



3138 10th Street North
Arlington, VA 22201-2149
703.522.4770 | 800.336.4644
f: 703.524.1082
nafcu@nafcu.org | nafcu.org

National Association of Federally-Insured Credit Unions

May 25, 2021

The Honorable Al Green
Chairman
Subcommittee on Oversight & Investigations
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

The Honorable Andy Barr
Ranking Member
Subcommittee on Oversight & Investigations
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Re: Tomorrow's Hearing on Consumer Credit Reporting

Dear Chairman Green and Ranking Member Barr:

I write to you today on behalf of the National Association of Federally-Insured Credit Unions (NAFCU) in conjunction with tomorrow's hearing, "Consumer Credit Reporting: Assessing Accuracy and Compliance." As you are aware, NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 124 million consumers with personal and small business financial service products. NAFCU believes an accurate credit report is imperative for both consumers and financial institutions, and we thank you for holding a hearing on this important topic.

The nation's credit reporting system is an important tool for financial institutions, such as credit unions, to responsibly lend to consumers while ensuring safety and soundness. Blanket suppression of adverse information in credit reports could lead to significant changes in how lenders use credit information to make loans and disrupt consumer access to credit. As such, as you consider legislation to both improve the accuracy of the credit reporting system and provide relief to Americans negatively impacted by the pandemic through no fault of their own, we urge you to reject efforts aimed at blanket suppression of adverse credit reporting information. A better step would be to encourage efforts to allow credit reporting to reflect loans where payments are deferred or in forbearance, so these loans do not negatively affect a consumer's credit score.

Throughout the pandemic, credit unions have been working with their members to protect their financial health and to ensure they are fully taking advantage of the relief afforded to them, including that related to credit reports. An example is the relief in Section 4021 of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act), which requires furnishers of information to credit reporting agencies (CRAs) to report an account current if an accommodation has been made during the pandemic. Accounts delinquent prior to the accommodation are reported as such unless the consumer brings the account current during the accommodation. This approach strikes a good balance by preserving the accuracy of credit reports while also protecting the credit profiles of consumers who receive payment relief due to the pandemic. Section 4021 is effective until 120 days after termination of the COVID-19 national emergency, hence consumers can avail themselves of this relief for the duration of the pandemic.

The Honorable Al Green, The Honorable Andy Barr

May 25, 2021

Page 2 of 2

As you consider further steps to provide relief to consumers in this area, we caution you against certain approaches that may have unintended consequences. For example, some have proposed requiring furnishers of information, such as credit unions, to review and consider new or additional information each time a consumer disputes the accuracy of information in their credit report. We have some concerns that this could result in predatory credit repair companies continually disputing accurate information, at great cost to financial institutions and consumers. Such continuous dispute opportunities could lead to situations where accurate “negative” information ends up being excluded from credit scores due to ongoing disputes. This will also leave less bandwidth for real disputes to be investigated. We also have concerns that proposals to expand private rights of action could have a chilling effect on credit unions and other financial institutions that could see a rise in frivolous lawsuits that will take resources away from serving consumers. Allowing courts injunctive relief could also lead to situations where courts may interpret the *Fair Credit Reporting Act* (FCRA) differently than the Consumer Financial Protection Bureau (CFPB), leading to confusion amongst financial institutions on how to comply with the FCRA.

Furthermore, NAFCU supports efforts to hold CRAs accountable for their obligations under the *Gramm-Leach-Bliley Act* and to improve data security at the CRAs. We do believe that there should be further examination as to whether the CFPB or the Federal Trade Commission (FTC) is best suited to establishing appropriate standards.

Finally, NAFCU and its member credit unions support the use of alternative credit score models to enhance access to affordable credit for creditworthy borrowers who have historically been marginalized. Credit unions work hard to provide products and services for their members, particularly those in underserved communities, including rural areas. Alternative credit score models that do not penalize borrowers for a lack of traditional credit history and include other data sources to verify creditworthiness have the potential to increase access to credit for these communities especially, furthering financial inclusion.

We thank you for your leadership and appreciate the opportunity to share our thoughts on the importance of an accurate consumer credit reporting system. We look forward to continuing to work with you on this important issue, as well as pandemic relief and economic recovery. Should you have any questions or require any additional information, please contact Sarah Jacobs, NAFCU’s Associate Director of Legislative Affairs, at sjacobs@nafcu.org or (571) 289-7550.

Sincerely,



Brad Thaler
Vice President of Legislative Affairs

cc: Members of the House Financial Services Subcommittee on Oversight & Investigations