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National Association of Federally-Insured Credit Unions

April 26, 2023

The Honorable Sherrod Brown
Chairman
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Tim Scott
Ranking Member
Committee on Banking, Housing,
and Urban Affairs
United States Senate
Washington, DC 20510

Re: Tomorrow's Hearing: "Oversight of the Credit Reporting Agencies"

Dear Chairman Brown and Ranking Member Scott:

On behalf of the National Association of Federally-Insured Credit Unions (NAFCU), I am writing in conjunction with tomorrow's credit reporting agencies oversight hearing. NAFCU advocates for all federally-insured not-for-profit credit unions that, in turn, serve over 135 million consumers with personal and small business financial service products. We thank the Committee for your focus on the credit reporting system.

The foundation of America's national consumer credit system is the Fair Credit Reporting Act (FCRA), enacted by Congress in 1970 to streamline credit reporting and provide consumers with protection from inaccurate and inappropriate disclosures of personal information by consumer reporting agencies. Credit reporting agencies (CRAs) collect and compile information about consumers' creditworthiness from financial institutions, public records, and other sources. Credit unions rely on the national credit system to assess risk, manage portfolios, detect fraud, acquire new members, and grow those relationships. That is why we support a strong and secure credit bureau system.

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. Wide 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, 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.

As you consider any potential changes to the credit reporting system, 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 organizations 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 FCRA differently than the Consumer Financial Protection Bureau (CFPB), leading to confusion amongst financial institutions on how to comply with the FCRA.

Additionally, 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.

Finally, NAFCU supports efforts to hold CRAs accountable for their obligations under the Gramm-Leach-Bliley Act (GLBA) and to improve data security at the CRAs. When a breach occurs at a CRA, depository institutions should be made aware of the breach as soon as practicable so they can proactively monitor affected accounts. Furthermore, compliance by CRAs with the GLBA and these notification requirements should be examined for, and enforced by, a federal regulator, whether the Federal Trade Commission (FTC) or the CFPB. Finally, any new rules or regulations to implement these recommendations should recognize credit unions’ compliance with the GLBA and not place any new burdens on them.

Thank you for your attention and the opportunity to share our thoughts on these important issues. Should you have any questions or require additional information, please do not hesitate to contact me or Chad Adams, NAFCU’s Senior Director of Legislative Affairs, at (703) 842-2265 or cadams@nafcu.org.

Sincerely,

Brad Thaler

Brad Thaler
Vice President of Legislative Affairs

cc: Members of the Committee on Banking, Housing, and Urban Affairs