This underscores the fact that as we develop in a new economy and access to a lot of different data, furnishers, credit bureaus, and others have responsibilities, even though the market is developing beyond what we may have expected when the statute was passed.

The commission's work on RealPage addressed this new technology and built on previous cases against background screening companies, such as Infotrack and HireRight, both

employment screening companies. Again, RealPage was about rentals.

Second, the commission has brought cases against data aggregators that purport not to be CRAs, but in fact are functioning as such. These companies purport to offer services through which consumers can look up neighbors, classmates, or old flames. Sometimes, they even tell users in the fine print that they cannot use the reports they generate for eligibility purposes. But when these companies market their services to landlords and employers, they act as CRAs.

In the cases the FTC has brought against these types of firms, the FTC has alleged that the companies failed to comply with the FCRA's provisions, including those on accuracy.

The third category of cases concern entities that furnish information to CRAs. We've settled cases against furnishers that allegedly had inaccurate-- excuse me, inadequate policies and procedures for reporting accurate credit information to the CRAs.

In *Credit Protection Association*, we alleged that a debt collector failed to have adequate policies and procedures to handle consumer disputes, did not have a policy requiring notice to consumers of the outcomes of investigations about disputed information, and in numerous instances, failed to inform consumers of the outcomes of disputes.

And in *Tricolor Auto Acceptance*, the commission alleged that the loan servicing section of an auto dealer failed to have written policies and procedures designed to ensure that the credit information it reported to CRAs was accurate, and failed properly to investigate consumer disputes regarding the accuracy of credit information.

Finally, the FTC has brought FCRA cases against check authorization companies. These companies compile consumers' personal information and use it to help retail merchants throughout the United States determine whether to accept consumers' checks.

In its settlements with Telecheck and Certigy, two of the nation's largest check authorization companies, the commission charged these companies with failing to follow FCRA accuracy procedures, failing to follow proper procedures for consumer disputes, and failing to establish and implement reasonable written policies regarding the accuracy of information the companies furnished to the credit bureaus. The FTC obtained \$3.5 million in civil penalties against each of these companies.

In addition to engaging in law enforcement, the commission continues to educate consumers

and businesses on their reporting rights and obligations under the FCRA. The FTC has published guidance for employment and tenant background screening companies regarding their obligations under the FCRA, including with respect to accuracy and the treatment of consumer disputes, and guidance also for furnishers.

For consumers, the FTC has a number of user-friendly resources designed to inform them of their rights under the FCRA and assist them in navigating the consumer reporting system. For instance, the publication *Credit and Your Consumer Rights* provides an overview of credit, explains consumers' legal rights, and offers practical tips to help solve credit problems.

We also have publications that explain how consumers can use the FCRA's dispute procedures to ensure that information in their reports is accurate. For consumers seeking employment or housing, the FTC has materials on employment background checks and tenant background checks. We continue to update and expand our materials as new issues arise.

And that brings us to today. We have an exciting array of speakers and panels. After Peggy Twohig sets the stage by providing further background and context on the FCRA and developments in consumer reporting, our first two panels will cover accuracy from the furnisher perspective and from the credit bureau perspective, discussing several different questions.

For example, what has been the impact of CFPB examination authority on furnishers and CRAs? What has been the effect of the credit bureaus' 2015 settlement with the states on accuracy? What opportunities or challenges does non-traditional data, such as the history of rental or utility payments, present for the consumer reporting system?

And after lunch, we'll hear from the CFPB's Deputy Director, Brian Johnson, and Andrew Stivers, director of the FTC's BE section on consumer protection. Next, we'll have a panel specifically focused on accuracy and background screening, where the panelists will discuss issues such as data quality, data matching, and completeness. For example, panelists will discuss instances where CRAs report on the initiation of eviction proceedings but not on their disposition. Our final panel will discuss the consumer dispute process.

Let me conclude by thanking the staff who organized and are serving as moderators for this event. For the FTC, this includes Tiffany George, from who you heard a few minutes ago,

Amanda Koulousias, and Beth Freeborn, who I had difficulty finding in the crowd earlier. Sorry about that. For the CFPB, moderators include Kiren Gopal, Tony Rodriguez, Susan Stocks, and David Wake.

I'd also like to thank our division of consumer and business education, our events team, and press office for helping to put this event together. And with that, I'd like to turn the podium over to Peggy Twohig, assistant director for supervision policy at CFPB.

[APPLAUSE]

**PEGGY TWOHIG:** Good morning. I would like to add my welcome to all of you to the workshop today. Thank you, Commissioner Phillips, for your opening remarks. And thanks to the staff from the CFPB and the FTC for organizing this workshop today. And finally, I want to thank the panelists who will share their expertise on consumer reporting issues we will discuss today.

So we are near the 50th anniversary of the FCRA. Many of us have been working on consumer reporting issues for a long time. Perhaps not 50 years, but sometimes it seems like it-- a long time. And we at the Bureau and the FTC think this is a good time to have this workshop to take stock of the current consumer reporting marketplace and discuss important issues, like accuracy and the dispute process.

To help set the stage for the workshop today, I will build on what Commissioner Phillips said about the history of the FCRA, and also more recent developments. I will briefly cover the following-- the FCRA legislative and regulatory developments, the accuracy provisions and the dispute process, changes to the structure of oversight of the consumer reporting marketplace, including through supervision and enforcement.

And I will start by noting the original goal of the FCRA, which was stated as follows. The purpose of the FCRA is to require that consumer reporting agencies adopt reasonable procedures for meeting the needs of commerce for consumer credit, personnel, insurance, and other information in a manner which is fair and equitable to the consumer with regard to confidentiality, accuracy, relevancy, and proper utilization of such information in accordance with the FCRA.

Given our focus today, some key provisions of the FCRA bear repeating. As originally enacted, the FCRA established certain duties and obligations for Consumer Reporting Agencies, or CRAs, that are particularly relevant for this workshop and the panel discussion. For example,

CRAs are required to follow reasonable procedures to assure maximum possible accuracy of the information concerning the individual about whom the report relates.

I'm going to repeat this one because often, this is stated just in the shorthand, so I'm going to repeat the statutory requirement, which is to follow reasonable procedures to assure maximum possible accuracy of the information concerning the individual about whom the report relates. The CRAs are also required to investigate certain disputes and report the results to consumers. This dispute process is a key component underpinning the accuracy goals of the FCRA.

Today, our focus will be on the accuracy requirements for furnishers, traditional CRAs, and background screening CRAs. We will also have a panel discussion on navigating the dispute process.

So first, I want to outline some major updates and changes relating to accuracy since the inception of the FCRA. The accuracy standards and dispute process in the original FCRA only applied to CRAs. In 1996, Congress amended the FCRA and imposed duties on furnishers of information. These amendments in 1996 included requirements related to accuracy and the handling of disputes by the furnishers.

In 2003, the Fair and Accurate Credit Transactions Act, or FACTA, amended the FCRA and provided consumers with additional rights that are important to our discussion today. For example, FACTA required that the Nationwide Consumer Reporting Agencies or NCRAs, and nationwide specialty CRAs provide free annual credit reports, or technically, file disclosures.

One of the goals of this requirement was to enable consumers to detect and dispute inaccurate or incomplete information in the files of nationwide CRAs by providing consumers with the opportunity to obtain annual credit reports free of charge. FACTA also directed the FTC to conduct a study assessing consumer reporting accuracy.

As Commissioner Phillips discussed, this landmark study examined credit report accuracy in all the primary groups that participate in the credit reporting and scoring process. The FTC study and the 2012 report gave us an unprecedented understanding of accuracy issues and underscored the need for improving the system.

The FTC recommended that CRAs review and improve the process they use to notify consumers about the results of the dispute investigations, and that CRAs continue to explore

efforts to educate consumers regarding their rights to review their credit reports and dispute inaccurate information. There have also been other studies, many by organizations represented here today.

For example, accuracy studies have been published by the CDIA, US PIRG, Consumers' Union, PERC, and the Federal Reserve. These studies are discussed in the FTC's 2012 report, and of all identified various rates of errors in consumer reports, some higher and some lower.

Finally, in 2018 Congress enacted the Economic Growth, Regulatory Relief, and Consumer Protection Act. This act made a number of amendments to the FCRA which touch on accuracy, including giving consumers the right to obtain free of charge security freezes from NCRAs, requiring NCRAs to provide free credit monitoring to active duty military customers, and addressing problems related to medical debt and veterans credit report.

Turning now to the dispute process, the FCRA clearly reflects the dispute process, the right for consumers to dispute inaccurate information in their credit report and have it corrected, as important to ensuring the accuracy of credit report information. The right of consumers to dispute inaccurate information has existed since the FCRA was enacted in 1970, and this right continues to be a cornerstone of the FCRA accuracy framework.

The right to dispute is a critical safeguard against inaccurate information, and data has shown that consumers routinely exercise this right when they identify inaccurate information in their report. The 1996 amendments to the FCRA established obligations for furnishers regarding disputes. This was an important step in the evolution of the FCRA, as Congress recognized that furnishers play an important role in the accuracy of consumer report information and the dispute process.

Later, in 2010, the FTC and several other federal regulators issued a joint furnisher rule implementing the Accuracy, Integrity, and Direct Dispute process for furnishers. This rule was later adopted and reissued by the CFPB.

Among other things, the furnisher rule requires furnishers to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of the information provided, and conduct a reasonable investigation of direct disputes. These are important requirements that assist improving the accuracy of consumer report information.

In 2013, the NCRAs began forwarding documents that consumers included in their suits to furnishers. Related to this development, the CFPB issued a bulletin reminding furnishers of their obligation to review all relevant information they receive in connection with disputes forwarded by CRAs. Furnishers can now see the documentation consumers provide with their disputes and take appropriate corrective action based on such documentation.

So moving along to 2015, 31 state attorneys general reached a landmark settlement with three NCRAs. The settlement required NCRAs to improve their approach to fixing mistakes on credit reports and address disputes more effectively. Some major changes that the NCRAs agreed to and implement were to analyze data on disputes to determine whether action should be taken, to enhance the e-OSCAR system-- that's the dispute processing system-- and furnisher conduct in processing automated consumer disputes.

To provide semiannual reports to the states containing aggregated furnisher metrics, and provide records and reports about individual furnisher evaluations and material corrective actions upon the state's request. And finally, to change policies and procedures regarding how data is furnished related to debt collection and debt buying.

While the settlement was only with the NCRAs, the required changes impacted approximately 10,000 furnishers that provide information to them. Congress has also proposed various other updates to the FCRA, including updates to standards for the CRAs regarding reinvestigations and resolving disputes. The proposals from Congress reflect ongoing concerns regarding whether the current accuracy and dispute regulatory framework is working for consumers.

Finally, there's one more significant development I'd like to describe. The Dodd-Frank Act, enacted in 2010, substantially changed the oversight of the consumer reporting marketplace in the following ways. Dodd-Frank established the CFPB, assigned to it most of the FCRA's rulemaking authority, granted it FCRA enforcement authority over large banks and many non-banks, and granted the CFPB concurrent FCRA enforcement authority with the FTC over many non-banks.

Dodd-Frank also gave the CFPB authority to supervise and examine larger participants in the consumer reporting market. For the first time, larger CRAs would have a regulator that engages in ongoing supervision of their actions and evaluate their compliance with the FCRA.

In July 2012, the Bureau promulgated its first larger participant rule, and it promulgated the first rule to cover this market in particular-- the consumer reporting marketplace. The larger

participant rule defines a larger participant of the consumer reporting market as a non-bank covered person, under Dodd-Frank, with more than \$7 million in annual receipts resulting from relevant consumer reporting activities.

This market includes, of course, the nationwide consumer reporting companies, consumer report resellers, and specialty consumer reporting companies. The Bureau supervises these CRAs for compliance with federal consumer financial laws, including the FCRA and regulation V. The Bureau also has supervisory authority over many entities that furnish financial information about consumers to the CRAs, including large banks, mortgage servicers, large student loan servicers, and large debt collectors.

And in addition, the Bureau has enforcement authority over nearly every person, except small banks, regardless of status as a supervised entity who violates the FCRA. So the Bureau is the first federal or state agency to have both supervisory and enforcement authority over the CRAs and other participants in the consumer reporting marketplace. This more unified approach has allowed more comprehensive, efficient, and consumer-centric federal oversight of this market.

In addition to enforcement authority, the Bureau has broad authority to promulgate rules as are necessary to carry out the purposes of the FCRA. The Bureau now has seven years of oversight of the consumer reporting marketplace. This oversight includes supervisory examinations, enforcement actions, issuance of other guidance, including the guidance I mentioned earlier regarding furnishers' review of documents forwarded by the CRAs.

So let's look ahead. With all of these developments, and given the current state of the consumer reporting marketplace, what are the opportunities and challenges that we face with respect to accuracy and the dispute process? More specifically, what can we, as policymakers, CRAs, furnishers, consumers, and consumer advocates, do to improve the accuracy of consumer report information?

There are numerous questions to consider. For example, how do we define accuracy in the consumer reporting marketplace? What metrics do we use? And how should we more particularly measure accuracy? What do studies say about the measure of accuracy? Are there technologies that may provide solutions for improving accuracy? And how well is the FCRA's reasonable procedure standard working? And does it work well in the current state of the market? And finally, what government measures, including changes in the law, and private

sector measures could improve accuracy?

We hope today's panels will address many of these issues and questions that I just described. We look forward to the exchange of information and ideas today. I know that everyone here is committed to improving the consumer reporting marketplace so it works better for all stakeholders, and I hope that today's workshop can help us learn about ways to do just that. Thank you.

[APPLAUSE]

**SUSAN STOCKS:** Good morning. While our panelists for the first panel are coming up here, I just want to say it's always difficult to follow Peggy Twohig. So it takes quite an extraordinary group to do that, and I think we have collected an extraordinary group of panelists for you to discuss furnisher accuracy issues this morning. My name is Susan Stocks. I'm in our office of enforcement at the CFPB, and this is my colleague, David Wake, who is in our office of supervision at the CFPB.

And in order to maximize time for these extraordinary panelists, I'm going to jump right in. As they're all unpacking, I'm just going to say their names. So to my immediate left, beside David, is Leslie Bender, who is the chief strategy officer and general counsel for BCA Financial Services. Francis Creighton is next, who is the president and chief executive officer of the Consumer Data Industry Association.

Next to Francis is Syed Ejaz, who is a policy analyst at Consumer Reports. Nessa Feddis is a senior vice president and counsel of regulatory compliance and policy for the American Bankers Association. And finally, with the longest name, she assured me, Elisabeth Johnson-Crawford is the chief technical officer at Credit Builders Alliance. So with that, I think we'll jump in.

**DAVID WAKE:** Yeah. Hi, everybody. Thank you very much. My name is David Wake. I'm going to start things off setting the stage and setting some baselines. And I thought there's been a lot of talk about furnishing and consumer reporting, et cetera, and I thought maybe we'd start by just asking, what is furnishing? And how does data get from the furnisher to the consumer reporting agency and into a consumer report?

And so Elisabeth, maybe you can start off. You work with furnishing members of the Credit Builders Alliance. Could you walk us through what that process is and how that works?

**ELISABETH JOHNSON-CRAWFORD:** So really, it starts when the consumer comes to the lender. So they're filling out applications. The lender's verifying against ID information that they're providing to confirm their information. After the account is opened, they're making payments. That gets registered in software that's tracking all of the various information about the loan and the individual.

That gets packaged into the Metro 2 format, which gives us lots of tools and vocabulary to describe what's happening there. And then that's being securely submitted to the credit bureaus and then is connecting over to the consumer individual files there. So there's a number of different pieces of this process. There's many places where things can be verified and confirmed to help ensure accuracy. Francis, do you want to add in from there?

**DAVID WAKE:** Yeah. Maybe you can tell us a little bit about how Metro 2 works, and what CDA's role is in there.

**FRANCIS CREIGHTON:** Yeah, sure. Thank you. Metro 2 is a software format that the three nationwide CRAs plus Innovis use to take data from about 14,000 finishers and to accept it in one consistent format. And then they use that information internally, convert it to their own systems, and go from there. But imagine if a financial institution had to report to all three or four companies and they had different formats. So Metro 2 is something where the companies worked together to come up with one format.

At CDIA, we help administer that. We have a task force of nine individuals from the four companies who actually keep the format alive. It's edited and changed every year to accommodate new facts and new lessons from furnishers and others. And we have a pretty elaborate system of listening to data furnishers to learn what their challenges are and so that we can respond to them and make the format even better in the future.

The point is to get the best information in so that our companies can turn it into good, useful information and put it out to data users so that they can make smart decisions.

**NESSA FEDDIS:** And David, I think that that's one of the things that's really changed. When Peggy was talking about the change since the 2012 study, that's one of the things that has changed with the agreement among the credit reporting agencies, which is to adopt Metro 2 and to provide the training for the furnishers.

And I know as somebody representing banks, they're very focused on that Metro training and

getting it right. And of course, they're examined for it, as well. So that's been a very important improvement in the last decade, going to Peggy's point.

**DAVID WAKE:** Can we also talk a little bit about how inaccuracies might affect furnishers and also consumers in this process as it moves forward?

**FRANCIS  
CREIGHTON:** Look. The most important thing is to recognize that our system is accurate and reliable, and it is because all of us in this environment, in this ecosystem benefit from accuracy. It doesn't help us, as a CRA, representing the CRAs, to have wrong information because then we're going to put it out to our customers, to the financial institutions, and they're going to make decisions that are incorrect.

Either they're not going to be able to make a loan that they otherwise would want to make, for example, or they might misprice that loan, or they might make a loan to someone who probably shouldn't have it. And if it's one thing we learned from the financial crisis, it's that we don't do consumers any favors by giving them credit that they can't afford to pay back.

I think that the Bureau and others have fought for a long time to make sure that financial institutions have the facts and use the facts to determine, is this loan product the right product for this specific consumer? And our system, if it's accurate, and I believe it is, helps make that happen.

**SYED EJAZ:** If I could jump in, so to answer your slice of the question about consumers, inaccuracies can affect consumers in all kinds of ways. So what we've seen over time is that the role of the credit report in the consumer's life has significantly broadened. Traditionally, your credit report was what your lenders referenced to make their lending decision, and that's still very much the case.

But credit reports are also being used in over 50% of employment decisions now, and in some states, in insurance decisions, as well. And so as the role of the credit report continues to broaden, it becomes that much more important that everyone in the system gets it right because at the end of the day, a good credit report and a good credit score can be the thing that leads you to financing your house and your car.

But it also might lead to you being able to cover your car. It might lead you to be able to get that job. And a bad credit report and a bad credit score can keep you from all of those things. So if there's one thing to take away from my slice of what I'm going to say today, it's that as

the role of the credit report continues to broaden, it becomes that much more important for the CRAs and the furnishers to get the information correct.

**DAVID WAKE:** Maybe it would be helpful to kind of back up and just take a different slice of this and say, what does accuracy mean in this context? Leslie, do you have a perspective on that?

**LESLIE BENDER:** Sure. As a data furnisher, what accuracy means is taking the time to assure that, as Peggy told us earlier, we have proper policies and procedures, that we are following them, and that we are monitoring our own conduct so that when we get documentation or other information that perhaps varies from what we thought was accurate information about the debt, then we can go and conduct a reasonable investigation.

No two disputes are going to be the same, as we're going to hear on the panel later today. So each investigation is going to vary based upon the facts and circumstances that are present. So having policies and procedures, having training, having your representatives who face consumers listening for dispute language on calls-- because direct disputes could come to us orally or in writing, or could come through CFPB Portal, or Better Business Bureau, or a state attorney general, or other advocate for consumers.

So being receptive to all sources of information about what a dispute, as to the accuracy, might be, taking them seriously, looking for trends and early warnings-- all of those are things that play into this.

I think another thing that is underappreciated is how important consumer education is. I know we're fortunate today to have a number of consumer advocates with us, and the education we provide to consumers about how to read and review their credit information so that they can help identify inaccuracies is also critical to accuracy.

**DAVID WAKE:** Commissioner Phillips raised the idea of a distinction between completeness and accuracy. And I just wonder if any of the panelists have a perspective on if there's a difference between truthful and correct data on the one hand, and what might be an accurate credit report with regard to completeness or other events.

**SYED EJAZ:** If I could speak to that, just from my perspective, an accurate credit report ideally is made up of truthful pieces of data and nothing else. So no false information, whether it be positive information or negative information about the consumer, exists on the credit report, and the credit report itself is an accurate representation of the consumer's debt history and current

outstanding debt obligations.

**FRANCIS** Yeah, I'd agree with that. What are we really trying to do here? We're trying to give data users-  
**CREIGHTON:** - the FIs and others-- an accurate depiction of that individual consumer's unique personal history with the use of credit. And why do we do that? We do that because we want the FI to make a loan not based on some other bits and pieces of information, potentially biased information, but instead to make it on accurate and correct data about what they've done in the past.

To me, I think that that's one of the great hallmarks of this system is that data beats bias every day. And so if we can give people good, accurate data, they can make the right decisions based on that individual's personal history, as opposed to what used to happen in the days before FCRA where there were lots of other considerations.

**SYED EJAZ:** Data beats bias is an interesting claim, because oftentimes the data itself is biased, and thus the output would be, too. But I think that's going to get away from where [INAUDIBLE]

**FRANCIS** How would the data be biased? It's data, right? What's on a credit report? Who are you, your  
**CREIGHTON:** header information, all that kind of thing, what do you owe, to whom, what's your credit line, what's your credit utilization? Fundamentally, that's what's on the credit report.

**SYED EJAZ:** Yes. But one, if you'd adjust for inaccuracies, which the 2012 FTC study did find on their participant's credit reports, specifically 5% of consumers that they reviewed had data that would have put them in a completely different credit risk tier, and thus keeping them from credit products they may need in the future. Adjusting for that, even then, sometimes just the data from where you are and who you are, as it enters the credit reporting system, can be biased.

If you were to account for biases at point of service for communities of color, then yes, the credit reporting system would be very biased. On top of that, we're also having a completely other discussion later in the day about the use of alternative data, which would add even more complexity to the credit reporting system. And so I'm with you on the point that we've got a system, and we should make it better and more accurate, and we should use it, and ideally, it should work. But to say that data completely overrides bias is just not true.

**FRANCIS** So would the option then be that you want to add in additional bias to account for the old bias?  
**CREIGHTON:** What we do is we help [INAUDIBLE] users look at the report and make a decision based on

what's in the report. If there's inaccuracies we want to fix them in that report. But we don't look and say, well, we have to anticipate some errors and so we're just going to adjust everyone's credit up five points?

**NESSA FEDDIS:** And perhaps that's adjusted somewhere else, a slightly different question. I think going back to the accuracy, and to your point, Syed, on the study from back in 2012, a lot's happened since then. As Peggy was pointing out, one of the big changes was that you have a single agency that has charge of the entire ecosystem, and that's a big change.

And the credit bureaus are being supervised, not just having enforcement actions brought against them, but they're being examined, much as the banks have always been examined. So that's one change. The Metro 2, the agreement among the agencies-- that was a game-changer. Technology has improved. And I think even the cooperation among the credit bureaus and the furnishers, the constant coordination, that has helped accuracy.

Going back to we all have a stake in making sure these are as accurate as possible. The accuracy is important for people to get the credit they deserve at the price they deserve. But to a point made earlier, it's also important that accurate but negative information not be deleted, and we do see that a lot. We see huge efforts. We understand people are anxious to get their credit reports cleaned up.

But it doesn't really help them to give them credit that they don't have the ability to repay, as we found out in the crisis. It not only hurts them, but it also hurts other borrowers, because at the end of the day, they pay more.

**DAVID WAKE:** Leslie, you raised an interesting question about sort of the incentives of the various participants in this market. Why do furnishers furnish? Are they required to? Nessa, or sorry Leslie, could you talk about that from the furnisher's perspective?

**LESLIE BENDER:** Sure. From the furnisher's perspective, why we furnish kind of goes to some topics that we're going to consider a little bit later today. But one of the things, we live in an information-based society. And I do think that more attention should be paid on, what is the relevance of some of the data that is in your credit report?

We talk about accuracy, and completeness, keeping it up-to-date, but I think we also have to pay special attention to the value of relevance. What is the relevant information? And what can be done with it? Part of why we furnish data is to provide an economic picture of a consumer

that is as portable as our smartphones, and our smart watches, and our remote working capability, and so forth.

We're a highly mobile society and we love the convenience that technology brings for us. Our credit report is something we bring with us every place we go-- when we go to an emergency room to get stitches for our kids, when we go to buy Christmas gifts.

It's kind of interesting. This is the time of year where we all watch *It's a Wonderful Life*. And you remember in the end of the story, when George Bailey sort of resurrects, he knows all this information about these great people from his community. That's the function of an accurate credit report, and that's why we furnish data, so that we can create a picture about somebody and their ability to service debt, respond to debt, handle debt, take on new debt, buy that car that they need to get to work, live in a home that they have always dreamed of.

That is really the beauty of your credit report is that at the push of a button, somebody can get that picture about you. So we furnish data on behalf of hospitals, telcos, banks, utilities, courts, child support organizations. We alert people in credit files to some medical indigence and other things that might help them qualify for financial assistance. Those are all the reasons we furnish data, is really to help consumers to be portable in their economic lives.

**NESSA FEDDIS:** And David, to your point, it's sort of an odd thing for furnishers. Why would you be giving information about your best customers to your competitors? And it's what Leslie said, it helps build the entire ecosystem. And so I think your point is well taken. It's not just for credit, it's used for a lot of things, and that's why it's important to be accurate.

But we sort of forget-- or maybe people never knew. I did. When I was a young girl, I was out camping with my sister and my dad out west. And one night, in New Mexico, our sleeping bags got stolen. So after a cold night, we trotted into Sears and my father didn't have any cash. He had some traveler's checks that were hidden, but he didn't remember where, and he wanted to save those, anyhow.

So he went in and said, you who don't know me. My name is Robin Feddis, and I'd like to buy three sleeping bags, but I don't have any money. However, I do have a Sears account in Maryland. And we walked out with three red sleeping bags. And my father was an immigrant. He said, gosh, those people don't know me at all and they just let me walk out with these sleeping bags, saying, yes. Pay us back later. What a country.

And it's true. We take that for granted. Whoever would think that you needed cash for anything any days? But that is what makes it easier. It's convenient. And it's something that really helps everybody.

**ELISABETH  
JOHNSON-  
CRAWFORD:**

And to speak to your comment about maybe not wanting your competition to know about who your good borrowers are, my members actively want to make sure everybody else knows how great their borrowers are. My members are nonprofit municipal and tribal organizations that are lending to low-income people. And often, this is their first opportunity to put positive, good information on their credit report demonstrating how responsible and capable they are with financial products.

My members don't want to have these clients forever. They want to see them build good credit, be able to demonstrate their behaviors as good financial citizens, and be able to help them graduate to mainstream, affordable financial products.

**NESSA FEDDIS:** Can you explain to your clients are?

**ELISABETH  
JOHNSON-  
CRAWFORD:**

Yes.

**SUSAN STOCKS:** I was going to say, Elisabeth, I think made perhaps the rest of us we can sort of figure out, but I think it would be helpful for a moment on Credit Builders Alliance.

**ELISABETH  
JOHNSON-  
CRAWFORD:**

I'm always happy to talk about my members. So Credit Builders Alliance-- we're a national organization. We support 530 nonprofit lenders, financial educators, people who are excited about helping people build credit.

We work with about 220 lenders who are reporting through CBA to the national credit bureaus so that their clients-- again, often people who have not had any access to the credit system at all, people who are new to the country, people who are young, people who haven't had opportunities to access affordable, mainstream credit.

This is, for many people, an opportunity with each monthly payment to build something positive, something other than negative things because it's so crucial. As Syed was mentioning, this information is your passport. Andrea Olivia had that great quote. "Your credit report is your passport to the new economy." And it really is. I know it's helped me being able to move to DC and be able to introduce myself to new financial relationships.

But for low-income people, it is often a stumbling block. And we have all of these fantastic organizations that want to shout from the rooftops about what great citizens their borrowers are.

**SUSAN STOCKS:** And I wanted to just take a moment to say that if you don't have them, there are cards that are available for you to write questions, and we have FTC employees that will bring those up. She's holding them up over there. So be sure that if you have questions that are coming into your head while we're in this panel, that you ask us. And we will have a period of time dedicated to that, or if it's related, we'll interject with it.

I had one just follow-up from listening, which was we talked a moment ago about why furnishers furnish, and there was some sort of touch on proprietary information or sharing. One issue that's come up sometimes-- take, for example, trended data is an issue where data seems to be good information to furnish.

There are some folks encouraging it, and then there's a challenge to get traction in getting that furnished. Would be one of the panelists like to just talk about that issue, or those types of issues that can be-- it's a little different than the accuracy challenges, but it does create perhaps a more accurate picture of a consumer and so another challenge that could be out there?

**LESLIE BENDER:** I'll be happy to start. I think that one of the things that's sort of underplayed, unless you're in the weeds, is the Metro 2 format. One of the beauties--

**SUSAN STOCKS:** And please feel free-- you know, we went very quickly, Francis, through that. It may be unpacking that a little bit would be useful for our audience, I thought.

**FRANCIS  
CREIGHTON:** Yeah. So I think what people forget is that there's so many different players in the ecosystem of credit reporting. The most important thing is the consumer. This is the data of the consumer that's being fed into the system, and the consumer has rights and also some responsibilities as part of it, to check their reports, make sure that if there are any inaccuracies, they're identified and we can address them.

Then there are the data furnishers. And we call them data furnishers, but really, what we are referring to are the companies that are actually working with the consumers every day. They're lending the money. They're working with them to settle a debt. They're doing other

things. They take that information-- their experience with the consumer-- and they give it to the CRA.

And the nationwide CRAs and Innovis are taking that data through that format. And that Metro 2 format is something that if you were to just look at, it would just be kind of a series of codes. But every one of those numbers is meaningful and has something behind it. And it means, here's what your balance is. Here's whether you've paid on time.

And someone who knows it can look at it, and say, ah. This consumer has been paid as agreed every month, but then there was a blip here. And you can kind of see it. For me, I would need someone to translate that for me because I don't know the format like that. But for the professionals who work on it, either in the data furnisher world or in the CRA world, they know it backwards and forwards.

After them, you have the CRAs, obviously, and then the data users, which often are the same companies that are the data furnishers, but they're often different people in the companies. So the data furnisher is very focused on that existing consumer relationship and making sure that everything is reported in accurately. The data user is then using all of that information and is trying to look at that consumer and say, what's that unique consumer situation? Not just my accounts, but what are the account from across the entire ecosystem? Not only now, but in the past, as well, so we can look at it.

Now, the trended data that you bring up is an innovation that the CRAs have been doing in a while to say, instead of just a point in time-- what is your exact credit history right now-- can we instead look at your information over a period of time and gain new insights so that we can more accurately and reliably determine what your capacity for a financial product or something else is?

It's another way that the CRAs are competing with each other and staying relevant in the system, that they're taking that information and adding value to it so that lenders and others can, again, more accurately judge whether or not a person is a good credit risk and what price they should be paying.

**LESLIE BENDER:** And I think it sort of follows along-- in 2012, the Federal Trade Commission had an enforcement action where it really focused in on the importance of early warning systems and trending your data. So as a data furnisher, we take that data pretty seriously, and the trends pretty seriously, and we use that as an opportunity to look for situations where maybe there is

a set of facts or data that has been provided that we need to drill down more closely to make sure that it is accurate.

And we can identify situations where there are upticks in particular types of complaints or concerns about the data. And this standardization of the electronic data interchange has made that stable, and really, pretty possible.

**FRANCIS**

**CREIGHTON:**

And it speaks to some of the quality control that goes on with the system, in that if we see someone is sort of anomalously reporting in some unique way, they're going to get a little bit of attention. Are they reporting correctly? Is there an issue with how they're doing it? Can we understand what they're doing? And if they're not doing it correctly, come back and bring them into compliance.

**DAVID WAKE:**

I think that point raises a really important idea of what the particular controls could be within accuracy. And of course, we are the furnishing panel. Can we talk about what the steps or what the practices are to ensure accuracy, or regarding accuracy of the data that gets furnished to the CRAs?

**ELISABETH**

**JOHNSON-**

**CRAWFORD:**

I'd like to just add a couple notes on the Metro 2, as well, because I get to work with some of the fantastic folks at the bureau data departments-- so TransUnion, Experian, Equifax, thank you. But it really does make a big difference for small furnishers, especially my members, who don't have access to hallways full of folks who can manage compliance.

They work with us. We do a lot of technical assistance for them. But having the additional layer of the coordination with the bureaus is still also very helpful for us to identify some of these larger trends, as Leslie was mentioning. The Metro 2 format really helps us all speak from the same playbook, and I think that really does help, especially with every year, there's updates.

I have read the CRRG. I can translate the Metro 2 for you. And it's really interesting to see the evolution of this system over time. It's accounting for more types of situations. It's giving people more explanation in the document about how things are being used, which for my members is incredibly helpful.

So not only are members verifying information as it's going in, they're working with their software to make sure that there's compliance checks, verifications happening there. Our members get the added benefit of working with us and we run verification checks for them. And then it's not going to the bureaus until all of those verifications have been met.

**SYED EJAZ:**

The only thing I'd have to add-- so improvements in the Metro's 2 system are great. Anything we can do to strengthen and make the credit reporting system more accurate for everyone-- lenders, consumers, CRAs-- those are novel and those are great. One of the pain points in some of my research on this topic had been in just right outside of Metro 2.

So Metro 2 right now, at least as it relates to disputes, it now forwards any supporting documentation that a consumer has provided to a CRA to the furnisher when there's a dispute in the process. And oh, sorry, that's the e-OSCAR system. But in the systems that we use, supporting information from consumers is passed on to the furnishers.

But there are still cases in recent times of furnishers just straight up ignoring that information. So I believe it was in 2013, there was a lawsuit against Chrysler Financial Services by a consumer named Gary Sullivan. And in a deposition from that lawsuit, one of the employees from Chrysler Financial Services was straight up asked, are you trained to open the supporting documents that come in from disputes and whatnot? And they straight up said, no.

And so improvements in the system as a whole are great. But making sure that furnishers and every actor in this entire system does their job and follows through in ensuring accuracy and enforcing that I think is absolutely critical, if we're all serious about improving furnisher accuracy.

**LESLIE BENDER:**

And we could not agree more. One of the things that's wonderful about anecdotal stories like that, and about case studies, and about the supervisory highlights, and the bulletins that we received from regulators is that they give us something to benchmark against. Clarity is enormously helpful if you are doing compliance and you are touching the lives of tens of thousands, if not millions, of consumers every year.

And so I love to hear stories like that because we take stories like that as data furnishers, and we take a look at them, and we say, what went wrong here? And how do we stack up against that? And what can we learn and what can we improve in our own systems?

So I know the Bureau released supervisory highlights on credit reporting issues yesterday. We love to get those and we love to use them to benchmark our own success, and opportunities for improvement. We call them "even better ifs" in our organization, where we want to get even better if we would learn from some of these lessons. So thank you for bringing those up, and thank you for being a watchdog to keep those in our forefront.

Even though they may have happened before Metro 2 or some of these things, they're enormously helpful to us as learning opportunities to improve our own processes.

**FRANCIS**

David, Susan, one thing that came up that people will probably refer to later on is the CRRG.

**CREIGHTON:**

The CRRG is the Consumer Reporting Resource Guide. It's a publication that CDIA puts out on behalf of the Metro 2 task force. That's sort of the Bible of how Metro 2 works. So when I say it's a series of codes, this is the dictionary that tells you what all of those codes are.

We also talked a little bit about e-OSCAR. We'll hear more about that during the disputes panel, but e-OSCAR is the system that the CRAs use to transmit disputes back and forth between the consumer, the data furnisher, the CRA. And I'm sure that'll be a big topic of discussion later.

**SUSAN STOCKS:**

And Francis, we have a question from the audience that's somewhat related to that. You've touched on, or we've touched a couple of different times on check systems and outside of the big three credit reporting agencies.

This audience member's asking about, will there be, or why hasn't there been, a Metro Light or some sort of Metro 2 type of data definitions and reporting standards for DDA information for checking and savings account, and kind of moving toward that standardization? And without that, there are risks for consumers and for businesses. Any comment from you? Or there may be others on the panel that would like to address that.

**NESSA FEDDIS:**

I can't speak for the check systems, but keep in mind, it is a different kind of a system. It's a negative database, as opposed to a database that also collects positive information.

**FRANCIS**

I would just add that one of the points that will probably be brought up is competition inside the industry. And these companies do compete with each other very heavily, and sometimes, these are somewhat concentrated markets. And so there are a lot of antitrust and other concerns that companies have in doing this.

**CREIGHTON:**

And so I can't speak specifically to those two points because that hasn't come up in my work. But before anybody started those conversations, I'd certainly want them to be speaking with counsel about what they can and can't be doing.

**DAVID WAKE:**

Are there other practices-- the "even better ifs"-- are there other specific practices that you've seen furnishers adopt that could be adopted more widely to improve the quality that gets put

forward?

**LESLIE BENDER:** I think that there are some steps that are certainly helpful. For example, data furnishers don't furnish data on behalf of all of their creditor clients. We are not the original debtholders. We don't purchase debt. And I am a debt collector, and I'm proud. Most people that do what we do don't buy debt.

So we are furnishing on behalf of somebody else. And that means that we have to have a hand-in-glove relationship with them so that we can keep up-to-date on all the information that they have in their files, and so that we can share information if anything should change, if any inaccuracies come to either of our attention. So having a due diligence process related to your relationship with the debt owner is essential. And we have had wonderful opportunities to speak with the CFPB about that in the past.

Another thing that is important is to trend and look for early warning opportunities where things just seem different from normal placements of accounts, or normal categories of accounts, or something, but having an early warning system.

**SUSAN STOCKS:** Could you just maybe be you know more specific? If someone the audience is like, I want to take notes on that, is that looking at a particular creditor that seems to be triggering a lot of disputes? Like, are there just some examples that you could give?

**LESLIE BENDER:** Sure. That would be a good example. There's a higher percentage of disputes based on a particular type of either placement, geography, source, some category where all of a sudden, instead of having 1% of disputes, now you're having a higher percentage of disputes.

Other things-- when you onboard, we receive most of our work electronically. So if you notice that there are discrepancies, that maybe you get a sample of debt substantiation for particular accounts, and you look at them, and you look at what the electronic file says, and you say, hm. There seems to be a higher mismatch than usual.

We also get data about disasters. We need to know if, for example, a tornado or hurricane has cut a swath through a particular geographic area, and maybe that is what is contributing to something that's going wrong. And those would just be some examples of things that we would look at that would raise the specter of doubt.

We also might have a high percentage of identity theft claims in particular categories. We all know that one of the wonderful features of the grandmother privacy law, the FCRA, is the Red

Flags Rule. And I think financial institutions have done a wonderful job of implementing red flags. We, too, are responsible to have identity theft protection and detection, so we look for some of those things, as well as early warnings.

And then we take all complaints and disputes seriously. We get report cards from the CRAs about how well we're doing as a result of some of the efforts of the CDIA, and we take those very seriously. Because if we're going to agree to furnish data on behalf of somebody else, we want to make sure that we are responsible to do that.

**SUSAN STOCKS:** And I think there's some other panelists that would like too-- Nessa--

**NESSA FEDDIS:** Yeah, just on a higher level from what Leslie was talking to, but just to build on that, how a furnisher manages their accuracy is going to vary depending on the size and nature of the institution. Large institutions obviously may have a different sort of program and system than a smaller institution. But the FCRA does require that furnishers have written policies and procedures in place, and that they update those.

And of course, it's highlighted in the Supervisory Highlights when examiners find that they are not adopting written procedures and updating them. But a larger institution might have an entire committee just focused on the FCRA accuracy reporting. And it would involve compliance people, credit risk management, and they might even report to the board or the board's risk committee.

And to Leslie's point, they would be looking at the trends, the analysis, what disputes are coming in, what complaints are coming in, and look at those to see what improvements may be made. They also look at vendor management. A lot of institutions may rely on third parties for compliance. And then they train, and review, and make other adjustments as seen fit.

And Elisabeth?

**ELISABETH JOHNSON-CRAWFORD:** I was just going to say, the vendor management issue is certainly something that comes up, especially for small furnishers. Our members are baking in accuracy throughout the entire process. On top of that, if you have maybe 50 loans in total, you know each and every one of those borrowers. You know the situation. You know how it's being reported.

And you can you can verify against your records, but you're also putting it into software. And large banks have the ability to build their own software to match all of their own systems that's

going to flow seamlessly into Metro 2. Our members are using, most of the time, off-the-shelf loan management systems that combine Metro 2 reporting.

And that is one of the things that I would like to see-- additional incentives for software vendors to see where they might be able to not necessarily have direct supervision, but have some sort of incentive to make sure that their system is understanding what's going in and what's coming out as accurately as the rest of us do.

**SYED EJAZ:** On the point of software-- so I imagine most folks don't really think about this, but behind the scenes, there is a lot of software involved in all this.

**ELISABETH JOHNSON-CRAWFORD:** There's a lot of software.

**SYED EJAZ:** Especially as the scale ramps up, you have huge data management systems. And that means if mistakes were made at that level, those mistakes are made in very broad strokes. So I believe it was a case settled earlier this year, but it was CFPB in an enforcement action against Conduit Business Services, which was formerly known as Xerox.

They had to pay a \$1.1 million civil penalty because of an error in their software that led to reporting inaccurate data for over 1 million consumers. So and I'm not even trying to implicate that there was any malintent there. That was literally just an error in software. But because of that small mess-up, those inaccuracies were painted in very broad strokes, and wrong information was ultimately sent to the credit bureaus for over 1 million consumers.

**SUSAN STOCKS:** Just since that's our case, I would add that we did allege that they were aware through various clients that they needed to correct a number of things, and then didn't correct those or alert their other clients that there were inaccuracies. It wasn't just an, oops, we made a mistake that we didn't know about.

**SYED EJAZ:** So maybe as a consumer advocate, I was being a little too nice, right?

[LAUGHTER]

**NESSA FEDDIS:** You're always so soft on the industry.

**SYED EJAZ:** Right. Oh, you just wait.

[LAUGHTER]

But that speaks even more to how when you ramp up the scale of this problem, the complexities can really impact a lot of people. It's not just that, oh, we reported Gary Sullivan's account incorrectly. It's that, oh, maybe your software error messed up and goofed on a whole slice of people.

**ELISABETH JOHNSON-CRAWFORD:** And that's where the dispute investigations are so crucial. I'm working with one of our members right now. We had a dispute come in. The history was not reporting correctly. We immediately took the steps to put in the response submission to correct that error, and we immediately go to their Metro 2 file. We start investigating. Has this happened to anybody else?

And so that can be a really great tool for us, as furnishers, to kick off that process, as Leslie was discussing earlier. It really is a great tool for us, as well, not just as a way to make sure that we're doing right by the consumer.

**SUSAN STOCKS:** And I think that's an excellent point. There's another panel on dispute investigation, but what this panel is saying, if I'm seeing dispute investigation, I am learning from that about accuracy.

**LESLIE BENDER:** And there are also automation opportunities that are absolutely brilliant. To have some sort of machine learning or resource that can go through your system and say, hey, wait a minute. Leslie Bender has always paid her bills on time in the past. We have a mismatch here, and feed out exceptions. Artificial intelligence and machine learning are wonderful opportunities, I think, and they may create ways for much quicker reviews and calibrations on some of the accuracies in data. It remains to be seen. Maybe in 2020.

**FRANCIS CREIGHTON:** Yeah. The system's always evolving. It's always improving. Technology is part of that. Certainly, the Bureau and the Commission's intervention across the entire ecosystem is one of the ways that it's evolved. But a lot of the systemic issues that have come up in the past-- mixing files and things like that-- have been addressed by technology.

And I'd be interested to see if the 2012 report was repeated, what that would show there. I'd love to see something on such a broad scale talk to us about, what are the changes? What has improved over the years?

**NESSA FEDDIS:** And just going one step further on that, I think that one of the other things that's changed is people have more access to their credit score, which is often a red flag that something's

wrong. They're required to receive them at different points with an adverse action or with a mortgage application, but now more banks are just providing it for free every month.

And so if somebody sees that there's a change, that's a red flag that something's wrong. So I think that the consumer education is important. But already, you have other mechanisms that help alert consumers that something may be wrong. And that's a good thing because it goes to what Leslie, and Syed, and Elisabeth were saying, because if you begin to see a trend, OK, maybe that's the automation problem.

If all these people are having the same problem, what's the source? What's the root cause? And that's part of the analysis, also, when you're looking at the complaints and trends. What's the root cause? And identify that and fix it.

**SYED EJAZ:** And to that point, it would be great if anybody could check their credit report for free at anytime in one location. If folks want to say that consumer education and consumer awareness is a critical part of this puzzle, they should be able to be made constantly aware of their data and where they stand on their credit report. But if consumer education is one of the things here, then having that barrier directly stops that.

**DAVID WAKE:** So Francis, you mentioned a minute or two ago that you observed changes in the types of inaccuracies. At an earlier stage, you said that mixed file issues might have been more common, but that that has decreased. Do any of the panelists have perspectives on what are currently the most frequently or observed types of inaccuracy?

**FRANCIS  
CREIGHTON:** The biggest issue we have right now is credit repair companies that are coming to us and using the regulatory process to remove accurate though negative information from reports. This is an ongoing problem with multiple different tactics. But fundamentally, after a person files a dispute, the furnisher and the CRA have 30 days to resolve that dispute.

And if they can't say unequivocally that this is the correct information, after 30 days, that information has to come off the report. And so what's happening now is the credit repair companies, charging individuals thousands of dollars, are papering our companies and data furnishers with dispute, after dispute, after dispute.

You see it in the dispute database that the Bureau runs, that the credit repair companies are sending in more and more disputes in there. We sit now with 605(b) identity theft blocks because of some action that the Commission took. There is a major spike in reports of identity

theft, fraud, and others to our companies when there is no corresponding evidence in the society, in the economy that there's an increase in any real way of actual identity theft.

And yet, what's happening is that people are coming in, they're claiming identity theft, they're taking information off of the report, and it's fraud. Consumers are paying for this privilege to do it. Oftentimes, they don't even know what they've signed up for because when we take something off the report, then they call us and say, why is that off my report? Why did my credit score go down? Well because we took everything off because you said it was identity theft. Well, we didn't want that to come off. That's the good stuff.

It's a big problem, and it is, right now, I think the single largest problem with accuracy is accurate but negative information coming off of reports as a result of the credit repair industry.

**NESSA FEDDIS:** And I would agree with that. One of the things that we are definitely seeing, Francis, is the increase in the number of disputes that are proven to be false, and the percentages are astonishingly high. And that's a problem because the furnishers then are using resources to address claims that aren't true at the expense, perhaps, of those that are.

But also, you begin to get skeptical about any dispute. So it's important that we address the false claims.

**SUSAN STOCKS:** And I think that topic's going to get discussed-- sorry. I don't want to interrupt you, Syed.

**SYED EJAZ:** Oh, no. You can.

**SUSAN STOCKS:** I was going to say, I think there will be continued discussion on the dispute investigation panel, as well. So and these are, again, relevant to accuracy. I think the audience is hearing you that this affects accuracy, so I'm not--

**LESLIE BENDER:** And consumer privacy. If we're sending results of investigations to a third party, and the consumer doesn't realize what he or she has signed up for, then theoretically, there could be a privacy issue when the documentation goes to a third party that the consumer didn't really give permission to get it.

**SUSAN STOCKS:** And I would just remind folks, at least with CFPB complaints, we do have a mechanism where if a complaint was filed and it comes to your company, there's an administrative mechanism by which you can say, we question this complaint. and that gets used really only about 3% of the time within the universe of 150,000 consumer reporting complaints that we got in the last year.

So it is something that could be used more in those situations, too.

**SYED EJAZ:** So I would like to answer part of David's question, on the consumer side, what are some of the inaccuracies folks are seeing? So this isn't a nationally representative sample, but Consumer Reports has been taking a look at CFPB complaint database narratives for the past year just to see where we can point to as to what some folks are talking about in regards to what's showing up on their credit report.

These are some just preliminary rankings here, because we're still engaged in this project, but I can speak about it for just a little bit. So the most common types of credit that are being problematic on people's credit reports, as reported in the database, are disputes involving credit cards, auto loans, bankruptcies, student loans, and then mortgages.

And then the specific types of errors that they're experiencing is that information belongs to somebody else, the investigation did not fix the error, account status is incorrect, account information is incorrect, and information on reports that the consumer didn't recognize. And so a lot of these things, consumers are at least reporting that they still persist. And so I'm glad we're having the discussion [INAUDIBLE].

**NESSA FEDDIS:** And I think that it's important to point out that when the credit repair organizations counsel consumers who are looking to clean up their credit histories, that's what they tell them to do. Whether it's true or not, you need to file this complaint. And so a lot of the complaints, it gets a little bit fuzzy in there.

**SYED EJAZ:** So I understand. I totally get that there is a universe where there are, I guess, form letters being sent to the CFPB database to populate that, whether it be by the CRAs, or credit repair in--

**NESSA FEDDIS:** Or individuals.

**SYED EJAZ:** --or individuals, whoever. But I was also a mail manager in the United States Senate. We got form letters everyday. That didn't mean we ignored our casework. So there are places in the CFPB complaint database that does have legitimate complaints from consumers. And if we're all serious about fixing this problem, then you leave no stone unturned.

So I do push back against that because from our work, we did go through duplicates, and when we saw duplicating narratives, we pulled that out of the data and we took a look at what

we thought were genuine narratives from consumers, and problems still exist.

**DAVID WAKE:** And it's worth noting that you know the data that you would be looking at were already cleaned of all of those--

**SUSAN STOCKS:** Those that the company had said, this is not a legitimate complaint had been cleaned out. They do not appear in the narratives or the data that is aggregated in our reports. This is just a slight bit different, but I have a couple of audience questions and I think it's important, because I know we have so many experts also sitting in the audience. And they're asking about completeness in a couple of different ways.

And so this is the question of, what decisions are made about completeness in order to furnish? So do furnishers decide what information to include? And there are Metro 2 codes that go to some level of specificity there. Are there requirements about certain types of transactions that must be included?

I would add to that, in terms of accuracy, there are times where we have seen incomplete information, which can be a problem. It might be that something no longer should be on the report because of a bankruptcy, or it could be that it was ultimately paid off. And then another person is asking about that there are furnishers who should be furnishing that don't, and how does that affect completeness?

So really a little bit, two threads there, but on how is accuracy in the system affected by either incompleteness in the trade line itself, differences in decisions about what to furnish and how much of it to furnish, or who's furnishing and should be furnishing? Any thoughts from our panelists on that?

**FRANCIS  
CREIGHTON:** Yeah. So again, I go back to the credit repair piece. It is just as inaccurate to take information that's correct off of a report as to put incorrect information on. If it's accurate, it should stay on there. And so that theme I think is going to come back a number of times.

The other thing is, again, our goal is to provide a decision-maker with as accurate a portrait of that individual. In some ways, and particularly in lower-income communities, the traditional credit system doesn't really present that clear picture, because people may not have access to the same kinds of credit that they do in other communities.

And so we think it's very important-- and that we really focus on this-- that if you want to help thin file-- people who have very little information on their credit reports-- or even no-file

consumers, that what we do is we bring in new kinds of data into the system so that we can give a more accurate picture to our customers, to lenders and others who are using that information.

I think there have been some research studies on this and some thinking at Brookings and other places. If you look at how we can better serve the entire population, the question is, how do we help those who are underbanked or unbanked get into the system? And bringing them in through uses of alternative data is probably the best way to get people into the traditional financial system. That will increase completeness and accuracy more than anything else we can do.

**SUSAN STOCKS:** And I know Elisabeth--

**ELISABETH JOHNSON-CRAWFORD:** Yeah. And even before we get into alternative data, there's also, how do we make it possible for smaller furnishers-- who, like many of my members, are serving the exact population you're talking about-- how do we help make sure that they can have the ability to furnish? So my job every day is to work with these groups to help them have the technical tools, the technical know-how, and opportunities for additional data review to make that possible.

I have talked to plenty of people who, the compliance piece is a major weight, and so they will choose to maybe report to just a single bureau. They may choose to report to just two bureaus. They may decide to report to no bureaus because they're not going to start furnishing unless they can make sure that they're going to be able to back all of those requirements for managing disputes, reviewing the data, having all of these pieces in place.

So from the small furnisher perspective, that is a major concern. They're not going to do it if they know they can't do it right.

**NESSA FEDDIS:** And so to the point, there is no requirement to report. And to the degree that the compliance becomes too risky and too demanding of resources, the easier answer is to say, let's not report. There's always that balance.

**SUSAN STOCKS:** And that is a question from the audience, too, that I think we should address which is, are there regulatory, supervisory requirements on furnishers or other constraints-- there could be that-- that are keeping folks from furnishing? And if so, what are the consequences for consumers?

**FRANCIS** You want to go first?

**CREIGHTON:**

**SYED EJAZ:** No, that was for the previous question. I think that's more dedicated towards the furnishers who experience this?

**SUSAN STOCKS:** Well, Syed, I didn't mean to--

**SYED EJAZ:** Well, I just wanted to say that at the end of the day, though, your credit score and your credit report govern so much about your life that I think-- I mean, I'm a consumer advocate-- but there's just a limit to how far the argument that the FCRA is too burdensome is going to go for me.

Like, at the end of the day, again, as we expand the use of credit reports in the life of the American consumer even more, and more, and more, your credit report has more influence over your life, and these are consumers' lives we're talking about. And so the end of the day, furnishers and CRAs have to get this right.

**SUSAN STOCKS:** And it's interesting. We didn't put a name to it, but we talked earlier about sort of regulatory requirements, but we didn't talk about Reg V, and that there really is a checklist in Appendix E that furnishers could use. And so if you're sitting there wondering what that is, I'm happy to help you find that.

**FRANCIS**  
**CREIGHTON:** The unique structure of the FCRA does come into this a little bit, and that as opposed to other financial protection laws, the access to private rights of action, whether or not there's any consumer harm, is something-- you know, it's one thing to have the CFPB present a checklist of things that you should do and you've got to live up to that, or to comply with the safeguards rule that the FTC puts out, and things like that.

It's another thing to have, and I think you'll have some of the plaintiff's lawyers on some of the panels, to look at some of the tactics that they use in FCRA litigation to send consumers very, very small checks and they, themselves, take quite large checks to go after CRAs, to go after furnishers over, and over, and over again.

If you look right now at how FCRA litigation is spiking, it is on the most minor of issues. One of my colleagues just yesterday gave me a rundown of a series of something like 125 cases on one very minor issue that's just happened in the last year, because a firm has figured out that this is a way that they can get at something.

And none of these cases are impacting consumers. They're foot faults, and it's resulting in millions of dollars in litigation from the CRAs and from furnishers.

**NESSA FEDDIS:** Which ultimately, consumers pay for it.

**FRANCIS** Ultimately.

**CREIGHTON:**

**DAVID WAKE:** So we touched briefly on the promise of alternate data. What are the, to the extent there are, concerns regarding the accuracy of new forms of data outside of your traditional financial information? Are there issues or challenges that data presents?

**FRANCIS** Onboarding new data furnishers is always a challenge because we have to ensure that they  
**CREIGHTON:** have the policies and procedures that we need to meet to ensure that the data coming in are the data that should be coming in. Layer on top of that the regulatory interest-- you want to make sure that it's correct. So we're all-- your incentives, our incentives, our customers' incentives, and most importantly, the consumers' incentives-- are all aligned here.

But that onboarding process of getting people in to making sure that they have the systems that can report correctly, to make sure that they have the systems that when a dispute comes in, they're able to respond to it within the statutory 30-day timeline-- those are all very, very important. And yeah, to a certain degree, they're daunting. I think to your point, Syed, they should be daunting. It's a serious thing.

**SYED EJAZ:** Yeah. So on alternative data, it's a really complicated problem. In 2017, we submitted comments to the CFPB about this subject. We think there's a lot of promise, actually, in the use of alternative data in building the credit histories of the estimated 45 million consumers in America they don't have a credit history and gaining them access to the system. And as we said, credit reports are your passport to the American financial system.

But at the same time, we have very, very strong reservations about using alt data to determine credit worthiness because we have concerns about accuracy, transparency, predictive capacity, the impact of using such data, especially on communities of color. Alternative data is something that, at least for me, I almost have to look at it in a very case by case way in how this data's being used in the system, how it's being reported, who's being reported on, ensuring there's parity among all variables.

**SUSAN STOCKS:** One of the audience members mentioned consumer permissions, which might be part of what you're addressing there.

**FRANCIS  
CREIGHTON:** One of the things on this is a lot of what we think of today as alternative data is already ending up on credit reports when people stop paying. You think about if you don't pay your bill on time, it ends up going to collection, and then the collections agency is putting it on. And so people are getting the downside from these, but they're not getting any of the upside of the full file reporting.

And one of the reasons why we would like to see more data on is because we think that lenders and others can get a more accurate picture of somebody to show that, yeah, they are meeting their obligations on a month, by month, by month basis, and not only seeing, hey, what happens when things go south.

**SYED EJAZ:** Yeah. And so again, I wasn't completely writing off the concept, right? But it's just something where Consumer Reports is urging caution and a deep understanding of exactly how this data is being used as it would appear [INAUDIBLE].

**NESSA FEDDIS:** And it should be. The banking or the federal agencies did just recently release a statement saying almost the same thing, which there's certain things that are clearly not going to present the same sort of risk, like the account activity on a bank account that shows they're paying their bills on time, as opposed to I would call it more exotic data, which you don't really know where it's coming from. You're not sure about the accuracy. You don't know the impact on fair lending.

**SYED EJAZ:** Exactly.

**NESSA FEDDIS:** And so there were some that are a little bit more safe and they could be used to include people that maybe are underserved. So it is parsed. Alternative data is a very broad--

**FRANCIS  
CREIGHTON:** Yeah. We're not talking about, who are your Facebook friends here. We're talking about very specific kinds.

**SYED EJAZ:** And so the thing is, if the discussion was to include, who are your Facebook friends, that's something that we would be concerned about.

**FRANCIS  
CREIGHTON:** We would, too.

**SYED EJAZ:** Yeah. And so it's something where there is promise, but just as I've been saying throughout this whole panel, we just got to make sure you get it right.

**SUSAN STOCKS:** And one of the audience members says, do consumers have any choice? Can they opt out? And I think with alternative data, that question can become even more important.

**SYED EJAZ:** Yes.

**LESLIE BENDER:** Well, and I think that's also the transparency issue. Interestingly, in the past week, we saw the output of the Cambridge Analytica enforcement action and the description of the ocean tactics of taking social media data, and spinning it around, and then drawing some fairly, I guess, reliable conclusions about people, perhaps even more reliable.

That would be very frightening to think about stuff like that happening, and I think that we, again, look at some of those and we say, OK. We know for sure that's too far afield. But what is in the right field of alternative data? And that might take some more discussion and some testing to make sure that we believe there's integrity to the data, and that it's transparent to consumers what data could end up influencing their economic picture.

Well, and Nessa, banks still have their Equal Credit Opportunity Act obligations, the Fair Housing Act obligations, all of these other obligations that would govern no matter what data they're getting in, they still have to make their lending decisions based on--

**NESSA FEDDIS:** Fairness.

**FRANCIS** --fairness, yeah.

**CREIGHTON:**

**NESSA FEDDIS:** You can't use a prohibited basis, even if it's predictive.

**SUSAN STOCKS:** So we spent some time, but we've wandered around in lots of ways that I think have been very interesting, but about types of inaccuracies, and what are the sort of most observed types of inaccuracies that consumers complain about? Or for example, we've brought a number of cases, the FTC have brought cases, and this has included things like amount owed is wrong, or failure to aggregate payments when a consumer pays by two checks within the month, or the date of first delinquency is inaccurate.

And one of our audience members is saying, I believe it was in Peggy's remarks, that if

accuracy has improved since 2012, then why are we still seeing this high level of consumer complaints, even once we take out what we, too, can see are credit repair sometimes that are coming into us? So are there some causes? Are there some challenges? And if so, what are some of the solutions that you've found?

So maybe we could start with if there are some causes or challenges, and then some solution, so Elisabeth?

**ELISABETH  
JOHNSON-  
CRAWFORD:**

As someone who-- I get to do this every day-- go into the e-OSCAR system, review the disputes coming in-- one of the things that we see common across all of our members is consumers don't understand how the system works, and they may be used to internet banking. They go down to the store. They buy their groceries. They come home. It shows up on their balance.

They make a payment on their loan, it may take 30, 45 days for that to be reflected on the credit report. And in that time, they're saying, I made my payment or I paid off this loan. Why isn't it showing on my report? And so we're responding back to these disputes that the information is accurate as of the date reported. And that's one of the things we see, which is really frustrating for us because it takes time. We're working with our members to increase consumer education about, OK, what do you need to expect when your data shows on your report? What's the name of the furnisher that's going to show so that you can connect this experience I'm having with you as your loan officer to what you're actually seeing on the report? I'd say the name of the furnisher not necessarily being the same name that they think of when they think of who they're making that payment to, and the fact that it's not an instantaneous system represents a very large portion of the disputes we receive. And so that's, honestly from our perspective, an opportunity for consumer education, consumer engagement so that they can better understand what's on their report and how the system works behind it.

**SUSAN STOCKS:** Syed?

**SYED EJAZ:**

One of the things that we've seen in our interaction with our membership and consumers that we talk to, and this is coming from stories that we vet, is the reaging of old debts.

So we talked to a gentleman named Richard from Swanton, Ohio. He told us, "I have recently had continuous relisting of my debts from 2000s on my credit report because legal collectors

refile them as new debts and the agencies do not remove them. I've sent literally an average of one or more letters a year to each agency expressing my disappointment. Their inaccuracies have cost me business loans, personal loans, and ruined our credit from the 1990s to present."

And this is, again, not even necessarily pointing like malintent, someone's trying to screw over Richard here. But at the end of the day, it is to color that when the furnishers and CRAs don't get it right, the impact is on the consumer's life. And so the reaging of old debts is just one of many threads of inaccuracy that can appear on a person's credit report and have a significant impact on their access to credit.

**FRANCIS**

What's supposed to happen there is it's supposed to date back from the date of first

**CREIGHTON:**

delinquency and then you're supposed to go seven years from there. So I don't know about his unique case, but that is something that should not be happening. You go back to the date of first delinquency and then you go from there.

**SYED EJAZ:**

It shouldn't.

**SUSAN STOCKS:**

And we have seen-- several of our cases have involved problems with date of first delinquency. It does seem to be a problematic field. I don't know if that's something that panelists could comment on why we're seeing these types of errors?

**LESLIE BENDER:**

From a data furnishing standpoint, date of first delinquency shouldn't be an issue. If you are furnishing on behalf of somebody else, one of the conversations that you should have is, what do your accounting practices say about what your date of delinquency is? When did you charge it off? When do your accounting practices say that the account is delinquent?

Then it gets a little murkier in some other categories of debt. For example, in Metro 2 format, if you are furnishing data about health care accounts, you are a masked data furnisher, so your name shows, not the health care provider, just to avoid discrimination reasons. And it is a little trickier in a health care setting to define when a date of delinquency might be.

So you would need to say, do you have a date of delinquency? Is that the date when, perhaps, it's 180 days after the date of service when you know that most of the third-party sources of payment have resolved what that portion of the bill they're going to pay is or isn't. Some don't resolve in 180 days. Maybe there was an automobile accident and there may be liability-- an auto insurer, somebody else.

So there are some categories where it gets pretty tricky to define a date of delinquency. And so I think that a lot of data furnishers use, as a rule of thumb, just go back to the beginning of the economic ecosystem of that debt and say the date the debt was created or arose, and that way, the seven years ages it off a consumer's credit file faster. But I would say that there are some industries where figuring out the date of delinquency is not very clear.

**DAVID WAKE:** As we get toward the end of our time, we got an audience question I thought would be a good way to end the panel, which is, what does the future of credit reporting look like?

**FRANCIS  
CREIGHTON:** I think the future of credit reporting is I think you're going to see it get progressively more accurate. I think that the introduction of new kinds of technology, new kinds of machine learning will squeeze out even more of those issues there. I think that the issue of credit reporting and what happens in the future really depends on the future of the financial sector.

And who's reporting to us? Does consolidation continue? What happens right now in the debt world? Is there more consolidation there and other places? Because really, right now, we have a very diffused furnisher population, about 14,000 to 15,000 furnishers, but a great amount of the volume is really the top of the pyramid groups. And so how does that all play out is going to have, I think, the biggest impact on the future of the CRA industry.

**NESSA FEDDIS:** And I think that to Francis's point, we do have an accurate and reliable system. And so long as it retains that reliability and accuracy, it will remain robust and usable, so long as it's predictive. But there are some trends that may challenge that accuracy and predictability, and that includes removal of accurate but negative information, and that could impact the usefulness and predictability of credit Reports

**SUSAN STOCKS:** And we've raised that a couple of times. Are you seeing that in the debt collection sector, or in other places based on consumers with the--

**NESSA FEDDIS:** It's not in debt collection. This is just banks across the board, large and small throughout the spectrum, getting inundated with disputes that ultimately are not valid.

**FRANCIS  
CREIGHTON:** Not valid, but they don't get resolved in the 30 days and so the information comes off the report.

**NESSA FEDDIS:** It can.

**FRANCIS** It can, can even though it might be accurate information.

**CREIGHTON:**

**NESSA FEDDIS:** And there's that balance between protecting consumers who have a valid point, Syed, but also then not inundating the system that it becomes less useful for consumers.

**LESLIE BENDER:** And I'd like to pivot a little. I think one of the things we're going to see in 2020 is more and more states looking at opportunities to legislate around some bad facts in data furnishing and credit reporting. We've seen the state of Washington enact a statute, we've seen the state of Texas enact a statute that have direct impacts on credit reporting.

And I think that while certainly, we should be focused on some of the underlying public policy issues that they're trying to get to, I think that more and more, individual states--

**SUSAN STOCKS:** These are around users and limited use of certain types of information.

**LESLIE BENDER:** And they're around when you can furnish data, also. Washington and Texas's statutes talk about circumstances where you should not be furnishing data. And some are directed at the CRAs, and some are directed at data furnishers, and some are directed at both. And I think that we're going to see more of that in 2020.

And I think that it's something to keep an eye on because we are in a mobile society, and I think it is often difficult to know where a consumer resides. And so I think some of those are very thought-provoking legislative attempts, but I think that they pose some challenges.

**SYED EJAZ:** So the future of credit reporting-- I've just got three quick thoughts on that, and these are three things that may or may not change over time. So first, as I said in the very beginning, the role of the credit report in the life of the American consumer is continuing to expand, which means this becomes even more and more of an important problem every day.

Second, it's the consumer's data and their financial information that's being bought and sold here and being reported here. It's the consumer's data when they apply for a loan. It's the consumer's data when the furnisher sends it to the CRA. It's the consumer's data when the CRA provides it, in the form of a credit report, to someone who wants to check it. And so making sure that that data is safeguarded and protected is absolutely essential.

And then third, although it is the furnisher and the CRA's responsibility to make sure that the accuracy here checks out and that the information reporting is accurate, it ultimately is the consumer that pays the price by not getting their house financed, by not being able to have

their car covered, by not being able to get a job. We're literally playing with people's life and the things that we're giving them access to via their other credit reports.

And those three reasons are all the more reason why the system needs to be even more accurate than it is right now.

**DAVID WAKE:** Elisabeth, last word?

**ELISABETH JOHNSON-CRAWFORD:** I'm going to be optimistic and say that I think a lot of the future consumers are already incredibly sophisticated in their understanding of the financial world today. Obviously, certainly a spectrum, but I am hoping that that is going to continue increasing in sophistication so consumers will have access to more information about not just what's on their credit report, but how the system works, how they can engage in it, how they can make it work to their advantage.

Finding ways for less traditional furnishers of traditional credit information to have different kinds of support to help them meet that very important and very crucial compliance requirements so that we can get more data, more full pictures of who consumers are so that we can get that great information about them, that lender that they've had where they've made all of their payments on time because that lender knows them. That lender has a relationship with them. We want to see that on more credit reports, as well.

**DAVID WAKE:** Well, I want to take a moment and thank all of our panelists. This has been a very, very illuminating conversation. Thank you for coming. And we're going to take a break for, I think, it's 15 minutes.

**SUSAN STOCKS:** I'm sorry. There were many interesting questions, so I feel like I have learned more than others because I'm reading your questions. And I'm sure these folks will make themselves available, because some of them are questions that are specific to some things you've said. So please make yourselves available to answer questions in the hallways. So 11 o'clock, we'll have the next panel. Thank you all.

[APPLAUSE]

**LESLIE BENDER:** Thank you.

**FRANCIS** [INAUDIBLE]

**CREIGHTON:**

**DAVID WAKE:** [INAUDIBLE]

[MUSIC PLAYING]

**TIFFANY** Hi, everyone. We're going to start back up. Please take your seats. Thank you. We're looking

**GEORGE:** forward to an exciting panel, too.

**KIREN GOPAL:** It's just constantly on. That's what I'm assuming.

**TIFFANY** And please remember to silence your mobile phone in case you turned it back on during the

**GEORGE:** break. Thank you.

**KIREN GOPAL:** Hello, and welcome, everybody. Welcome to our second panel. Thank you for joining us today.

I'm Kiren Gopal with the CFPB's office of supervision policy, along with Tony Rodriguez, also with the CFPB's office of supervision policy. And we're very excited to get started with our discussion this morning on current accuracy topics for traditional credit reporting agencies.

Fortunately, we have six very accomplished experts with us to help guide us in our discussion. I'm going to briefly introduce them.

We have Bob Cera, director of data operations with TransUnion; Michelle Drake, a shareholder with BergerMontague; Troy Kubes, vice president and deputy chief compliance officer with Equifax; Ed Mierzwinski, senior director of federal consumer programs, US Public Interest Research Group-- PIRG; Donna Smith, chief data officer, consumer information services with Experian; and last, but not least, we have Michael Turner, president and CEO, Policy and Economic Research Council, PERC. So thank you all for being with us.

So as I mentioned, this panel is focused on accuracy for traditional CRAs, and we thought a good place to get started would be to hear from the CRAs, on a big picture level, about what they're doing to ensure that the information that they compile in credit reports is accurate. So why don't we start things off with Experian. Donna, can you walk us through at a high level what Experian is doing to ensure the accuracy of credit reports, what measurements you all

have in place, what metrics?

**DONNA SMITH:** Sure, absolutely. And I know there was some discussion this morning regarding how accurate credit reports are, and the studies that have been done in the past. The FTC report in 2012 established some interesting numbers relative to a baseline for that. We talked about 5% is the number that maybe were meaningfully affected, and the CRAs traditionally have used 2% as the number where we've seen a 25 or more point change related to errors that were found in that study.

Michael, sitting next to me, did PERC's study in 2011, similar approach. Showed about half as many errors at that point in time. Now, a thing I would like to say about that is those results were pretty decent, but not nearly where we need to be. And I think they serve as a good baseline for improvements. The great news is that a lot has been done since then in regards to accuracy and to make it better, and really, it's acted as a catalyst, together with the CFPB and the multi-state to really drive major changes in the industry.

So some of the specific things I want to talk about in terms of objectives, I think they fall into two major themes for improvement. The first is about transparency, that the more information that can be provided back throughout the system across the ecosystem, the better the results can be. And the second is about accountability, and that's really where a lot of the supervision model comes into play.

If you have clear accountability, you have the information flowing throughout the system, you're able to really make dramatic improvements. We'll talk a good bit about NCAP a little bit later as we get into the process. I'll talk now a little bit about what Experian has done on those themes and the investment that's come as a consequence of the entire supervision model and the activities to improve accuracy.

First thing I want to talk about is in late 2012, Experian set up a first platform that was established really to monitor furnisher accuracy. So this platform really brought together, for the first time, information about furnishers and their reporting-- things like reject rates-- together with dispute-related information. So you think about it, the companies as they existed in earlier times, these are two separate organizations thought of differently, not connected.

And I think this was the first time we'd been able to say, by bringing this information together into a single platform, that the two are, in fact, connected, that the level and types of disputes should be directly related to the furnisher's reporting, to at least some degree, and we should

be able to see that and help furnishers do better. So that was the first thing that we did, was create a platform.

And that platform really enabled us to set in place a series of activities and information back to the furnishers under that transparency model that provided them the capability to do better. Now, bear in mind, the CRAs really don't have access to the underlying systems of records that are present at the furnishers, so we're relying upon inferences and information in order to really manage this accurately.

So using that system, we were able to set up a process. We're providing information back to these furnishers about their reporting and their disputes on a monthly basis. Right now, few years of doing this, Experian has about 9,000 furnishers that are receiving this information on a monthly basis. That really helps them actively manage their reporting. So this was a big step forward in that transparency model and bringing together those two sets of information.

The second thing that Experian did is set up a consulting organization that works with these furnishers to make sure that they have access to the information and also their peers. So the largest furnishers, the ones that are most important in the ecosystem, can compare themselves to others, establish benchmarks, and work towards improvement.

This, also, a big step forward in doing this, providing that information on a monthly basis, making sure it can be accountable in the model so that we have improvements going on throughout the system. Experian also is able to identify outliers using this process, take action on those outliers, identify problems systemically, and address them.

The next big thing that Experian also did relative to moving things forward is it developed a furnishing monitor program in 2015. Furnisher monitoring program-- again, linking together disputes and reporting identifies outliers in the process, so that furnishers who are not actively managing their disputes, either by allowing them to not respond, which was a topic talked about at the earlier session, or excessively deleting them, perhaps indicating that they haven't done reasonable efforts to do the verification, can also be identified and actioned, also on a monthly basis.

So this program was set up in 2015. It's had enormous results. We've seen more than an 80% improvement in terms of reduced disputes that are not addressed, so that's an enormous level, and also a major reduction in deleted information that happens at disputes, so that's the second major activity that was set up.

We also established a second platform-- mentioned the first was about the furnisher data, their reporting, and the disputes. The second platform was really about the compiled credit reports. And what this platform really does is it allows us to monitor all the delivered credit reports that go out each month and provides direct visibility of the content of those reports.

Having that visibility-- again, the transparency element of this-- allows us to start monitoring on a monthly basis what we're seeing in terms of potential conflicts in the information or potential errors based on the content that we're talking about. So by monitoring this on a monthly basis, it provides an ability to create a measurement.

So this can be tracked, and by doing it to the full delivered credit report population, not sampling, it really gives us a lot of information to really put in programs that are addressed specifically to underlying issues and drive the numbers. And again, we've seen enormous improvements in things like mixed files, as talked about this morning, not updating debtor data, deceased conflicts, other things that are potential indicators of problems.

Again, I want to stress that we don't have access to the systems of records at data furnishers, so we're doing a lot that has to be interpreted. Technology really helps with this, in terms of having data and being able to go through it in a large way, and then being able to really identify patterns, outliers, et cetera that might be inferences of problems, and then go to work with furnishers about that.

The last thing I want to mention, in terms also of evolving the state of the art here-- and there was some discussion about this at the earlier panel about level of disputes and such as a potential indicator-- so unfortunately, because of CRO activity as talked about early, or accurate negative data disputing, we're seeing a lot of disputes that, in fact, don't result in a change to the data.

In other words, the system is really being flooded with information about information that is accurate. So working our way through that to get to something meaningful that the furnishers can act upon has been a big challenge when you're looking at big numbers of disputes that really are not reflective of anything being wrong. One of the new advancements also coming up and that we've started to put information out upon is something that we're calling meaningful disputes. Really, a measure of whether the relevant item that was disputed has, in fact, been updated.

And this was enabled by changes made to the e-OSCAR codes a couple of years ago, and now are being more fully implemented by the furnishers, that will actually provide visibility to disputes that actually indicate something may have been wrong with the underlying information.

So using that as a metric, instead of dispute rate, which has been so inflated by the CRO activity, really shows promise as another feature that can be added into monitoring to try to identify furnishers who may have abnormal levels of actually wrong disputes going through. Again, I think anything that you can do to take away the noise of the process and really provide direct information of performance is a big step forward.

So this is also something else now that we're starting to incorporate in our monthly reviews with data furnishers, and then driving attention to that which actually has the potential of being wrong in their reporting so that they can make systemic fixes.

**KIREN GOPAL:** Thanks, Donna. So Troy, Donna mentioned this transparency and accountability framework. Is this something that mirrors what Equifax is doing, or can you expand upon Equifax's approach?

**TROY KUBES:** Sure. And I promise I didn't look at Donna's notes before we started, but it's a common theme. You're going to likely hear this from all three of the CRAs on the panel because it's imperative on us to get things right, to do things differently, to transform.

But what I want to start with is number one, I'm guessing everybody in this room has some interest in credit reporting and data accuracy. And I applaud you for that, and if you just step back for a minute and think about the transformation of this ecosystem over the last hundred years, it hasn't been until the last, say, 30 years or so where we've had a national centralized computer database.

Most of the time, it's been on paper. And the evolution and transformation has just been amazing. And even in my 20 years at Equifax with a centralized database, there's constant transformation in the space as technology evolves, as new thinking evolves, as different populations in America evolve. We're always looking for transformation. So it's something that honestly, is exciting to me to be part of this system.

But why I think that's important, and the answer for what we're doing for data accuracy at Equifax is number one, we're to a stage now where we're not transforming from paper to

computer, or maybe literally our old computer database was an entire floor in a probably 20,000 square foot building. Now it's maybe a hundred square feet where we have our technology.

But we're in the mode of what I'm going to call surgical approaching or fine tuning. And so that's what we're looking for, are there or ways that we can enhance what already is, we believe, an accurate and a good system? Is it perfect? No, but that's what we're striving for. So we're looking for those surgical enhancements.

Specifically as it relates to Equifax, on the question that was asked, what does that mean? What does the last few years look like? We know what the last hundred years might have looked like, but the last few years is a couple of things.

One is data accuracy, and this is just fundamental. It's demanded by the market related to credit reporting agencies, whether that's consumers, whether that is furnishers or our customers, whether that is regulators. It is table stakes. That is just part of what we need to deal with.

Number two is what I already said, is we're always searching for ways to be better. And the one way that I think about this is it's just part of our DNA. What do we do every day? And we have dedicated teams, just like Donna mentioned, that are looking at data, looking at analytics. What is the way that we can fine tune, that we can take a surgical approach on attacking issues that we find?

But recent activities-- and a lot of this is led by NCAP, which we'll talk about later-- but really, it's a lot of just individualized efforts. I'd put it into three categories. One is always it's a lens of the consumer, it's a lens of the furnisher, and then it's a lens of the CRA. And so to use the word transparency, we are looking to how do we deal with consumers in a transparent manner?

Because to empower them to review and understand what the credit ecosystem is, to actually take the effort-- I don't believe it's very difficult to pull your credit report-- to look at it, they're going to be an indicator to let us know what is accurate, what is inaccurate on the credit file. From a furnisher perspective, the transformation is, again, transparency. It's, how do we get insights into our data furnishers' hands to understand the information they're reporting to us?

They know better than us if something is reported that's inaccurate. Yes, there's indicators we

have or there's anomalies in past reporting. We have triggers that might go off. But if we can provide them information and insights that they don't realize that information that they're providing might be a little bit off or needs to be changed, that's part of what we want to do is be transparent in what we are ingesting into the system for them to be able to review.

And then for us, I look at it from the standpoint of the last couple of years have been a transformation for us in governance. In our internal controls, how do we look at this across the board looking at different areas within the company? How do we take that from an organizational perspective, where it might have been siloed in the past, bringing those together on distinct teams that are looking to solve a common problem?

It's an end-to-end issue, and one thing we're looking for is looking for that lifecycle to make sure we understand if there are areas that we can surgically apply some measures to get better, that's what we're looking for.

And one last thing I will say, as well, is we have to also be the defender of the integrity of the database. What I mean by that is, outside influences, whether good intentioned or not, might be disruptive to the integrity, and ultimately the accuracy, of the database.

We heard on this first panel, lots going to be said on probably the last panel, about what we're seeing from the avalanche effect of disputes from abuse of a good portal that the Commission has put up for blocking information that is being terribly abused by people looking at laws that are mentioned on the first panel-- state, federal-- that are more broad-based nature that are making potential impacts into the accurate information that is on the file.

And so those are just considerations that we're playing with, and I'm sure we'll dive more into those later.

**KIREN GOPAL:** Yeah. Thanks, Troy. So before opening it up to the rest of the panel, I did want to get Bob's insight into TU's approach generally.

**ROBERTO CERA:** Great. And I was talking to Michael and Troy before the panel began, and we were talking about TransUnion, and how we posted those pictures of some of our associates a long time ago on their roller skates handling all that paper trail copies, and what the technological advances we made, obviously more to date. But data accuracy, from our point, is really the central foundation of the entire credit reporting system.

Yes, we know that there are mistakes. What are we doing to improve upon? And if there are

mistakes that occur or errors that occur, we're looking for ways to improve upon what we can do to prevent those errors in the future. And more importantly, how do we resolve those errors in a timely manner?

In our data operations organization, my teams are responsible for the onboarding, the setups, and the investigations of data furnishers. Before any new data furnisher is onboarded, they have to go through a robust membership and credentialing process. That membership process will include the membership teams looking at the application, looking at the business certifications, all the way up through the on-site inspections of this business and their legitimacy.

If and once approved, our new data furnishers then are working directly with our operations teams, and we are then involved on ensuring that the data that comes in, not only is it being sent in electronic and secured manner, but also to the fact that they are conforming to the Metro 2 standards. There's testing, and there's sometimes multiple testing with the data furnishers, just to make sure that the data is accurate, clear, and concise.

We are working directly with the data furnishers to correct upon any anomalies, any areas of concern that we might see. And this iteration process could take weeks and months until we can all stack hands and ensure that the data is of the utmost quality and integrity.

Once data is in production, all production files-- not only prior to production, all production files-- need to be signed off prior to us getting the data loaded into the credit system. And this will require joint sign-off by not only TransUnion, but by our data furnisher. All production files will then go through a process that will go through a defined set of business rules.

If there's any deviation from those business rules, these files will not automatically load. They will get flagged for manual review for our analysts to review, further investigate, and more likely than not, work with these furnishers to address any concerns or validate the data just to make sure that the data is accurate prior to loading.

From a data reporting standpoint, TransUnion-- we have over 12,000 unique data furnishers reporting over 14,000 reporting files a month. Of those 14,000 reporting files, I think in total, there's over 2 billion account updates that are processed each month, and that's specifically for TransUnion. If you talk about all these CRAs, you could probably at least 3x that. So that's why we do take the most critical approach of ensuring that the data that comes in is accurate

and concise.

**KIREN GOPAL:** Thanks, Bob. So I think that's pretty helpful sort of stage setting for the respective approaches of the NCRAs in addressing inaccuracies. I'm curious, Ed, you've done a lot of research in this area. And I'm wondering if you can speak about what you see as some of the most frequently identified-- or what are the most frequently identified inaccuracies affecting consumers, or the most significant in your perspective?

**ED MIERZWINSKI:** Well, thank you, Kiren. And first, I just want to state that I think this rosy description of the world of credit reporting is belied by the facts. I did my first report on credit reporting in 1990. I did a series of reports filing FOIA requests with the FTC, finding out all kinds of things. And guess what? In 1990, the number one, two, and three complaint about companies in the FTC's database were the credit bureaus.

And today, in 2019, it's much easier to look at the CFPB's public database. By the way, how cool is that? We kept the database public, despite Mick Mulvaney saying he didn't want to run a Yelp for banks. The public database of consumer complaints is about transparency, it's about making markets work better, and it's a great idea.

But I spent five minutes looking at the database-- actually, it was less than five minutes-- and I was able to do the calculation that one third of all of the complaints-- about 1.5 million-- in the database are about credit reporting. One quarter are about the big three, and the big three lead the way, above Wells Fargo, above Aquent, above other corporate wrongdoers. They are leading the way in 1990 and they're still leading the way.

So I find it hard to believe that they're shrugging. I find it hard to believe that all of these changes they're making really are working. I look at the bureaus more as oligopolists-- not monopolists, because there are more than one of them, but oligopolists. They don't tend to spend money until they're forced to. So I don't see them competing really hard. I think they're spending the least amount of money possible.

What's an example of that? e-OSCAR. He's almost as old as Oscar the Grouch. I think he was founded in 1993. Metro 2, 1996. Are you still using WordPerfect for DOS on your 286 computer? I don't think any of you are. Lotus 1-2-3? No. They've got these old platforms and this old software. Just read the House Oversight Committee report on Equifax and its serious breach that affect 145 million consumers, and you'll see all the cobbled together machines that they had in their basement that were running their systems.

So I'm glad they're spending a little bit more money, but again, the results are, the proof is in the pudding. Number one, two, and three complainant to the CFPB are each of the three credit bureaus. But we are still seeing mixed files. We are still seeing furnisher errors, identity theft-- identity theft is a real thing. It's not something put together by the credit repair doctors. I hate the credit repair doctors as much as anyone.

But I have talked to many consumers who've lost their identity due to the sloppy credit-granting procedures between the furnishers and the credit bureaus. So identity theft is a real problem. Take a note of it. They ignore judgments and legal settlements.

We're going to hear about this big NCAP, the multi-state settlement. I think it was a great settlement. I think the fact that 30-plus attorneys general on a bipartisan basis worked together. But I would also credit the consumer protection attorneys, including Michelle Drake, who did follow-on lawsuits and really got injunctive relief for consumers in their cases. So the complaints are about the same kinds of things they've always been. The credit bureaus only do as little as possible to keep their business customers happy.

**KIREN GOPAL:** Thanks, Ed. So Michelle, Ed just mentioned mixed files, and you have an interesting perspective. You represented plaintiffs and consumers in class actions. I'm curious, from your perspective, what are the issues that you're seeing most frequently? Is it mixed files? Ed also mentioned what he characterized as dated platforms. Is that something that matches with your experience?

**E. MICHELLE DRAKE:** Sure. So thanks, first of all, for the shout-out. So I think the public records litigation, both conducted by the state attorneys general and then the follow-on work that my firm and Kristy Kelli's firm-- you'll hear from her later today-- and Len Bennett's firm, and Jim Francis's firm did maybe epitomizes some of the problems that I think are apparent, even from hearing today how the CRAs describe their accuracy programs.

So one theme that we heard is that the CRAs take the position that they don't have access to the furnisher systems. So we have this closed loop effort at evaluating accuracy, which is looking at files from furnishers when they come in and comparing them to past files from the furnishers, but not a lot of focus on comparing the data from the furnisher that was provided to the CRAs to the data that actually resides on the furnishers' systems themselves.

And that was particularly apparent in the public records litigation where, because the records

at issue are, by nature, public, it's absolutely not true that the CRAs didn't have visibility into the underlying record themselves because they were public. So what they had was the records from their vendors, and these programs that would look at those files to determine things like, were the fields appropriately filled in, and sort of this internal perspective, but a lack of comparison of the data in the files to the actual data in the world that the files were supposed to reflect.

And I think that's one issue. When you have a closed loop system where you rely on simply reviewing data instead of comparing data to actual facts in the world as your system for preserving accuracy, it's bound to be imperfect.

The other thing that I wanted to just mention is that I'm really skeptical of this theory that the market demands accuracy because we don't rely on the benevolence of large corporations. It's why we regulate them, through private litigation as a mechanism, and also through enforcement, like the actions that are taken by the CFPB and the FTC.

And here, the economic incentives in the market from the CRA's perspective are customer-driven. And the CRA's furnishers are also their customers, and so there's a little bit of a questionable relationship there in the first instance. And users of consumer reports also tend to be much more concerned about a lack of information that might cause them to withhold the extension of credit.

In other words, they're much more concerned about not getting derogatory information than they are about getting inaccurate and accidentally derogatory information. And that's the opposite perspective from any individual consumer, who is much more concerned about inaccurate, derogatory information appearing on their credit report than the reverse.

And so I think that relying on those market incentives as an assurance of accuracy is not really accurate in terms of what kind of accuracy the people with the deepest pockets and the greatest financial influence, anyway, over the CRAs demand.

I am heartened by the efforts that the CRAs say that they're making, but I also think that it's disappointing that at the end of the day, the onus always seems to fall on the consumers to be the canary in the coal mine. That the measure for accuracy for any given furnisher is not actually looking at the furnishers' data and comparing it with the underlying data, and saying, well, how many consumers complained about this?

And then complaints aren't enough. How many consumers' complaints did we actually find were justified, and then we changed the report, and then we also found that to be significant? And again, we just have this closed loop perspective where if the systems are flawed in the first place and the right disputes aren't getting resolved in the appropriate manner, you never really get the data that you need to assess the underlying accuracy from the furnishers in the first place.

**KIREN GOPAL:** Thanks, Michelle. So I did want to pick up on a few points that are raised from Ed and Michelle. So Ed mentioned-- you characterized some of these software platforms as dated. Michelle also spoke to misaligned economic incentives. I'm wondering if Donna, Troy, or Bob, you have any response, or Michael, to any of those points.

**DONNA SMITH:** Yeah. I think I'd like to start with this. First of all, I do want to say that the platforms to manage accuracy are not dated, at least not at Experian, that a lot has been invested in developing new platforms specific to the management of accuracy. The existing older platforms, if you will, that perhaps Michelle was referencing are really about loading data, and they did not provide the insights.

That's why we built additional platforms. Two have been built so far. There's a third that's about to be released. So this has been a very significant investment, very proactively driven for the specific purpose of managing and measuring accuracy, which is absolutely critical.

The complaints database-- and I appreciate the comments Ed brought up-- I think is absolutely vital and needs to be managed and monitored. There is good information in there. But in keeping a perspective about that, you're looking at about one hundredth of 1% of the credit reports delivered each month result in a complaint that's filed. It's a very small population.

It is absolutely valuable and vital, and we have to look at it, and do look at it every month to make sure we can find trends and opportunities in there. But the much more meaningful measure is what's actually going out on credit reports.

And looking at that, the approximately 100 million credit reports per month-- Experian deals with its own set-- that's delivered, and actually looking at, and managing, and measuring those numbers, and taking actions to improve them is much more meaningful than the inferences provided by a very small subset. Not to be discounted or ignored at any point in time-- vital information, but certainly not the entire set.

Regarding economic incentives, a couple of things to keep in mind. Almost 85% of the data that trade furnishers provide is positive data. There's plenty of incentive-- this is their own customers. Plenty of incentive for them to want to do a great job for their own customers in making sure that they get access to the credit that they deserve. It's a high priority.

We work very closely with data furnishers on a monthly basis. We've literally triggered thousands of furnishers in our furnisher monitoring program and worked with them directly on remediation. I want to say that furnishers do care, as a whole, about getting this right and about making improvements to the system to make sure that their consumers-- that are, again, their customers-- are being treated fairly in the process.

And regarding NCAP and the impact of, I'll say, derogatory information and the emphasis on derogatory information as opposed to positive information, I really want to stress that NCAP had a major focus on the collection data.

In terms of the different activities that were done for it, it had a big focus on medical collections, deferring medical collections for six months before going to file, provide time for insurance to settle, emphasis on a paid medical collection category, removal of non-contract related debt. That was also included in that. These were millions of records that were removed from the file as a consequence of these changes.

These are the critical items and were a major emphasis of NCAP on the derogatory information, not the positive information. I think additional steps are, and certainly can be done, in this category, and the CRAs have done items in addition to this. We certainly have, in terms of looking for meaningfulness in collection items, establishing thresholds, opportunities, and a lot of our furnisher monitoring activities are actually focused on collection agencies in order to identify problems in the set.

The big thing, of course, with collections versus trade data is that the collection information is, by definition, entirely negative and therefore, the most important information to get right because it does have the big impact on consumers and credit scores. I do want to say, and I think it is absolutely true what Michelle said, that by definition, we are bound to be imperfect.

Sure we are. Sure we are. We're updating billions of records per month. There's 14,000 or so data furnishers coming in. You've got a lot of data. This is why technology is critical and the investment in technology is critical to being able to find those needles in the haystack in that

set to be able to address them in a proactive way and drive down the numbers.

But to me, again, the importance here about transparency and measurement-- the closer we can get to the source, the better. And looking at the actual inferences that comes from a compiled credit report is the major area where we can detect problems, and technology will continue to improve that.

**KIREN GOPAL:** So Donna, you contrasted complaints in the database as statistically small, and you compared that to the information that's actually reflected in reports, and that should be the measure. And Michael, at PERC, you'll have done a lot of interesting work in that area. And so I'm wondering if you have a view on what the latest research shows in that area.

**MICHAEL A. TURNER:** So Kiren, I think it's important that we put this in context. We sort of launched into a discussion about oversight without really any appreciation about serious examinations of the accuracy of data in the national consumer reporting agencies' databases.

Before 10 years ago, the studies that were put out were overwhelmingly critical, and there were numbers that were coming out of 25% of the data in credit reports was inaccurate, or 50%. Elizabeth Warren went on *Fresh Air* and talked about 75%. And the GAO did an examination of that first generation of studies and found all of those studies so deeply flawed that they were useless.

Into that void, two studies emerged, and those studies were done scientifically, transparently, and rigorously. And those were studies that were done by my organization and the Federal Trade Commission. And they involved over a thousand consumers in both cases, reviewing all three of their credit reports, or credit reports from all three bureaus, looking for errors and disputing those errors. And they involved all three CRAs.

And at the end, the findings were remarkably different than that first generation. Although there were some different interpretations, the core findings from both reports were statistically identical. And what we found was that, if you look at on a per-person or per-report level, you're ping-ponging between 1% and 2% in terms of materiality. That if a person were to undertake a permissible purpose activity, 1% to 2% could be materially affected.

Another way of saying that is that at any given point in time, 99% or 98% of the credit reports are materially accurate. That's a dramatically different picture, again, from what was purported in an earlier generation, and this was 10 years ago. This was before NCAP. This was before

10 years of technological advances. I would hazard a guess that those rates have been driven downward, in large part by many of the activities that have been discussed here.

Now, before I move forward, I did want to touch very briefly on a few points that were raised. Ed talked about, I think, as a gratuitous shot at Equifax, identity theft and the data breach. The reality is, there is what we call a *Jaws* effect associated with data breaches and perceptions about identity theft. We've done a systemic examination of data breaches on three levels of analysis, and have found no evidence supporting that data breaches are driving identity theft.

There are more breaches than ever before. There are more files being exfiltrated and compromised than ever before. Yet, fraud losses have been trending steadily downward for more than a decade, and identity theft rates have been stable for the same time period. So if one were expecting identity theft to be driven by data breaches, those numbers are irreconcilable.

We've actually FOIAed data from the Federal Trade Commission on settlements-- how much was allocated for redress funds, how many victims have come forward and filed claims, and how many claims were awarded and what value-- and we were not granted access to that information. So I'd actually like to work with Ed to try and get that information.

But I see nothing. It's reported in the news. Again, the *Jaws* effect. It's like shark attacks. There was a study at the University of Wisconsin of people's feelings about swimming in the ocean after having seen the film *Jaws*, not recently, but 10 or more years ago. And more than half of people reported that they're reluctant to swim in waters for fear of shark attacks, despite the fact that there are billions of person hours every year spent swimming and only one fatality and only 20 people were attacked. The probability of being attacked by a shark is de minimis, yet the fear is pervasive.

And that's the same thing that's happened with data breaches, because when it's reported in the news-- when it is, in fact, news-- they report only big breaches. They typically have a plot of a bad guy-- a state actor or a Chinese military-backed hacking corps-- and there's some intrigue-- maybe a corporate malfeasance or negligence-- and lots of victims.

And yet, you don't see anything in the news, what's happened one year on, or two years on, or five years on? How many victims were there, actually? You don't see that. And I think that's an important gap that needs to be filled.

And then in terms of Michelle's observation about the economic incentives, I find it quite curious on a number of levels. But I think some of it's been addressed. But the reality is, you don't need to look at corporate benevolence. You can look at corporate greed. The earnings of furnishers when they use reports are critically contingent upon the accuracy of that data.

So they're primarily in the business of extending credit, and if they're indifferent about the accuracy of that data, that would have a potentially very disastrous impact on their bottom line. But beyond that, obviously, their compliance concerns as furnisher obligations under the FCRA. But I do think, actually, you raise an interesting point. Where it does have an impact on credit information sharing is actually in having the data shared.

There have been struggles over the years with furnishers fully reporting and comprehensively reporting because we have a voluntary system. And regulators can attest to the challenges they've had when furnishers have decided to report more or less information.

We're facing that same struggle now in nonfinancial industries. Mobile network operators, I put forward as an example. The fact that they're not considered creditors-- where they are under ECOA, they extended \$200 billion of credit last year. They're using credit reports for permissible purpose for extending credit. They're reporting negative payment data to credit bureaus. Yet, they themselves, are not fully reporting to credit bureaus.

And why? Because they're fearful that information can be used by their competitors to drive down their earnings. They don't want the competition. They're fat and sassy, they have large margins, and they know that that information, if it's shared, will make the market more efficient and will make them have to be more active, and more innovative, and more responsive to consumers.

So I do agree that there are incentives in the market about sharing of information, but I disagree that it has to do with accuracy.

**KIREN GOPAL:** Thanks, Michael. One of the things you mentioned is NCAP, and a few other folks mentioned NCAP, as well. Maybe it would make sense to discuss that a little bit more in detail-- the National Consumer Assistance Plan. Michelle, I'm wondering if you can explain for the audience what NCAP is, and in your work, in some of your cases, if you've seen that bear any fruits in terms of improvements in accuracy.

**E. MICHELLE** I'm probably not the right person actually to answer that question.

**DRAKE:**

**KIREN GOPAL:** Yeah, So Bob, Troy, or Donna--

**E. MICHELLE** I might have one of them start, and then I'll respond, if that's all right.

**DRAKE:**

**KIREN GOPAL:** Yeah. Troy, would you mind?

**TROY KUBES:** Sure. So NCAP-- now I'm going to go back in time. National Consumer Assistance Program? Maybe. But what that is were the results of-- and you've heard this probably several times today-- a multi-state AG investigation among the three nationwide CRAs.

I'm going to piggyback on something that Donna said earlier. I view NCAP as positive. Yes, a regulatory action. But what was unique in NCAP and how we evolved with what you find as the initiatives coming out of the settlement agreement or workings of the tri-bureaus with the working group was it was collaborative.

And in that regard, it was very much a game-breaking situation where you took competitors-- and yes, we are still competitors with Experian and TransUnion. But you took competitors and you said, there are some things that are table stakes. Whether it's for the consumer, whether it's for the furnisher, whether it's for the credit reporting agency, there are things that you can do commonly to benefit that ecosystem.

And so when we put together NCAP or the initiatives associated with the settlement agreement, we looked in that lens, and these were not things-- I'll just say, these are not things I believe that were forced, per se, on the credit reporting agencies, but we were able to reflect on things that would make differences. Whether it is for consumer experience, for instance, looking at, how do we educate consumers?

I think we all can agree, consumers can be educated better. How do they how do they understand the credit ecosystem? Where do we put that information? How do we make files accessible to them? And so we were able to propose initiatives that we thought would accomplish those, and then partner with the AGs to memorialize that. Same thing goes for the furnisher aspect.

If you look at anything dealing with the data accuracy component of NCAP-- I believe the title's data accuracy, but really, I'd put it into two category two categories of completeness and

consistency. It wasn't that the data that was part of these initiatives was inherently inaccurate, but we were looking at ways to make sure that what we did was more consistent upon across the board.

For instance, we've heard about Metro and the retirement of Metro. And one thing I will just disagree with Ed on, whether it's with Metro 2, whether it's with e-OSCAR, these are things-- yeah, we can change names. Maybe we'll call it Metro-- what is it, iPhone, now, 11? But we are constantly transforming. Whether it's the rules associated with Metro 2, whether it is the e-OSCAR system and the transmission of disputes to furnishers, we're always looking for ways to enhance that.

But when we looked at the data, actually, we're looking at Metro 2. How do we make sure everybody's reporting under the same guidelines? Just retire Metro. These are things that we couldn't necessarily do as an individual CRA for the benefit of the ecosystem. Challenging to do from a one CRA perspective.

But to be able to sit down at the table and talk about with our competitors, but also business partners in this, what can we do that are table stakes to make sure things are as accurate and have a high level of integrity as possible was really a game-changer for us.

Thanks, Troy.

Can I add on to that?

Please.

All right. Thank you. And I support Troy's statements also, and agree with what he shared here. Regarding NCAP and also the CFPB, I totally agree that those two activities-- the creation of the CFPB, basically starting supervision in 2012, and the NCAP agreement-- have really transformed the way the CRAs have worked together and worked with regulators to make a big difference in the industry.

I take the biggest thing that came out of NCAP to be the creation of what we refer to as working group. So the ideas and those substantive changes that I'll list m and that Troy m really were the ideas of the CRAs.

And they were based on our collective experiences with consumers and problems that were encountered that we could then start to work together and remove the competitive element

from the discussion, truly work for the benefit of consumers in this process, and also be accountable to important third parties-- the states themselves, the attorneys general, and CFPB-- in making sure that we actually did meaningful things.

And I just think I want to list out-- because I think NCAP was so transformative that it's really useful to list out the specific things that were done. And again, this was at the initiation of the CRAs, under pressure, kind of like dad cracking the whip a little bit. But here's what we did.

First of all, we changed data standards. So in order to enhance matching, we required that all of the data come with either a Social Security number or a date of birth. That was a big change, because when you think about it, those fields become really important when you have similar names and addresses on a consumer. So they become a key element of how you delineate between consumers, so that was really important.

We made changes to the type of collection data that we would find acceptable. I mentioned before it has to be on a contract. We got rid of a lot of that nuisance stuff that could possibly be inaccurate. Really didn't have direct evidence that these items were inaccurate, but they were hard to confirm. So library fees, towing fees, et cetera-- gone. And that was an important change. A lot of these nuisance elements that the consumers hadn't committed to were removed.

Medical collections. The six-month delay on collections going to file to allow insurance time to settle, and also a full file reconciliation. So every six months, if items are not being updated by the collection agency and their furnishing, they become purged. So that got rid of a number of issues where perhaps the debt had been sold again, or had been paid and maybe not properly updated.

Those items are exiting the system at substantial amounts-- almost a million records per month are coming out. And that's, again, a very substantive change. Authorized users requiring a date of birth. Also a big change, which prevents the accidental loading of minors to file. So that was another big NCAP change.

Talked to a couple of times-- the removal of tax liens and judgments. Tax liens and judgments were enormous elements of negative data in the credit files at the time. This was a very substantive change done by the CRAs in order to improve accuracy. Was there anything necessarily wrong with tax liens and judgments? Not really.

They suffered for some of these things that we are talking about in terms of the identification information, particularly on judgments not having the Social Security number or the date of birth-- almost all of them-- and similar situation also tax liens, where a lot of times, you were missing some of those elements. Removing this information doesn't mean that the information was inaccurate to begin with, but it reduces the chance of us applying it to the wrong consumer.

So having those matching fields are really, really important. And the removal of that was absolutely huge in terms of CRA operations and could not have been accomplished unless the three bureaus had been working together in this framework to get that done. It otherwise would not have happened.

Troy mentioned we retired the old Metro format. Metro format had some limitations, most notably related to the way that it handled joint consumers. Hundreds of furnishers left the system as a consequence of that change. Quite a number were also transformed into Metro 2 format, which is the current format. So these were really enormous changes that did happen as a consequence of NCAP.

I do also want to say, again, that my personal view is the main drivers of this are the creation of the working group, which continues to meet, and continues to look at industry issues and raising the bar, and the activities together, the ongoing supervision model that goes on with CFPB, which makes us all accountable. When somebody's watching, you have plenty of incentive to keep going and continue to do better.

We have incentive, anyway, as credit bureaus to do well. As mentioned before, these are actually affecting our products. And I did mention this before. I do want to catch the issue about our customer impact. So remember that our customers' profitability depends on the data. So if we inaccurately put negative data to file, it's reducing the profitability of our customers if they're unable to make loans on consumers that otherwise would have been able to get credit.

And that's actually a really big issue as they look for new people to lend to, so inaccurate, negative information is something that's in everybody's interest to minimize as part of the system.

**ED MIERZWINSKI:** Could I step in briefly? I did not mean to directly criticize NCAP, only to say that it only went so far, and the carrying it over the goal line was with the help of consumer protection attorneys.

Let's be very clear that's what I meant. But and also, the first partnership was not with the credit bureaus.

The first partnership was after the attorney general of Ohio read a series of outrageous stories in, I think, *The Columbus Dispatch* and put together a working group of attorneys general to go after some of these data points that were then, by themselves, not inaccurate, but they were about the wrong consumer because they were not complete. And that's how it started.

**E. MICHELLE  
DRAKE:**

Well, and just to sort of add on, NCAP not only demonstrates to some extent the fact that the economics and economic incentives do not work on their own. If it was true that customers are so concerned about accuracy, then we would not need the CFPB or the state AGs to undertake and give the CRAs an incentive to do massive change.

So it's just empirically false that the economic incentives alone are enough to ensure accuracy, or we wouldn't be up here talking about how radically important NCAP was and how that was what was actually necessary to effectuate change.

It's also true that the private bar has to step in, because NCAP alone did not accomplish the complete removal of tax liens and civil judgments. That was actually private litigation that resulted in that final injunctive relief and in a further refinement of the matching criteria.

And again, that was not simply about the public records themselves being deficient because they don't always contain dates of birth or Social Security numbers, something that was known to the series when they ingested the data and misattributed it to numerous consumers. But also the fact that those records were not routinely being updated by the data furnishers because people pay their tax liens and they pay their civil judgments.

And the follow-on private litigation was about the fact that often, those updates were not reflected, which again is a failure of the private market to properly incentivize itself. So I think that there is certainly an extent to which accuracy is incentivized in the market, but there is an extent to which it's not. And that's why private attorneys, and the CFPB, and the FTC, and the state attorneys general do need to get involved, and that's borne out empirically.

**MICHAEL A.  
TURNER:**

Sorry could I add-- I just want to respond.

**KIREN GOPAL:**

Go ahead.

**MICHAEL A.  
TURNER:**

Suggesting NCAP is prima facie evidence of the nullification of the desire in the market for accurate data is just false. The reality is, the impact of NCAP from the perspective of a furnisher was minimal.

When you look at reports put out by FICO and VantageScore on what happened post-NCAP to the score distribution and to the predictiveness of the models, you're looking at about 6% of the population were impacted from a score perspective, 75% of whom had less than a 20-point score hit, and the score distributions were equal, and there was a marginal impact on KS, a marginal degradation of KS, which means that the models became slightly less prospective, but not enough that a chief risk officer at a bank who is using the data in order to assess the probability of default would be alerted.

Now, the reason being is that there are layers of data. Someone who has a civil judgment, a credit judgment, or a tax lien also has, in all likelihood, many other derogatories. And therefore, that information was there to compensate for the stripping of accurate and predictive civil judgment and tax lien data that had some matching issues.

If the 3,500 districts that report to-- well, in this case, a vendor that reports to the bureaus-- had harmonized data collection, had harmonized fields for identity and for matching, that data should still be collected because it is highly predictive.

**TONY  
RODRIGUEZ:**

I'd like to switch gears at this point. I think the discussion of NCAP-- part of that is the removal of data. And now we're talking about adding alternative data after just hearing the various discussions in the prior panel about the complexities of consumer reporting. And there's a push now, and I know Michael, you've been a bit of a big advocate of alternative data.

Some questions that are raised with respect to that-- and we'd like to get the perspective of the CRAs on alternate data, as well. First of all, what is non-traditional data or alternative data? What are the limits of that data? And what risk to accuracy are posed by that data, given that the data is coming from nontraditional furnishers, who may or may not have a compliance program in place, and how that relates to their ability to address compliance with the accuracy requirements, such as those that exist in the FCRA? Michael?

**MICHAEL A.  
TURNER:**

Thanks. So this is a topic that's not new, but it's evolved. And so I want to just work on some definitions first. When we say alternative data, because of the advent of big data, because of the advent of AI and ML, there's been a lot of confusion about what is alternative data specifically in the context of credit risk assessment.

And we would think that a meaningful bifurcation would be what we call proven payment data. And into this bucket of proven payment data I would put things like energy utility payment data, media payments-- so wireline, wireless telecoms, cable, broadband, et cetera-- rent. And these are data elements that are used for credit risk assessment, both in the United States and have been for a long time, and pervasively around the globe.

In fact, the World Bank collects data in their Ease of Credit Database where they survey countries about their credit information sharing practices, and over 90 countries use fully-reported telecom, media, and energy utility payment data for credit risk assessment. So in this respect, the US is not a leader, we are very much a laggard.

We have a situation where we portend to have a full-file credit reporting system. But in fact, when it comes to non-financial payment data, the vast majority of that data is negative only. And what that means is that consumers are being punished for their credit transgressions, but they aren't being rewarded for their credit good behavior. And that, we feel, is a social injustice, and that's something that we, as an organization, have been fighting, as you know, for 15 years to change.

So we have the proven payment data, on the one hand. On the other hand, I would posit, is that what we call the unproven data, or really the fringe alternative data. And here, I would suggest there are variables, like the social media data, unstructured data, data that is being tested outside of the US and is being used outside of the US, but is not presently being used in the US.

So now in terms of risks, again, we've got a body of research that has been done in the US and is supported by empirical evidence globally that the inclusion of fully-reported, proven payment data trade lines bears very little risk.

First of all, we need to define what is risk. Opponents of including this data in the US have suggested that the data, if fully reported, would include moderately late payments disproportionately for low-income persons. And in support of this, they offer cherry-picked data from state utility commissions that show that at any given point in time, 25% of the people are late.

But that definition of late is one or more days, and this data's not reported to credit bureaus at one day late. And utility companies who we surveyed don't actually consider it delinquent until

it's 60 days late. So to the extent that they're reporting, you're 60 or even 90 days late before it would actually go to a credit bureau. So it's a little bit of sophistry in that regard.

But the reality is that we studied the frequency of being moderately late in paying utility payments, and what you see is that it's roughly less than 1% of low-income persons are occasionally moderately late. If they are late, they tend to be excessively late, and they tend to be already reported, either directly from the utility company or indirectly through a collections agency.

So to the extent that there was a perceived disproportionate impact on low-income persons, it's actually not borne out by evidence from a review of millions of credit files. And these are not from well-to-do suburbs, where it was a skewed sample. These are from places like Detroit, and Milwaukee, and Chicago. So these are very strong and critical cases.

In terms of other risks, there was some noise around the fact that in the case of utility payment data, some states had requirements that you be late in order to qualify for LIHEAP or other benefits. We actually examined this and found no evidence that there were states making this requirement. There were some sub-state municipalities that had such requirements for LIHEAP benefits.

And the solution here is not to report this data. The solution is basically to change the eligibility criteria to be based on income, as they are in almost every other similar program. The net-net is that when you look at the impact of reporting fully-reported, non-financial trade lines to credit bureaus, it's disproportionately benefiting thin-file, no-file persons who are majority or predominantly lower income.

We did the sociodemographic analysis and found that when you report energy utility or telecoms payment data, it increases access to affordable sources of mainstream credit by 22% for African-Americans, 21% for Hispanics, 14% for people under 25 and above 66. This was our pioneering study on this with the Brookings Institution.

So the data are there. The data are very compelling. It's supported by generations of experience globally. It's endorsed by the World Bank, the IFC, the IMF. It's just something that should be a no-brainer here.

Now, risks from the fringe financial-- like Zest Finance. Famously, the CEO said, all data is credit data. And they would have been quite interested in some questionable risk assessment

with unstructured data. They were precluded from that because they have to comply with the FCRA. So what they've done is they've got \$140 million dollars from Fortress Finance, they've partnered with Baidu, and they're undertaking a lab experiment in China.

And so there are real questions about the ethics of permitting US-based firms to test these things on non-US populations. But I don't see, as long as we have the FCRA, I don't see such a risk in the United States.

**ED MIERZWINSKI:** Alternative data, I think, is something that's being considered and has some potential, but there are a lot of risks. First of all, I agree completely with Michael about the fringe data. You should not be making a decision about whether to give me a loan based on who my friends are, or who my likes are, or the fact that I filled out an interview on a website because I thought I would get a prize.

You should not be using those data for credit decision-making. But then I think when you get into the types of alternative data that are being considered, I think it needs to be sliced and diced a little bit more. I know that my colleague, Chi Chi Wu, is on the fourth panel and she's mostly going to talk about disputes. But she has worked in this area, and I've worked in this area, too, and we're very concerned about the fact-- it's not anecdotal.

The fact is, if you live in Boston, if you live in a New England state, you might lose your heat in the winter unless you don't pay your bill. And that's the facts. So we're very concerned about, you can't lump utility data together. Maybe telecom and cable data, which doesn't affect whether you're going to be frozen or something like that.

But the fact is the unpredictability about how the utility companies report and whether the information would be reported on a regular basis and this, that, and the other-- I think it really does have an impact.

And that's the reason consumer groups, and utility customer reform organizations, and legal services organizations-- the people who actually have to deal with the real people, not the data, but the real people behind the data who might have their electricity turned off-- consistently oppose the industry's vehicle on Capitol Hill, which is called the Credit Access and Inclusion Act.

And not only all the problem that I just described over those sorts of data-- the industry always throws a couple of kickers into their legislation. And the big kicker there is, let's preempt any

state tenant screening laws. Let's take away the privacy of utility customers. Let's preempt wherever we can preempt. Preempt-- it's a mission for them.

And the states are where all the good ideas have ever come from. That's why the credit bureaus don't want any legislation out of the states. And that's why, by the way, not the topic of today's conversation, but big tech wants a federal privacy law. They never wanted a federal privacy law before. But now that California has one, they don't like the states.

But so then you move on. There's another category would be rental information. It's a mixed bag. Again, it could affect people who made a tenant complaint, withheld their rent because there was no water in their apartment, no water in their condo, or their house that they're renting. There are a lot of issues there with rental.

The third category, I guess, subprime information. Nobody wants to mix payday lending or whether you have payday loans onto a regular credit report. I think some of these areas, by the way, that we've been talking about-- maybe there is a place to create a credit score for credit-invisible people. But when you added onto the traditional credit report, I think that creates other problems.

Finally, I think, is the way that the data are used. And there are some encouraging things going on in the marketplace where companies-- I believe it's Experian-- has a product that's opt-in. Is it Experian Boost? Did I get the name right?

**DONNA SMITH:** Mhm.

**ED MIERZWINSKI:** It's an opt-in product. You don't have to have it. You can choose to get it. So looking forward, there are some good ideas in alternative data, but there are some real problems.

**TONY RODRIGUEZ:** So can we hear from the CRAs on alternative data issues-- we just talked about the Boost product-- but specifically, what challenges the inclusion of this data in consumer reports present, especially with regard to accuracy?

**TROY KUBES:** Just briefly, alternate data-- and I agree, actually, with both Ed and Michael on this topic. But alternative data is not new. I think that's something Michael mentioned earlier. That's something at Equifax, whether you want to call it alternate data or not, telco utility data is something that we have been engaged with and exchange for for 20-plus years.

And so our approach to alternative data, whether it's that type, whether it's rental, whether it is

some of these other types of data that might be out there, is to look at it from more of a measured perspective because there are risks. There are dangers associated potentially with it.

But I think one of the key things as we examined this is not necessarily automatically assuming it is going to be included in a credit file, but to be a complement or a supplement to someone that might have a thin file, or maybe doesn't have a credit file at all. But really, it's something that sits almost on the side and would be used as a supplement or a complement.

And I think one last thing that I agree wholeheartedly with, as well, is the interagency statement that came out just I think this week looking at alternative data, and recognizing there are potentials for use and for serving consumers that are unbanked, underbanked, or credit invisible. But there are risk associated with that, so I do want to acknowledge that, and that that was a positive timing for this panel.

**TONY** Bob?

**RODRIGUEZ:**

**ROBERTO CERA:** I think Troy hit it best.

**TONY** You good on that, Donna?

**RODRIGUEZ:**

**DONNA SMITH:** Sure. I just want to add a couple of comments. I think relative to alternative data, it's a lot like other types of data. It needs to meet the same types of criteria. We have to have the capability to do quality matching, so we have to have the fields that we were talking about before so that you can put it together properly for a consumer.

I think, like all data, it has to be reliable and verifiable, meaning that there needs to be a source that you can go to about the accuracy of the data that will follow through on all the activities that we all have to do, that we've obligated to via FCRA. Have to conduct verifications. There has to be reliability in the reporting. All the same kinds of quality metrics I think that we talk about would also apply to alternative data.

It has to be reasonable for consumers. So some of the things Ed mentioned as risks have to be considered so that it's fair in that regard. Probably the biggest thing, because while there is use of alternative data today in some specialty systems that include it that I think Troy was primarily referencing, if it were to enter in a significant way to the mainstream credit system, I

think you have to account for transition.

So you have a situation where consumers are used to a certain structure in terms of delinquency and it not being reported in today's world. So as it comes over, you have to account for that. There have to be significant educational efforts to consumers so that it's fair in its use. But I think ultimately, the thing that Michael is referencing is the opportunity that comes from this data because of the inclusion aspect.

And I always want to keep emphasizing that most data is overwhelmingly positive. Including this data, including the telecom data, including the utility data is overwhelmingly positive. It represents opportunity if it's in the credit system, and that's something that we're always in favor of.

**TONY RODRIGUEZ:** OK. So switching to another topic, just wanted to briefly touch on new technologies and how new technologies may be used to enhance accuracy or improve accuracy in the credit reporting system. We've heard discussions before about use of artificial intelligence, machine learning. Do you foresee positive potential for use of technology to improve accuracy in the credit reporting system? And if so, how would you see that being used? Bob, Troy?

**ROBERTO CERA:** I can begin. And at TransUnion, we are always constantly trying to improve and evolve the technologies that we use, including within our existing systems, how we adjust any trends or thresholds based on current conditions.

What we've recently done, and not necessarily from a technology perspective, but really from a holistic organization perspective-- so Donna mentioned earlier about some of the data furnisher monitoring activities that are happening within the CRAs.

Not only does TransUnion also do and promote that, but we've recently established, within TransUnion, a data management function, which consists of not only teams within data operations, data governance, and data performance, so we actually have this holistic view of quality monitoring. And very similar to the concept of data furnisher monitoring, where you've got a group of collective stakeholders reviewing issues, or concerns, or complaints more holistically and centrally, that is really the same concept with our data management function within TransUnion.

**TROY KUBES:** From an Equifax perspective, I think the answer is absolutely. We explored a little bit earlier on the transformation of the system over a hundred years. Who the heck knows what's going to

be available in 5 years, 10 years, 20 years. But certainly, whatever is available is something that we'll evaluate and use.

And again, going back to a concept, looking at through three lenses, called a three-legged stool, everybody has ownership in this and is a stakeholder. So whether it's the consumer, the furnisher-customer, or the CRA, from a consumer perspective, we're looking to engage and we are trying to be-- and we don't say this just offhandedly, this is a serious comment-- that we are looking to be the most consumer-friendly CRA. We will compete on that aspect, I guess.

But we're trying to figure out how to get to the consumer where they are at. And to do that, especially with the new generation of millennials that we have, is to use technology, use devices, how to engage consumers in a way that they want to be engaged, and et cetera. From a CRA perspective, we talk about machine learning bots, API processing. We're looking at using this to really manage more of the data flow, the data governance internally, which I think I mentioned a bit earlier.

And then from a furnisher perspective, there are still processes that are manual, or a little bit too manual, I will say. How do we use technology to enhance that, whether it's to have more frequency and currentness in reporting? Whether it is on corrections on the back end, not necessarily with e-OSCAR, but with other aspects, for instance, on a furnisher wanting to reinsert something that is accurate that mistakenly has been removed off the file?

So there's all types of ways I can envision. I know practically what we're doing today, but what's going to be in the future is going to be exciting to see how that transforms.

**DONNA SMITH:** OK. I'll add a few more on top of that, I think in terms of maybe four big areas to focus on. Of course, technology is huge. I don't know that we'd be able to accomplish anything like what's happened already if not for the investment and use of technology as it relates to big data platforms like these, so it's a very serious issue.

We've talked a lot about the bureau processes. For sure, they can be enhanced. I mentioned before the possibilities, for example, with pattern recognition, additional business rules, the capability to dig through that data to get all sorts of different accuracy patterns. Bob mentioned the bureau processes that can be enhanced via technology. All of that is absolutely true and a great thing.

One of the ones not talked about is simplicity. And I think when you deal with consumers,

credit is confusing, as was talked about in the earlier panel. So if we can make things simpler-- and we are making things simpler.

For example, one of the projects underway right now is a redo of the consumer credit report, also known as the disclosure, to make it easier for the consumer to understand, to put an emphasis on consumer terms, not so much bureau terms, around the score, the score itself and what impacts the score itself, and focusing consumers on that which actually matters to the score.

So that's a big change in which technology can really help on the simplicity side for consumers. Similarly, education could be enhanced via technology. Notifications can be enhanced via technology. Lots of opportunities to communicate better, more frequently, et cetera that get enabled by the use of technology.

And let's not forget about the service elements-- the educational aspects, being able to do research, FAQs, all the great things that technology brings out to the consumer himself so he can do his own work, have the best quality of self-service, maybe interact with all of us less, learn the importance of working with us for disputes and other things, maybe less in the influence of the credit repair organizations.

All of these things would be great uses of technology that can really help consumers bring this up to the next level.

**KIREN GOPAL:** Thanks, Donna.

**ED MIERZWINSKI:** Oh. Yeah, I just want to say that the machine learning, AI those are kind of the two shiny new toys of the year. Five years ago, you could just say big data, big data. Or even seven years ago, you could say big data. But now you have to get more dialed into AI or machine learning. But and so my comments are, primarily across the entire financial system, we're seeing all the banks, all the fintechs, all the kids want to use machine learning and AI.

I hope that the Consumer Financial Protection Bureau stays strong and is not weakened any further by the current administration, for example, and that it continues its supervisory role because it's got to make sure-- because you're the only ones who can look inside the black box. You can look under the hood. You can say, show me the Coca-Cola formula that your tech bros are using at the kernel of this piece of Software.

And you've got to maintain that to make sure that the future uses of technology turn the credit

reporting system around. I think most consumer advocates would argue that it has perpetuated the racial wealth gap. It has kept people out of the system, not brought people in. But if we can use that tech in a way that destroys biases rather than perpetuates biases, let's take a look at it. But let's be careful and understand that it's just the latest shiny new toy. And if it's badly programmed, it's not going to work.

**KIREN GOPAL:** Thanks, Ed. So I think maybe that's a good segue way before we turn to some audience questions. And you were talking about AI, which is very future-oriented. And I'm curious what government or private sector measures some of our panelists think could help improve accuracy going forward. Maybe we can start with Michelle.

**E. MICHELLE DRAKE:** I actually want to pick up where Ed left off, and I think it's responsive to your question. I think the use of artificial intelligence is really interesting, and I actually think it's critical that the CRAs push towards that. But I think it's a mistake to do so quickly with respect to all aspects of their businesses.

And so I think, for example, developing a black box that might help assist with assessing the quality and accuracy of information from furnishers is very different than, for example, developing a black box that encompasses all of the matching criteria. And depending on the CRA and across different industries-- background screening, for example, in some areas I think is more advanced than the big three CRAs with respect to the use of artificial intelligence.

What you see is really the limitations of the technology, where you'll see matching improvements, for example, in certain areas of the algorithm. But there will still be places where, for example, you'll have a name match and you'll have an address match, but you won't have a Social Security number match. And you might see a regression with artificial intelligence where there are all these things that match, so in this algorithm, the algorithm says, oh, this must be a very good match.

But if a human being were to look at that, they would say, wait, no. This is a classic junior-senior situation where the Social Security numbers don't match, and we weren't taking into account or asking for information at the end of the surname, such as a junior-senior designation, that clearly would have ruled this out. And so

I see this as not really whether, but how. It is coming. Of course it's coming. The CRAs are going to be using artificial intelligence in various aspects of their business, and they should. It

would be byzantine for them not to. But it can't be a wholesale abandonment of the information that we have gleaned to date in favor of what are ultimately blackbox regression analyses is that we know have the potential to have disparate impact on people of color.

But you really have to sort of control them in a tight way, and I think really be thoughtful about the places where they're being employed. And I think that there will always be room, particularly in matching algorithms, for hard and fast matching rules that are not subject to any kind of scoring analysis where you simply say, if these two pieces of data don't match, it doesn't matter how good the rest of the match is. We are not going to call that a match, period. So I think it's got to really be a careful and nuanced approach.

**KIREN GOPAL:** Bob or Troy, do you all have any thoughts, picking up on Michelle's comments on anything you think is coming in the next few years, or what you would like to see from government or within the industry on measures to improve accuracy?

**TROY KUBES:** Sure. I'll take a stab. I think four things. And one thing we missed in our discussion and our topics for our outline is how the CFPB has interacted with us. There's been a little bit of touching, but that, to me-- it's current, and it's going to be future. And one thing that I will acknowledge is that, at least from an Equifax perspective-- I'm going to guess it's from an industry perspective-- that we have embraced that.

And it's let us look at the measures we've taken, whether it's NCAP, individual, et cetera, and look through a slightly different lens and help fine-tune areas that might need to be improved. So to me, continuation of that and viewing that as more of a partnership and dialogue than anything else.

The second area is, I think, a commitment-- I will commit on behalf of Equifax-- is not just leaving the good discussions that came out of NCAP behind us, but continue to look at those table-stake items among the three NCRAs and looking for ways that we can find other areas that we can look at from a consumer and a data perspective is key.

The last thing I want to touch on is just the reflection of what I am aware of, whether it's on the Hill with Congress currently, whether it's from a state basis, is certainly there are going to be more attempts to legislate what accuracy is or should be. But I just want to say a word of caution. May be good intended, and there could be some areas that are relevant.

But often, what I have observed in those proposals is pretty broad brush strokes, where my

belief is that we are now to a more surgical. So I would rather engage in a conversation about what the surgical aspects are than trying to look at broad brush strokes, which really impacts the integrity of the data.

So if you are taking off swaths of data in the name of whatever it might be, and it actually is accurate, that does not do justice. So just a word of caution on that, but I can see that in the future, as well.

**KIREN GOPAL:** Thanks, Troy. So we are closing in on our time here. We did want to get to some of the audience questions, and we do have one that I think is pretty on the theme that we're talking about, which is what to look for in the future. And one of the audience members asks or comments that we're referencing some of these studies on accuracy that are quite old, and when we can expect some new investigations into measurements of accuracy?

And Michael, I'd put the question to you. What additional research would you like to see if we do get a study at some point in the near future concerning the accuracy of credit report information?

**MICHAEL A. TURNER:** I'll just be very quick. I think there are a few essential elements. First, to be able to compare with history, with earlier studies, we have to preserve some of the methodology that was utilized before. So I think building on the FTC's work or even our own work, preserving the involvement of consumers, and being able to then replicate that to compare differences is important.

But I think also, there have been some changes. I do think, and Ed brought up very correctly, the significance of complaints, and consumer complaints, and looking at the individual level of analysis. And trying to assess what we can learn from the complaints, and how we can use that to analyze data accuracy for CRAs.

And then also, because it's been a theme on this panel, looking specifically at alternative data. Not just the proven payment data, but technology is co-evolving with the CRAs and the whole credit information ecosystem. So we've got an emergence of these specialty CRAs, consumer permission entities. Entities like Yodlee, and Info Central. What is it? Oh, gosh, Utah-based. You all have a relationship with them.

**DONNA SMITH:** I don't know.

**MICHAEL A.** Finicity-- thank you-- Urjanet and others. And how does that affect accuracy? So I think we

**TURNER:** really need to make an adjustment for the 21st century in that regard. That's what I would recommend.

**KIREN GOPAL:** Thanks, Michael. So a lot to look forward to. I think maybe that's a good place to conclude. And I'd like to, again, thank all of our panelists for an excellent discussion. You guys are probably pretty hungry now, and so you're free for lunch. We're going to resume here at 12:00, or sorry. Let's see. We're starting at 12:30. We're going to resume at 1:30 for Brian Johnson's remarks.

**TONY RODRIGUEZ:** And just one reminder, if you do leave the building, you will have to come back through the security process. So just keep that in mind in terms of timing, especially if you're a panelist that need to be back here on time. Thank you.

**KIREN GOPAL:** Thanks, everybody.

[APPLAUSE]

[MUSIC PLAYING]