National Retail Federation
The Voice of Retail Worldwide

Advance Notice of Proposed Rulemaking:

Procedures to Enhance the Accuracy and Integrity of Information Furnished to Consumer Reporting Agencies under Section 312 of the Fair and Accurate Credit Transactions Act.

Office of the Comptroller of the Currency, Treasury
(Dockets Nos. 06-04 and 2006-06; RINs 1557-AC89 and 1550-AC01)

Federal Reserve System
(Docket No. R-1250)

Federal Deposit Insurance Corporation
(12 CFR Part 334; RIN 3064-AC99)

Office of Thrift Supervision
(12 CFR Part 571 [No. 2006–06] RIN 1550–AC01)

National Credit Union Administration
(12 CFR Part 717)

Federal Trade Commission
(16 CFR Parts 660 & 661; RIN 3084-AA94**)**

Liberty Place
325 7th Street NW, Suite 1100
Washington, DC 20004
800.NRF.HOW2 (800.673.4692)
202.783.7971 fax 202.737.2849
www.nrf.com

Comments of the National Retail Federation

Introduction

The National Retail Federation ("NRF") respectfully submits the following comments in response to the Advance Notice of Proposed Rulemaking with respect to procedures to enhance the accuracy and integrity of information furnished to Consumer Reporting Agencies ("CRAs"). By way of background, the NRF is the world's largest retail trade association, with membership that comprises all retail formats and channels of distribution including department, specialty, discount, catalog, Internet, independent stores, chain restaurants, drug stores and grocery stores as well as the industry's key trading partners of retail goods and services. NRF represents an industry with more than 1.4 million U.S. retail establishments, more than 23 million employees -- about one in five American workers - and 2005 sales of $4.4 trillion. As the industry umbrella group, NRF also represents more than 100 state, national and international retail associations. Many NRF members extend retail credit to their customers. In most cases, members provide lines of credit, typically through the issuance of either private label or proprietary credit cards.

Proprietary credit is issued directly by the retailer, in its own name, to its customers. It is the traditional form of "retail credit" from which the current consumer credit system, including the concept of "credit bureaus," first developed. As its name implies, in a proprietary program all management of the credit relationship takes place completely within the retailer's operations. Application, approval, billings, additional extensions and collections are managed by the retailer. Proprietary retail credit was the predominate method of consumer credit extension for much of the past century. Today, relatively few large stores employ it. Over the past several years retail credit programs increasingly have shifted into private label. As a result of that trend and the proliferation of general-purpose bankcards, true proprietary retail credit is becoming the province of smaller, regional operations.

Far more prevalent are private label programs. Private label cards are issued by a bank on behalf of a retailer (in the retailer's name), to the retailer's customers for use in its stores. The issuing bank may be a corporate affiliate of the retail organization or it may be a distant third party. In the former case a private label card operation might appear to be similar to that of a proprietary card. However, responsibility for managing the portfolio and other aspects of the account resides with the financial institution, subject to contractual agreements between the financial institution and the retailer. Thus, for example, applications for credit may be completed and approved from the retailer's premises in the customer's presence. Monthly statements typically arrive in envelopes bearing the retailer's name and may include information about store events. From the customer's perspective a private label program may be nearly indistinguishable from that of a proprietary card. While the preceding discussion focused on revolving lines of credit tied to a card, comparable closed end installment arrangements also exist.

Finally, one step further removed are co-branded cards or those that have access to multiple accounts. The cards may bear both the retailer's name as well as that of one of the major general purpose bankcard issuers. These cards may incorporate distinguishable lines of credit for the named retailer and a separate line for general-purpose use (generally a Visa or MasterCard).

In each of these instances, the entity responsible for day-to-day operations of the account is also the entity responsible for communicating with any consumer reporting agencies to which the entity reports. In general these entities have developed back-office operations commensurate with the responsibilities they have voluntarily undertaken in connection with their reporting activities.

History

In order to appreciate the extent of that role, and to gauge the effect of steps taken to enhance the accuracy and integrity of information furnished to consumer reporting agencies, it may be helpful to review briefly the U.S. history of reporting activity.

Years ago, merchants offered extended payment periods to allow their customers to purchase provisions throughout the agricultural season. The reliability with which a customer's repayments were made was one factor considered by the merchant in deciding the "terms" it would extend in the future.

While the financial reputation of each household, and its members, might have been known by most merchants in a small town, over time the town's growth and the proliferation of merchants meant that word of mouth between retailers became an increasingly important resource in determining to whom one could safely offer terms. This often confidential merchant-to-merchant exchange of their experiences with individual customers was of benefit to the merchants, and their better customers. For the merchants it helped ensure that they would not provide extended terms to individuals whose failure to repay might result in hardship or even bankruptcy for the retailer. For the customers it meant that they did not have to repeatedly re-earn their reputations over a period of years; they were able to use existing merchant relationships as references.

A few things are evident from this model. The cobbler had to rely on the dry goods seller to provide reasonably accurate information. Each of their businesses depended upon it. The nature and frequency of the information conveyed was not always comparable. One merchant might experience singular purchases that were quickly paid off, while another might encounter large purchases paid for over an extended period of time. Therefore, the exchanged information was, at best, a guide. The information might be summary (X pays well); detailed (Y has been advanced this amount and repaid it several times with few difficulties); or selective in nature (Z has yet to pay me for his last purchase). But regardless of its form, it is more valuable to the merchant, and the town's commerce, than no information at all.

As towns grew into cities and the number of merchants expanded further several additional factors emerged. It became far less likely that any merchant would know the financial status of even a substantial portion of his or her potential customers. The effort required to seek out and share repayment information became an exponentially greater burden. While a customer might provide "references" to demonstrate his or her reputation, it was not in the customer's interest to volunteer the names of those merchants who had not been repaid. And, as towns grew into cities it was more likely that those merchants with experience might be direct competitors of those with which a customer wished to do business, a situation that could undermine the mutual trust on which the reference system relied.

To help alleviate these factors merchants developed mutual benefit associations: retail associations or chambers of commerce to which they all sought to belong. One of the primary functions of these associations was to provide a place for merchants to record, in an organized fashion, their financial experience with various customers. The nature of the information collected was not necessarily consistent. It might consist solely of negative files (Z hasn't paid) or some combination of observations. Nor was the manner in which each association compiled the information the same. Regardless, centralizing it reduced search costs, lessened the likelihood that potential competitors would receive skewed information (information was generally available to members of the association to the extent they contributed), and improved the participating merchants' financial health. Those who contributed to and used the shared resource were likely to make better financial arrangements with their customers. It also allowed them to more reliably allocate fair terms and conditions among consumers.

As the country grew and its citizens became more mobile, these associations became increasingly important. Some began to share information with nearby cities and towns, eventually becoming regional operations. By the second half of the last century these "credit bureaus" began to encourage merchants to volunteer their information in a more routinized manner to facilitate comparisons among merchant reports. To help defray the costs of the operations, bureaus began selling access to the association's files to merchants who had not contributed data, while simultaneously encouraging them to become data furnishers in hopes of making the files more complete.

In time many of these local and regional associations were purchased by or became affiliated with the major consumer reporting agencies that are the primary subject of the Fair Credit Reporting Act and its subsequent amendments. While those laws have structured the behavior of credit bureaus, they have not changed the underlying dynamic on which they are based. This is an important factor to keep in mind when considering the proposed changes.

Direct Dispute Regulations

The most significant inquiries in the ANPR are those dealing with the possibility of direct disputes. As was discussed above, the credit reporting system provides significant benefits to consumers and to the businesses that use them. But the system itself rests upon a series of behaviors and assumptions that have grown organically over the past century. Fundamental to these is that the balancing of competing interests, incentives and economic commitments that cause the system to operate are, at base, voluntary.

Performing furnishers' duties cost money. A merchant, or its affiliated bank in a private label context, must invest in equipment and personnel to interact with the consumer reporting agencies to which it furnishes data and to help ensure that the data provided is accurate. In addition to those employees managing the credit program, at a minimum it must hire staff to address Section 611 disputes that cannot be resolved adequately through automated processes.

Consider certain competing factors. It is indeed a delicate sense of obligation and self-interest that causes one merchant to invest time and money to furnish information that will benefit its competitor. Historically, the merchant associations addressed this issue in part by encouraging a sufficiently large body of businesses to contribute whatever they could afford to the system such that the benefits to a merchant of receiving information about unknown customers from a wide variety of sources, and its desire to encourage that process, outweighed the costs of providing information to businesses with whom it competed. However, the cost/benefit assessment of that trade-off is not the same for all merchants or other furnishers.

As the agencies are aware, some furnishers will not disclose all of the information they have about all of their customers to the same extent as do other furnishers. For example, some restrict disclosure of the size of their customers' credit lines, or even the amount of their maximum purchases, above a preset limit. In some cases, this is done for reasons of customer privacy. But in others, it represents a compromise between the desire to provide some information for the benefit of the credit reporting system, and a desire not to cost the furnisher the consequences of revealing the profitability of its very best customers.

From the merchant's perspective, disclosing that a customer routinely spends $10,000 or more on merchandise, and repays promptly, is deemed to be sufficiently indicative of the customer's financial capability as to warrant reporting;

while not revealing to his competitors that the customer is a $90,000 a year buyer. The merchant has made an assessment, whether justified or not, that detailed identification and possible loss of a few such customers could quickly overwhelm the benefits of hiring staff and maintaining equipment in order to furnish in the first instance.

Merchants have a choice not to report and instead purchase the reports of those who do[1]. That decision potentially makes the system less representative and potentially less robust. In attempting to determine whether there are instances in which direct disputing to furnishers might be imposed, you should recognize there is a possibility that the costs of reporting will drive merchants to underreport, or not to report at all. Therefore, we suggest the agencies exercise extraordinary caution.

Discussion

In light of the foregoing, and the other provisions of the amended FCRA, NRF members are hard-pressed to determine circumstances under which furnishers should be *required* to investigate directly filed disputes. While the information in consumer reports is gathered from a number of sources, the report itself is the product of the consumer reporting agency. The report's content, its format, the points it chooses to emphasize, the manner of reporting, coding and categorization of the data are all determined by the consumer reporting agency. As the history suggests, no two CRAs necessarily treat information in the same way. Therefore the final reports, even though they may be drawn from similar sources, will undoubtedly differ in some respects.

Currently disputes are directed, in the first instance, to the entity that is responsible for compiling the product about which the consumer has questions: the CRA. While there is a benefit in having numerous locations where consumers might dispute reports, CRAs already have a number of avenues to resolve the consumers' complaints. In some cases it is a matter of explaining how the report is constructed. Consumers may not understand why historic data is suppressed in

[1] In a sense the credit reporting system model is analogous to that of a volunteer fire department. No member of the volunteer corps has an immediate incentive to rise from his bed when the alarm sounds at night if his house is not burning, other than to encourage fellow members of the force to continue to respond in the event his home caught fire in the future. At first blush members of the department have no incentive to douse the fire in the home of an individual who does not volunteer until one considers that stopping the spread of fire potentially spares their homes as well.

On the other hand, if a fire breaks out in a distinct neighborhood from which no volunteers are drawn, while support of their fellow citizens may still be a motivating factor, the members of the department have somewhat less incentive to risk their lives extinguishing that remote blaze, unless that neighborhood has contributed something of value – e.g. the cost of maintaining the firehouse or equipment – such that the loss of that neighborhood would harm the department. In a sense, the members of the remote neighborhood are in a position comparable to merchants or credit grantors who pay to use the credit reporting system but do not furnish information. Given the other alternatives available, the costs of furnishing are greater than they are willing to bear.

some companies' reports but not in others. They may not understand why one report contains trade lines that another does not; or understand the display of trade lines established before a marriage or a divorce. This lack of understanding may result in a dispute. But a direct dispute to the merchant or other furnisher is not likely to assist the consumer in understanding how or why CRAs handle information in the manner they do.

The merchant is unlikely to have the disputed reports. They would need to be provided in a form comparable to that given to consumers and the merchant would need to retain employees to explain the CRAs' products. Even if the merchant were supplied with copies and had the staff on hand, it is unlikely that the merchant adequately could explain vagaries in the manner different CRAs codify information, nor do anything to change those differences if it could explain them. Even if the matters touched on the retailer's trade lines, in many instances complaints concerning how the merchant's data was reflected in the report could not be resolved by the merchant. At a minimum, someone with access to the report would need to explain to consumers the differences between the kinds of data susceptible of being influenced by furnishers and that which is not. The entity best situated to perform this task is the CRA. Otherwise, *every* furnisher would need to have trained staff on hand to address the possibility that a question might arise about products they do not create.[2] Logic strongly suggests that cost of staffing and training all, or nearly all, furnishers to duplicate the work now done by the CRAs would dwarf any benefit from having additional avenues for inquiries.

Since they are the primary source for explaining their reports, CRAs are also in the best position to determine whether a consumer inquiry likely is addressing a matter beyond their control and is more appropriately directed to a merchant or other furnisher. In most such cases, disputes are filed with furnishers electronically for reinvestigation. These are often sent with a particularized dispute code reflecting the complaint the CRA understands the consumer to be lodging. If the consumer could dispute directly to the furnisher as well, there is no guarantee that the consumer will not simultaneously lodge the same complaint both places. At a minimum this could mean that each such dispute is reviewed twice, once under the Section 611 procedure and a second time under the proposed Section 623 procedure. This doubles the time, cost and effort of resolving disputes for all of the parties.

In addition, it is entirely possible that the consumer reporting agency and the furnisher could code the dispute differently, meaning that the same information is reviewed from two different perspectives. Depending on the timing of the inquiries a reinvestigation that results in a correction could find itself "uncorrected," because the dispute in the second inquiry is deemed to be without merit, confirming the tape data and thus overriding the earlier "correction." Unless there is a mechanism (beyond merely asking consumers not to dispute more than once)

[2] By extension, would every courthouse, registrar of deeds, state office housing publicly available data, or any other source of CRA information be required to do the same thing?

for ensuring that multiple requests are coordinated the likelihood is that they will introduce more costs and greater opportunities for error and fraud into the system.

In fact, some direct disputing with furnishers occurs today. It can result in changes to the information contained in CRA files, but it is not necessarily an improvement in terms of accuracy or integrity.

Most furnishers already have on staff individuals responsible for customer service in the credit area. These employees assist with responses to electronic inquiries, with payment terms, account status, credit line inquiries and so forth. They also receive complaints from some consumers concerning the reporting of their accounts to the bureaus. In many cases the complaints are not true disputes, our members tell us that consumers often inadvertently acknowledge that the information the merchant is reporting is accurate, but instead claim that the reporting of it is unfair, or harmful, because it does not accord with the view of himself the consumer wishes to portray to another potential creditor. Or the consumer may argue that there were undisclosed circumstances which he or she believes, had the furnisher been aware of them, would have caused the furnisher not to report the derogatory information. Extended vacations, marital disputes, and irresponsible friends are often cited as reasons one or more payments were not made on time.

There are mechanisms for explaining these circumstances within the current FCRA. They may be added to a report as a statement if the consumer disagrees with the manner in which a dispute is resolved. But if the goal is to enhance the accuracy and integrity of the system, addressing these disputes through an intermediary, such as the CRA is a better means of doing so than disputing them directly to the furnisher. Again, recognizing that no one is perfect, the goal of the credit reporting system is to determine whether payments were timely made and comparing that payment record, to the extent feasible, with that of other imperfect consumers. To the extent some individuals' imperfections are selectively excused, the reliability of the system is compromised. The charge to the CRA, when a dispute with a merchant is tendered, is to initiate a reinvestigation of the accuracy of the disputed information. The CRA is a neutral party. If the accuracy of the information is confirmed, it is not changed. Since the goal of each CRA is to offer more accurate information than its competitors, it has no incentive to change information it has collected that has been shown, upon reinvestigation, to be accurate. Similarly there is strong incentive for the CRA to modify the report if inaccuracies are established during the reinvestigation process. The central, neutral role of the CRA is an important bulwark against inaccuracy.

On the other hand, a furnisher, especially a furnisher who has multiple relationships with a consumer, may have incentives to convert accurately reported information into inaccurate information if doing so will avoid damaging other, potentially more profitable relationships with that consumer. If the government specifically directs consumers to furnishers for purposes of disputing, furnishers will be placed under increased and direct pressure to balance potential damage to the credit reporting system against the immediate risk of losing a longstanding customer. Further, some merchants may feel conflicted at being placed in a role of "adjudicating" the "validity" of reasons their customer may have missed payments. This will further undermine the premise of the reporting system – to simply report the fact that payments are on time or late rather than attempting to characterize the reason for a particular payment behavior. In many cases a furnisher might resolve a customer dispute not by affirmatively reporting inaccurate information, but rather by reporting no information about the consumer. Since, as was discussed above, the incentives for fully supporting the system itself are not compelling for some merchants, introducing pressures that further undercut incentives to maintain the system's accuracy or completeness must serve an unusually high purpose if they are to be adopted. We do not believe such a purpose exists.

Additional Costs

As was discussed above, furnishers already have in place methods and procedures for servicing their customers and complying with existing obligations under the FCRA. Direct disputing would expand these obligations. Merchants who use electronic reinvestigation processes, such as those available under E-OSCAR, must familiarize their staff with operational aspects of those programs. They must recognize the significance of the various codes delivered by the system, but they generally need not analyze each customer inquiry and convert it into code form. Direct disputing necessarily will mean additional staffing. Anecdotally, our members inform us that only six to seven percent of trade lines disputed at the credit bureau result in information actually being blocked from appearing on subsequent credit reports. That means only a small percentage of disputes are ever actually found to be valid during routine reinvestigations. It is uncertain what percent of the remaining 93% of consumers would then initiate a direct dispute with the furnisher, but needing to process and reinvestigate even a modest percentage of that number would greatly increase the number of employees required.

By way of example, one large merchant reports that it received approximately 478,000 automated disputes in 2005, up from 364,000 in 2004. In addition to managing those, in 2004 its staff of 27 also handled 178,000 personalized requests on a voluntary basis. Assuming no duplication of disputes, it would have needed to have more than doubled the number of staff if substantially all of its disputes were directly submitted in the first instance. This additional cost would need to be replicated for every other furnisher, for an uncertain consumer benefit, if any.

There are additional costs not captured by this calculation. Currently furnishers have limited legal obligations with respect to disputes. If direct disputing were legally sanctioned, far more robust compliance programs than currently exist for discretionary accommodations would be needed. Worse, the existence of the obligation would open an additional avenue for abuse by credit repair organizations.

At present, credit repair organizations, while a threat to the system as a whole, have had only somewhat troublesome effects on furnishers. Typical credit repair organization tactics, to file serial disputes of the same item or to file multiple disputes of an item in such a manner as to provoke different codes creates difficulties for the CRAs who must determine whether the disputes are genuine. Masked among thousands of other disputes it is often difficult to determine whether a dispute is an attempt to introduce inaccurate information or a good faith effort to better explain a previously rejected dispute. CRAs have the unfortunate advantage of exposure to millions of such activities, providing them a larger base from which to extract evidence of repeated credit repair organization patterns. Few, if any, furnishers would have the breadth of exposure as to allow them to as readily detect such patterns. In light of the fact that CRAs have estimated that as many a 1/3 of the disputes they receive are illegitimate efforts at credit repair, it is evident that unleashing that many disputes directly on furnishers will disrupt the fragile balance currently encouraging reporting.

The risks to the system are high. Creditors could easily avoid potential legal liability, and the considerable economic costs of responding, *ab initio*, to an overwhelming number of disputes by choosing either to furnish very limited information, or provide none at all. As was common at one time, merchants might choose only to provide notice of write-offs or defaults. The number of consumers who default on obligations is fairly small. By electing to limit furnishing only to that group, a creditor correspondingly limits the number of potential disagreements (and therefore likely disputes) with the information it is furnishing. While it would encounter legal compliance costs, absent unusual circumstances, its staffing workloads are unlikely to be increased substantially.

Of course the potential costs to the credit reporting system and consumers of this approach are very high. The amount of information provided by such furnishers would be of only limited value: a consumer who did not default or file for bankruptcy necessarily would be deemed to have “paid as agreed,” regardless of his or her actual pattern of payment practices. However, a system that reports only one extreme of behavior is a very blunt instrument for distinguishing among consumers in a general population, especially since the current system has led to the development of highly predictive credit scoring models. (Indeed, the fundamental purpose of credit scoring is to predict future repayment behavior based on *detailed* historical experience.)

As the higher information costs of providing data to the system were borne by a decreasing number of furnishers, the data they supplied would become increasingly critical in separating good, from mediocre, from poor credit risks. Perversely, the data they provided, being among the only distinguishing data available, would become the target of greater interest by other creditors and by affected consumers. Said another way, if all classes in a typical public high school were graded on a pass/fail bases, the detailed scores provided by the SAT would take on far greater significance in the college admissions process than if those scores were accompanied by a range of graded classes for consideration as well. The increased attention given to the remaining traditional information furnishers would have the adverse effect of making their reporting subject to even greater pressure from direct disputes – further increasing the costs associated with their furnishing information. At some point, they too will decide that the cost of providing detailed data for the benefit of others is less valuable than the information they receive from the system in return.

For consumers, the effect of increasingly being graded on a default/no default system is that they would have fewer means of demonstrating their creditworthiness. Creditors, in order to minimize their risk would need to provide less credit, or extend it on less favorable terms, to the entire pool of eligible applicants, until such time that each could determine on its own which of their customers had demonstrated a pattern of responsible behavior. This would take us closer to the credit system that existed early in the last century than the one we have today. To the extent availability of credit is a societal good, it would be reduced.

The foregoing assumes that some merchants initially only reduce the quantity of information they are furnishing. If the perceived costs of adapting to the new system are sufficiently high, many merchants and other furnishers might well be induced to stop providing data altogether. In that case, the effects on otherwise creditworthy consumers and the credit system generally, would be profound.

Other Factors Affecting Accuracy and Integrity

Even with the level of furnishing extant, the credit reporting system is not completely accurate and the integrity of the data is not absolute. Errors occur in part because with so much data being supplied so often, some discrepancies are necessary if useful data is not to be discarded.

For example, one source of error is mixed files. Data pertaining to one individual is placed into the file of another. This can occur when two people of the same name reside at the same address: a father and adult son. In some cases this might have occurred if some of the distinguishing data, such as date of birth, were inadvertently dropped (or omitted) in the course of completing the credit application. If the remaining information were sufficiently accurate as to create a "match," credit might be extended and data relating to the performance on that account might subsequently be posted to the wrong credit bureau file. The problem arises because credit grantors generally do not need to know every characteristic of an individual in order to determine identity. Given that applications are completed by individuals who make mistakes or have ambiguous handwriting, unless there is some tolerance for slight error the system would perform much more slowly for everyone. Thus a mailed credit application that is "perfect" but for an incorrect middle digit in the home telephone number is unlikely to flagged or rejected. Overwhelmingly, the line of credit and the files associated with it will be correctly handled. Rather than require everyone who has written an illegible digit reapply or delay their application some tolerance is built into the system.

While the routine collection of social security numbers might be thought to eliminate the potential for mixed files, it does not. Many individuals share identical or nearly identical numbers. The transposition of two digits or similarity in the handwriting of a "6" versus a "0" may result in the types of errors mentioned above. Collection of social security numbers has certainly helped reduce some types of inaccuracy, but they are not a panacea.

Other factors may either introduce errors or limit the predictiveness of files. For example, not all of the bureau codes and all of the furnisher codes are identical. Confusion in the interpretation of whichever is presented risks introducing errors in the response process.

On the other hand, for the reasons stated above, limiting the amount of information does not so much introduce errors, *per se*, as it does alter the predictiveness of the file. Most derogatory information is typically removed from a file after seven years. To some small degree this deletion makes the file less predictive since it provides a less than complete picture of the consumer. Nevertheless, for social reasons we set a limit beyond which negative data is not reported. Similarly, some merchants do not report the actual size of the credit line granted to every consumer, while doing so gives a less than complete picture of those consumers' total finances, there may be compensating considerations, such as privacy.[3]

NRF does not support mandatory reporting. Not only are there compensating social factors that militate against reporting of all data in all instances, it is not advantageous to consumers or the reporting system for

[3] One well known retailer caters to high net worth individuals who occasionally purchase very expensive items, such as jewelry, in its stores. It only reports a fraction of their available credit lines. The retailer has determined that its customers would rather not take the risk that someone may inappropriately access their consumer reports and infer the presence of recently purchased expensive items, based on month-to-month changes in their credit balances. The fact that the customers' consumer reports do not provide a complete picture of their financial status is not, for these individuals, a pressing concern.

government to mandate that every credit grantor report, regardless of its level of sophistication. Some retailers haven't the ability to do more than report defaults. To force them into a regular reporting schedule will either cause them to handle more data than they can comfortably manage, and thus introduce more errors into the system, or force them to place some other entity in charge of their credit operations, reducing the total number of sources for credit. Especially among those smaller regional operations who provide traditional retail credit, forcing them to replace their program with that of more established lenders will result in a net diminution in the amount of credit available, and is likely to harm entry level and less well-to-do consumers the most.

Conclusion

The consumer reporting system is not perfect. It is the consequence of a long history of economic and social tradeoffs that have resulted in the sharing of information now deemed essential to the distribution of a scarce resource: consumer credit. Those who furnish information to the system do so for a combination of economic inducements and social incentives. So long as they can benefit both their businesses and the greater good while not unduly burdening their operations, we hope they will continue to do so. Adjusting the system should not be undertaken lightly. Once incentives for desirable behavior have been broken, a mere reversal of an erroneous decision provides no certainty that companies will again undertake the expense necessary to reestablish the common good. A merchant who out-sources its credit operation is unlikely to bring it back in-house. Similarly, a merchant who stops furnishing is unlikely to invest in new technology and staffing necessary to reestablish that practice. It required considerable persuasion over the past century to develop the current system, government should be careful not to devalue that effort.

As to the information itself, the consumer reporting agencies compete on the completeness and accuracy of the data they provide. This competition is tempered by their desire to collect data in a manner least burdensome to those who are supplying it. While they have standardized some processes, the very competition that drives their operations militates against reports among the firms being identical.

NRF appreciates the opportunity to provide these comments and would welcome the opportunity to meet with the agency staffs during this process to answer additional questions.

Respectfully submitted,

Mallory Duncan
Senior Vice President, General Counsel

Elizabeth Oesterle
Senior Director, Government Relations Counsel