

NATIONAL CONSUMER REPORTING ASSOCIATION 23<sup>RD</sup> ANNUAL CONFERENCE  
Washington D.C.  
November 4, 2015  
Remarks of Commissioner Terrell McSweeney

Good morning, thank you for having me here for your national conference. I want to thank Terry Clemans for helping to put this event together and Bill Bower for that nice introduction. The Federal Trade Commission has a valuable relationship with NCRA, and many of our most important issues are your most important issues. Before I begin, I will give the standard disclaimer that the views I express are my own and do not reflect the Commission's views or the views of any other Commissioner.

We both see firsthand how consumers are susceptible to identity theft and how big data and technology are transforming the world of credit risk and prediction models. And I think we both find ourselves in a rapidly changing world and have to make sure new tools comply with hard fought public policy goals like nondiscrimination and consumer protection.

That is why it is important you have come to Washington this week. Policymakers at the FTC, the Consumer Financial Protection Bureau, in Congress, and in the Administration need to hear from you to understand how the marketplace of consumer reporting is changing. We need to make sure that our policy goals are just empty pronouncements in Washington, but can actually work when a renter walks into a leasing office or a family wants to buy a new home.

This is a fascinating time to be a Commissioner at the FTC. The explosion of how we can collect data and what is done with it is transforming society. The financial crisis and its aftermath highlighted many problems in how consumers are offered, apply for, receive credit. Electronic and online transactions have brought efficiency gains to our economy and improved the quality of life for consumers. Those gains are tempered by an increased risk of fraud and the exposure of personal information to scanners. Between the sensors we use to track our steps, the internet connected devices we have in our homes and cars, and the amount of information we are inputting into computers each day, we are producing more data than ever before.

How that data is used and how it is secured are central to what we do at the FTC. Cisco recently released a report that we will generate more than 400 zetabytes of data a year by 2018. How much is a Zetabyte, you might ask? Well, a Zetabyte is one trillion gigabytes. One gigabyte is approximately the amount of data in 4,500 books. Very roughly, we will soon be generating more data in one year from all our devices and transactions than all the data created from the dawn of the written word over 5,000 years ago to the creation of the Internet. That is a heck of a lot data.

All of that data has had an immeasurable impact on our world. It has helped launch businesses, improve our public health, and allow access to educational and commercial resources.

the past year<sup>4</sup>. The Bureau of Justice Statistics found that in 2012 the financial losses from identity theft totaled nearly \$25 billion<sup>5</sup>. The total loss from all property crime combined including arson, burglary, and vandalism, by comparison, was \$14 billion.

I am sure that everyone in this room has seen this problem close. Stolen personal information, fraudulently opened lines of credit, and unpaid yet never-about debts plague honest consumers and make the process of getting a mortgage approval for a lease or a job more expensive and time consuming. For many of you, it has meant hours spent with consumers correcting their credit reports with the credit bureaus or creditors finding out more information. For the unfortunate consumer who was a victim of identity theft, it often means being victimized yet again because a mortgage might fall through or a job offer might not be extended.

The FTC has been in the vanguard of helping consumers deal with the problems, and going the he (he)4r(n-(d)pad Td ( )JTJ ( )a)4(i b)-10(eTd ( )T(ge)4(t5)4(i b)-)-10(e( )a)40(eTd(ngP <(o) )



our strategy. We are also working with the IRS, state tax agencies, and national tax preparers on efforts to limit fraud at the point of filing.

We are also keeping our eye on issues related to Big Data and the impact it is having on consumers. Last year, we held a workshop entitled “Big Data: A Tool for Inclusion or Exclusion?” which focused on the opportunities and pitfalls of using big data as a new tool. As data and social media mining become more prevalent, there is a growing concern that some entities will try to skirt the consumer protections of existing laws like the Fair Credit Reporting Act.

While we have overlapping jurisdiction with the Consumer Financial Protection Bureau over the FCRA, our enforcement activity has not waned. Three years ago, the FTC took its first action in this regard when we entered into a consent agreement with Spokeo. In that matter, we determined that Spokeo was acting as a consumer reporting agency and was in violation of the FCRA.

Just recently, we announced another consent agreement with Sprint for violating the FCRA when they used credit reports to place customers with poorer credit into a higher cost program without their knowledge or consent. Sprint failed to provide customers with the credit information so that they could challenge the findings, and oftentimes did not even inform customers until after the contract period commenced, making it challenging for consumers to go to another service.

Another problem that I think everyone in this field is wrestling with is how to ensure that the best decisions are actually being made with the data available. As my colleague Commissioner Maureen Ohlhausen has said, “Data is a tool, it is not a substitute for wisdom.”<sup>9</sup> Sometimes data might be incomplete and might not paint a comprehensive picture of a situation. Sometimes entire groups of consumers might not be measured, or inhabit what one recent paper on the problem termed a “data desert.” Other times, advanced algorithms might reflect our own

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<sup>9</sup> Maureen K. Ohlhausen, Commissioner, Fed. Trade Comm’n, Remarks at the Center for Data Innovation: The Social Impact of Open Data (July 23, 2014) at 4, [https://www.ftc.gov/system/files/documents/public\\_statements/571281/140723socialimpactofopendata.pdf](https://www.ftc.gov/system/files/documents/public_statements/571281/140723socialimpactofopendata.pdf)

unwitting biases, or, as the programs self-propagate and auto-correct, exclude vulnerable or underrepresented groups.

The challenge for us as policymakers, and you as practitioners, is to approach these technologies with an understanding that they are merely tools and that individuals lie behind these datasets.