

**Prepared Statement of  
the Federal Trade Commission**

**Before the  
United States Senate  
Committee on Commerce, Science, and Transportation  
Subcommittee on Consumer Protection, Product Safety, and Insurance**

**The Accuracy and Completeness of Consumer Credit Reports**

**Washington, D.C.  
May 7, 2013**

## **I. Introduction**

Chairman McCaskill and members of the Subcommittee, my name is Maneesha Mithal, and I am the Associate Director for the Division of Privacy and Identity Protection at the Federal Trade Commission (“Commission” or “FTC”).<sup>1</sup> I appreciate the opportunity to appear before you today to discuss the Commission’s most recent Report to Congress under Section 319 of the Fair and Accurate Credit Transactions Act of 2003 (“FACT Act”), concerning the accuracy and completeness of consumer credit reports.<sup>2</sup>

The FACT Act was enacted in 2003 to provide consumers with several new rights and protections related to their credit reports.<sup>3</sup> Consumer credit reports, which contain data compiled and maintained by consumer reporting agencies (“CRAs”), are used to make critical decisions about the availability and cost of credit, insurance, employment, and housing. The FACT Act amended the Fair Credit Reporting Act<sup>4</sup> (“FCRA”), a statute enacted to (1) prevent the misuse of sensitive consumer information by limiting recipients to those who have a legitimate need for it; (2) improve the accuracy and integrity of credit reports; and (3) promote the efficiency of the nation’s banking and consumer credit systems.

Today, data compiled and maintained by CRAs is used to make critical decisions about the availability and cost of various consumer products and service, including credit, insurance,

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<sup>1</sup> While the views expressed in this statement represent the views of the Commission, my oral presentation and responses to questions are my own and do not necessarily reflect the views of the Commission or any individual Commissioner.

<sup>2</sup> Fair and Accurate Credit Transactions Act of 2003, Pub. L. No. 108-159.

<sup>3</sup> Among other things, the FACT Act allows consumers to place fraud alerts with the CRAs, notifying potential creditors that they may have been victims of identity theft (§ 112), to obtain free annual credit reports from the national CRAs (§ 211) and to dispute information on their credit reports directly with information furnishers (§ 312).

<sup>4</sup> 15 U.S.C. §§ 1681-1681x.

employment and housing. Credit reports are often used to evaluate the risk of future nonpayment, default, or other adverse events. For example, complete and accurate credit reports enable creditors to make informed decisions, benefitting both creditors and consumers. Errors in credit reports, however, can cause consumers to be denied credit or other benefits, or pay a

consumer, which explains that the consumer can obtain a free credit report from the CRA that provided the report and dispute any inaccurate information in the report.<sup>7</sup>

In order to assess the accuracy of credit reports, and pursuant to Section 319 of the FACT Act, the FTC has been conducting an ongoing study of the accuracy and completeness of consumer credit reports.<sup>8</sup> In December 2012, the Commission submitted to Congress its fifth

The review focused on identifying potential errors that could have a material effect on a person's credit standing. Any participant

potentially produce significant differences in consumers' credit scores. Indeed, the study found that five percent of the study participants had their credit risk tier decreased as a result of having errors corrected. In other words, one in 20 of the study participants had an error on his or her credit report that lowered the credit score to a degree that the error likely made getting credit



accounts that other collectors have pursued and are more than a year past due, and in some cases attempts to collect on debts that are over ten years old. The Commission alleged, among other

companies of their obligation to ensure that the

publication explains how credit scoring works and how it is used by lenders and insurance companies.<sup>17</sup> The Commission also offers videos directing consumers to [annualcreditreport.com](http://annualcreditreport.com) to obtain their free annual credit reports.<sup>18</sup> Finally, through the Commission's Legal Services Collaboration,<sup>19</sup> the agency is disseminating consumer education materials to some of our nation's most vulnerable consumers.

Business education is also a priority to the FTC. The Commission has developed and distributed free guidance relating to compliance with the FCRA, including *Credit Reports: What Information Providers Need to Know*<sup>20</sup> which informs businesses that provide information to CRAs about their obligations to provide accurate information and to update and correct previously submitted information. This publication, as well as other business education materials, are available through the FTC's Business Center website, which averages one million unique visitors each month.<sup>21</sup> The Commission also hosts a Business Center blog,<sup>22</sup> which has featured topics related to credit reports, including a post on the *HireRight* case that discusses CRAs' obligations to ensure maximum possible accuracy in their credit reports.<sup>23</sup>

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<sup>17</sup> *How Credit Scores Affect the Price of Credit and Insurance*, available at <http://www.consumer.ftc.gov/articles/0152-how-credit-scores-affect-price-credit-and-insurance>.

<sup>18</sup> See generally <http://www.consumer.ftc.gov/media>.

<sup>19</sup> Through this program, the FTC is working with legal services providers to distribute consumer education materials and gather complaints about pernicious practices affecting at-risk and indigent communities.

<sup>20</sup> Available at <http://business.ftc.gov/documents/bus33-credit-reports-what-information-providers-need-know>.

<sup>21</sup> See generally <http://business.ftc.gov>.

<sup>22</sup> See generally <http://business.ftc.gov/blog>.

### **III. Conclusion**

Thank you for the opportunity to discuss the Commission's study on the accuracy of consumer credit reports. We look forward to continuing to work with Congress and this Subcommittee on this important issue.

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<sup>23</sup> Where HireRight Solutions went wrong, available at <http://business.ftc.gov/blog/2012/08/where-hireright-solutions-went-wrong>.