



May 22, 2006

VIA ELECTRONIC MAIL

Jennifer J. Johnson
Secretary
Board of Governors of the
Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551
Docket No. R-1250

Office of the Comptroller of
the Currency
250 E Street, SW
Mail Stop 1-5
Washington, DC 20219
Attn: Public Information, Docket No. 06-04

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, NW
Washington, DC 20552
Attn: No. 2006-06

Ms. Mary Rupp
Secretary of the Board
National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314-3428

Robert E. Feldman
Executive Secretary
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429
RIN 3064-AC99

Federal Trade Commission
Office of the Secretary
Room 159-H (Annex C)
600 Pennsylvania Avenue, NW
Washington, DC 20580

Dear Sir or Madam:

The National Association of Mortgage Brokers ("NAMBD") appreciates the opportunity to submit the following comments in response to the notice and request for comment published jointly by the Office of the Comptroller of the Currency ("OCC"), Board of Governors of the Federal Reserve System ("Board"), Federal Deposit Insurance Corporation ("FDIC"), Office of Thrift Supervision ("OTS"), the National Credit Union Administration ("NCUA"), and the Federal Trade Commission ("FTC") (together, the "Agencies") on the Procedures to Enhance the Accuracy and Integrity of Information Furnished to Consumer Reporting Agencies ("CRAs") under Section 312 of the Fair and Accurate Credit Transactions Act ("FACT Act") ("ANPR"), Docket No. R-1250 (71 Fed. Reg. 14419 (March 22, 2006)). We commend the Agencies in their efforts to address the accuracy and integrity of consumer information

provided to CRAs and the need for an effective dispute resolution process regarding such furnished information.

NAMB is the only trade association exclusively devoted to representing the mortgage brokerage industry and speaks on behalf of more than 25,000 members in 50 states and the District of Columbia. By adhering to a strict code of ethics and best lending practices, NAMB members guide consumers effortlessly through the mortgage loan origination process. NAMB members act as intermediaries between consumers, lenders, CRAs, and other settlement service providers participating in the loan origination process during the purchase or refinancing of a piece of real estate. To promote professionalism in the industry and assist members in maintaining the level of expertise consumers have come to rely upon, NAMB offers ongoing educational courses and certification programs to mortgage professionals.

Today, mortgage brokers originate the majority of mortgage loans. As the principal conduit for bringing an array of loan products directly to consumers, NAMB has a vested interest in the accuracy and integrity of information provided to the CRAs and the process by which inaccurate items are removed from consumers' credit reports. As "end-users" of the consumer reports and other products offered by the CRAs, mortgage brokers rely upon the accuracy and integrity of the information collected by the CRAs in assessing the available loan product options for the consumer. Because mortgage brokers work directly with the consumer, NAMB members have first-hand knowledge of the direct impact that inaccurate report data can have on the consumers and their ability to obtain the appropriate financing terms. Inaccurate credit reports hinder a mortgage broker's ability to properly assess the data contained in the consumers' credit files, which in turn impedes the consumers' ability to obtain the appropriate loan product and pricing. For this reason, NAMB urges the Agencies to implement meaningful standards to regulate those who furnish information to the CRAs in an effort to improve accuracy and integrity of submitted data.

NAMB believes that our comments add significant value to the issues addressed in the ANPR as they relate to the types of errors, omissions, and other problems that impair the consumer's ability to obtain their choice of financing, as well as potential short-comings of the dispute regulation and resolution process. We have divided our comments into two principal sections, each addressing the two key components of the ANPR: accuracy and integrity guidelines and regulations, and direct dispute regulations.

PART ONE: ACCURACY AND INTEGRITY GUIDELINES AND REGULATIONS

I. *Types of Errors, Omissions, or Other Problems That Impair Accuracy and Integrity*

NAMB addresses below the following issues with respect to the types of errors, omissions, and other problems that impair the accuracy and integrity of information furnished to the CRAs: (a) interpretation of information furnished to the CRAs; (b) inaccurately reported data; (c) omission of data; and (d) limited reporting from collection agencies. Working with consumers, mortgage brokers acutely understand that any one of the aforementioned issues can harm a consumer's creditworthiness. This of course, directly affects the range and type of loan products from which they can choose.

A. Interpretation of Information Furnished to the CRAs

Inaccuracies can first infiltrate the credit reporting system is when a furnisher submits data to one, or all three of the national CRAs (Experian, Equifax, and TransUnion). When furnishers report account information to the CRAs, the information goes through an interpretation process that results in credit data that is called “credit attributes”. Credit attributes are factors that determine, among other things, whether an account is listed as open or closed; the “high credit limit”; and current payment status. Because each CRA uses its own proprietary logic to search and sort these attributes, there can be differing trade lines in each CRA consumer report even though the same account information is reported to all three CRAs. These trade lines are interpreted once more by each CRA’s own credit scoring model, which produces a number that predicts the likelihood of a 90-day delinquency appearing in that consumer’s credit file within the next 24 months. When the same account information is interpreted in different ways, and then run through the different scoring models of the CRAs, the resulting credit scores will be different.

B. Inaccurately Reported Information

Inaccurately reported information enters the credit reporting system from both public records and payment histories. The inaccuracies reported on a consumer’s credit file can negatively impact the consumer’s credit score and hinder a consumer’s ability to obtain their desired loan product. Listed below are a few examples of inaccurately reported information that mortgage brokers have experienced in working with consumers.

1. Examples of inaccuracies submitted via public records:

- a. A CRA’s reviewer reported a lien filed when, upon further investigation, the face of the lien stated “filed in error” – the lien should never have been reported. If the filing date shown on the report had been very recent, the reporting error would have caused the consumer’s credit score to drop significantly.
- b. For up to ten years a Chapter 7 or 11 Bankruptcy filing can appear in a consumer’s credit file. In most instances these types of bankruptcies are discharged six to twelve months after filing. When the discharge occurs, a notation appears in the consumer’s credit file indicating the date the bankruptcy was discharged. Periodically, mortgage brokers have reviewed a consumer’s credit report and discovered that the bankruptcy discharge notation has been deleted from the consumer’s credit file. The deletion is due either to the requirement under the Fair Credit Reporting Act (“FCRA”) that most negative credit information be deleted from the consumers credit file seven years from the date of occurrence or was not picked up by the CRA’s public records reporter. If the bankruptcy notice continues to appear in the consumer’s file, without a notation that the bankruptcy has been discharged, the underwriter assumes the bankruptcy was never discharged. This type of inaccuracy prevents the consumer from obtaining a Fannie Mae or Freddie Mac mortgage loan because these agencies require

bankruptcy discharges by the date of the application or four years prior, respectively.

2. Examples of inaccuracies submitted via payment history:
 - a. A late payment was reported in a consumer's file when in fact no late payment had occurred. Because the reported late payment was recent and considered severe, *i.e.* 60 or more days delinquent, the consumer's credit score was negatively impacted. The impact could be even more severe for a consumer who has a limited credit history, with a limited number of positive accounts to offset the error's impact on his or her score. Furthermore, there have been instances where late payment information that was well beyond the seven-year aging requirement appeared in the consumer's credit file—a direct violation of the Fair Credit Reporting Act ("FCRA") that negatively and unfairly impacts the consumer.
 - b. Despite the settlement of the class action lawsuit, *Clark v. Experian Information Solutions, Equifax and TransUnion*,¹ mortgage brokers still see accounts reported to a consumer's credit file that show the notation "Account Included in Bankruptcy" even though no bankruptcy filing is reported in the "public records" area of the consumer's credit report. This notation, if occurring within the last 24 months, can prevent a consumer from being approved by a secondary market automated underwriting system (*i.e.* Fannie Mae or Freddie Mac) even if that consumer's credit score is indicated to be in the high 700 range and everything else in the consumer's file is picture perfect.

The above example typically occurs when parents co-sign for their child's mortgage and the child subsequently files bankruptcy, but the parents do not. *Clark* states that the notation about an account being included in a bankruptcy can no longer be shown in the credit file for the consumer who did not file the bankruptcy. Yet, there are still instances where this erroneous reporting occurs and the furnishers of credit make it extremely difficult to remove the notation from the non-bankrupt consumer's file.

C. Omission of Data

Data omission can negatively impact the accuracy and integrity of credit data and therefore negatively impact a consumer's credit score. The omission of data on a consumer's credit file inaccurately portrays that consumer's behavior and often fails to reflect positive behaviors of the consumer. Assessing consumers' creditworthiness and their ability to obtain a loan product is difficult when furnishers fail to report a full credit file to the CRAs. The following examples provide insight into the types of data furnishers fail to omit and the impact that such an omission can have on a consumer's creditworthiness.

¹ *Clark v. Experian Information Solutions, Equifax and TransUnion* (Civil Action 8:00-1218-24) January 14, 2004

1. In working with consumers, mortgage brokers have discovered that certain furnishers of credit card information consistently omit a consumer's maximum "high credit limit" when they report information to the CRAs. When the furnisher engages in this practice and only reports the "highest balance carried," the consumer's account appears to be close to the maximum limit available on the credit card. This practice has a detrimental impact on the consumer's credit score and diminishes the overall quality of the CRA's scoring model's ability to predict behavior.

When credit attributes are missing from a trade line, the CRA's scoring models must use alternate relationships to predict a sub-population's behavior. One of the relationships often substituted for a "high credit limit" is the credit attribute of "highest balance carried." Scoring models weigh the utilization of each revolving trade line as a percentage of the current balance to the maximum "high credit limit". Usually, the lower the percentage becomes, the higher the consumer's credit score becomes. Although this practice of substituting the "highest balance carried" for the "highest credit limit" often works for charge cards in which a balance is due in full each month, it can introduce a false predictive variable for credit cards where a balance can be carried from month to month.

For example, if a consumer has a \$20,000 maximum "high credit limit" on a credit card, but the highest amount of credit he or she has used on the card is only \$6000, then \$6000 is considered the "highest balance carried" and reported to the CRAs in lieu of the \$20,000 maximum "high credit limit." This example will produce an inaccurate interpretation of the consumer's behavior. Furthermore, if the consumer has a current credit card balance that approaches the "highest balance carried" of \$6000, then the consumer's credit score will drop due to an inaccurate interpretation by the scoring model believing that the consumer has "maxed out" the credit card. Conversely, if the maximum "high credit limit" had been accurately reported by the furnisher, then the amount owed by the consumer would appear lower compared to the maximum available "high credit limit."

The above demonstrates clearly how omission of key data directly impacts a consumer's credit score in a negative fashion. In today's market of rising interest rates, a small difference in a credit score – even one to ten points – can make the difference between a marginally qualified consumer obtaining or not obtaining a mortgage and achieving homeownership.

2. Data omission arises when public utility companies fail to provide full factual credit file disclosure. Because public utility companies typically only report the negative information on a consumer's account, the consumer is unable to receive any positive benefit from the good payment history he or she has established with the public utility company. Allowing consumer's to establish and receive credit for a good payment history will help offset a recent negative event such as one late payment. The consumer's credit score can be negatively impacted when a furnisher fails to provide a full factual disclosure to the CRAs. As a result of this error, a marginally qualified

consumer could potentially be declined for a mortgage loan or have to settle for a lesser quality loan.

3. Data omission can also occur when the actual last “date of activity” is omitted from a seasoned mortgage that still shows a balance owed. In this example, the omitted data causes an underwriter to request an update on the account to determine what balance is owed. This practice can artificially represent that the consumer owes more money than he or she actually owes on the mortgage. Once again, this type of omissions results in a negative impact on the consumer’s credit score.

D. Limited Reporting from Collection Agencies

As end-users of credit reports, mortgage brokers bear witness to several questionable practices by collection agencies that often result in inaccurate information in a consumer’s credit file. Mortgage brokers also bear witness to the negative scoring consequences that arise from consumers when inaccurate information is reported to the CRAs from collection agencies. The responsibility to correct discrepancies often falls to the consumer, and is a reactionary process because the consumer is unaware that his or her credit file contained errors until obtaining credit is necessary for him or her. It is critical that this type of information is handled in an appropriate and timely manner in accordance with the law.

Examples of limited reporting by collection agencies include, but are not limited to:

1. Data that is reported by the collection agencies to the CRAs is of poor quality. For example, the date being reported and dates of status contain errors and/or omissions. Submission of this type of data violates Section 623 of FCRA;²
2. Positive information, such as payments or payoffs, is reported in a slow manner as compared to the timeline in which collection agencies report negative account activity. To ensure the accuracy and integrity of the data reported to the CRAs, collection agencies should be required to report both accurate open and close dates in a timely fashion, such as within 30 days;
3. When a collection account is sold or transferred to another collection agency, there is often no indicator of the transfer from one agency to another placed in the consumer’s credit file. If the new collection agency shows a new open date and the inactive

² In a case brought by the Federal Trade Commission (“FTC”) against NCO Group, Inc., one of the nation’s largest debt-collection firms, in May 2004, the FTC alleged violations of “Section 623(a)(5) of the FCRA, which specifies that any entity that reports information to credit bureaus about a delinquent consumer account that has been placed for collection or written off must report the actual month and year the account first became delinquent. In turn, this date is used by the credit bureaus to measure the maximum seven-year reporting period the FCRA mandates.” According to the FTC, NCO reported accounts using later-than-actual delinquency dates, which may cause negative information to remain in a consumer’s credit file beyond the seven-year reporting period permitted by the FCRA for most information. When this occurs, consumers’ credit scores may be lowered, possibly resulting in their rejection for credit or their having to pay a higher interest rate. NCO Group Inc. paid \$1.5 million to settle these charges. (FTC File No. 992-3012) FTC File No. 992-3012, May 12, 2004 (<http://www.ftc.gov/opa/2004/05/ncogroup.htm>)

collection company fails to delete its information from the consumer's credit file, a string of multiple external collection agencies will appear on the consumer's credit file. Often times, violations of this nature go unresolved for some time because the correcting this type of discrepancy is a reactionary process that falls on the consumer. But the consumer typically does not discover these discrepancies until they need access to their report to obtain credit at which point the error negatively impacts their credit score and thus their ability to obtain a desired loan product in a timely manner.

4. In today's reporting environment, there is strong evidence that certain furnishers are not complying with Section 605(c) of FCRA³ and the correct dates for aging of an account are inaccurately reported on consumer's credit files. For example, when a trade line, such as a department store, out-sources a collection account from an internal collection department to an outside general collection agency, the outside agency often reports a new open date for the account with no reference to the trade line. The new open date then replaces the trade line accounts last "date of activity" date or the date when the account went delinquent. When this occurs, the date for aging the account is updated, which for scoring models makes the transferred account appear as though it is a new collection account even if the original collection is four or more years old. The use of the inaccurate date negatively impacts the consumer's credit score because it appears as a new collection account to the scoring risk assessment model.

II. *Problems That Arise From Inaccurate Information*

When errors, omissions, or other problems occur, in credit reports, such as those mentioned above, consumers are unable to obtain desirable loan products. In today's market, minor variations in a consumer's credit score matter and can mean the difference in obtaining a fixed interest, traditional loan product or an adjustable rate, non-traditional loan product. Errors on a credit report that reduce a marginal consumer's credit score by as little as one to ten points can significantly impact that consumer's ability to obtain their desired loan product.

For example, if a consumer wishes to convert a home equity line of credit ("HELOC") to a fixed rate they can only do so without incurring an additional interest rate cost at a credit score of 680 or above.⁴ If that consumer has a credit card that is not reporting the "high credit limit" as explained above, even though the consumer has excellent credit they may not be getting the highest score possible and therefore, may not reach the 680 mark to be able to convert their HELOC to a fixed loan without an additional interest rate premium. With the continual increase in the prime rate today, the index to which most HELOCs are tied, most consumers are finding the constant increases to their interest rate, and consequently their monthly payment, too expensive and unsettling. Consumers are choosing to convert to fixed loans from their lines of credit whenever possible. Unfortunately, if a consumer discovers that their credit report contains one or more of the examples explained above, the consumer

³ Section 605(c) of the FCRA stipulates a collection account should be deleted from the consumer's credit file seven years and 180 days from the date of the commencement of the delinquency, which immediately preceded the collection activity inclusive of any sales or subsequent transfers of the account.

⁴ Chase Home Equity Guidelines

may be unable to attain a more desirable loan product and may end up paying more because time passes and interest rates may increase all while the consumer is attempting to correct these errors.

III. *Patterns, Practices and Activities That Compromise Accuracy and Integrity*

The most obvious way furnishers compromise the accuracy and integrity of the information is by providing incorrect data or omitting data. The patterns and practices by which furnishers provide information to the CRAs can also directly impact the accuracy and integrity of the information.

A. Examples of patterns, practices and activities that may compromise the accuracy and integrity of consumer credit file data include but are not limited to:

1. The inaccurate spelling of a consumer's name and or address by a furnisher of data can cause mixed consumer file information within a CRA. A consumer with excellent credit scores can appear to have negative credit that does not belong to him or her. The inaccurately input data causing the mixed file may lower the consumer's credit score, which in turn limits the range of available loan products from which the consumer can choose.
2. Furnishers are not required to report information to all three of the national CRAs. Often furnishers of credit information choose to report information to only one or two CRAs. If data is reported to one CRA, but not the other two, then the respective scoring models of the CRAs are evaluating different information files, which ultimately means that the accuracy of any one of the three reports could be questioned. Even when furnishers of credit information report to all three CRAs, they may not do so simultaneously. Again, this practice can cause a discrepancy in the data reported by each CRA. These types of inconsistencies in reporting can also make correcting inaccuracies extremely difficult for consumers.
3. Practices by the national CRAs in how each one searches data to sort it into individual credit file reports compromises the accuracy and integrity of the consumer report. Searches starting with the consumer's last name and initial can provide mixed credit files particularly in high ethnic neighborhoods or where all members of a family have the same last name and first initial. These issues can be both costly and time consuming for consumers to resolve. In some cases, the mixed credit files may be negative enough to prevent the consumer from being approved for the loan product and price he or she has requested.
4. The practice of unannounced placements of accounts to a collection agency can cause a mortgage-approved consumer's credit score to drop significantly. When the consumer's credit score drops drastically, the consumer risks losing his or her loan commitment at the last minute without warning. The result is the inability of the consumer to close on the loan and purchase their home because the consumer no longer qualifies for their chosen loan product. Hospitals are an example of a furnisher

that engages in this type of harmful practice. A consumer's credit score may drop when a hospital sends an account to an outside collection agency. Often, the only paper sent to the consumer is an invoice state that it is not a bill but a notice that the hospital is working with his or her insurance company.

5. Furnishers of credit data often fail to clear a balance owing or past due column for an account that has been charged off as a result of a bankruptcy discharge. Generally, furnishers or CRAs will show the balance owed and an amount in the past due column, yet, fail to show the account as included in a bankruptcy. This practice is particularly harmful to a consumer's credit score if the bankruptcy was actually discharged many years ago.
6. Credit card companies furnishing data regarding "corporate credit cards" often report the status, balance owed, and other facts regarding the account to the personal files of the authorized users who have no control over the account balance or the timely payment on the account. The CRAs have previously indicated that this type of reporting should not occur and that it will be deleted when disputed. Unfortunately, the percentage owed on these cards can be very close to the "high credit limit" causing an unsuspecting consumer's credit score to be negatively impacted. Again, this impedes the consumer's ability to secure the financing for which he or she has applied.

If a collection agency fails to report an account that is paid off or transferred, or reports open or close dates that appear more recent than is the case, then the accuracy and integrity of the information that the furnisher is providing to the CRAs is compromised. Under these circumstances, the information being reported to the CRAs fails to accurately portray the status of a consumer's accounts.

The practice of not reporting, or the lack of any requirement to report, information to all three CRAs jeopardizes the accuracy and integrity of the information contained in consumers' credit reports. If only one of the three CRAs has the necessary account information to include in their calculations of predicted behavior, then the accuracy of the credit reports provided by the CRAs not receiving the full file account information should clearly be questioned. To reconcile this difference, furnishers should be required to report a full file disclosure – for the life of the account – to each of the CRAs that the furnisher first obtained credit information from in order to open the account in the first instance. If a furnisher is not required to report account data to all three of the CRAs, or is not required to provide data regarding the account for the life of the credit account, it is doubtful that the account status is being adequately and accurately reported to the CRAs. If the CRA is not supplied full factual data directly from the furnisher who holds and maintains the account for the consumer, it is questionable as to whether the CRAs can accurately compute a consumer's true predicted behavior.

It is critical to fully appreciate the impact that inaccurate information can have on a consumer's creditworthiness while contemplating the need for a resolution process that will assist consumers in their ability to resolve disputes regarding their credit report information. The current resolution process is not regulated adequately and compromises the data furnished to the CRAs. When a consumer discovers an error or omission in their credit report

they must first contact the furnisher or the CRA, neither of which have appropriate procedures in place to assist consumers throughout the resolution process. When the consumer contacts the CRA with a dispute, the CRA requests the furnisher to re-investigate the accuracy of the data being reported to the CRA. If the furnisher verifies the data reported as accurate the CRA simply considers the matter closed. This re-investigation process fails to afford the consumer the opportunity to provide additional documentation that could support his or her claim that the data furnished, re-investigated and verified as accurate is, in fact, incorrect. The lack of adequate policies and procedures neither allows for proper vetting of a consumer's claim, nor verifies that a re-investigation actually occurred to determine data accuracy.

IV. *Business and Economic Reasons for the Patterns, Practices and Activities*

Each segment of the credit reporting system has established business practices that will need to be modified if a serious effort is going to be made to streamline the processes used by furnishers to report data and CRAs to interpret data. Because the patterns, practices, and activities described above are brought about primarily by economic reasons, there may be resistance to changing current practices. To ensure accuracy and integrity in the credit reporting system, both furnishers and the CRAs must establish new procedures, add personnel, and implement better quality control mechanisms, which should include additional training for personnel responsible for the reporting of consumer credit data to the CRAs.

PART TWO: DIRECT DISPUTE REGULATIONS

I. *Requirements of the Furnisher to Investigate a Consumer Dispute and the Benefits to the Credit Reporting System*

NAMB commends Congress and the Agencies for their efforts to provide consumers direct access to both the CRAs and the furnishers through the implementation of FCRA, as amended by the FACT Act (together, "FCRA"). The FACT Act amendments were a vital step to improving the accuracy and integrity of the credit reporting system. NAMB urges the Agencies to further this effort by implementing policies and procedures that will enforce FCRA and hold both furnishers and CRAs accountable throughout the re-investigation process of consumer disputes.

Establishing policies and procedures that hold furnishers accountable under FCRA will ensure that consumers' disputes are properly vetted. Under the current system, if a consumer disputes an item on their credit report through the furnisher, the dispute is often not verified adequately. Therefore, any implemented policies and procedures should include steps that will require furnishers to process consumer disputes properly. This process must include verifying any and all data available, not just reviewing the last electronic information submitted to the CRAs and assuming that information is correct. Furnishers must also have an established process that allows for direct delivery of the furnisher's account support data (e.g., copies of documents, signature matches, application of funds receipts, etc.) to the consumer for verification. Similarly, a consumer should have direct access to a furnisher's dispute resolution process and investigation department, which will allow the consumer to

provide information back to the furnisher to assist the investigation (*e.g.*, checks from banks, receipts, affidavits, etc.).

NAMB believes furnishers and CRAs must be required to establish training programs for their personnel. Training should be mandatory for all personnel responsible for handling credit reporting and/or consumer disputes. The mandatory training program should also ensure that all personnel have direct knowledge of FCRA and the requirements placed on furnishers with respect to the consumer dispute resolution process. Furnishers should also be required to implement policies and procedures that will enhance the effectiveness and timeliness of the dispute resolution process. Policies of this nature will foster accuracy and integrity in the credit reporting system and make the credit reporting system better for all participants.

Last, the Agencies should require furnishers to provide their consumers with the necessary information to assist them when a dispute arises. This includes, but is not limited to, the name of the furnisher's department that handles such disputes; the phone number, e-mail address, or postal address where a consumer can submit a dispute; and a list of documents the consumer will need to provide, as well as any other actions the consumer should take to have the dispute verified and corrected. Requiring the furnishers to establish such a policy, and provide the written policy to their consumers, will ensure that consumers are informed of their rights and will assist them should they discover an inaccurate item in their credit report.

II. *Current Practices of Furnishers Investigating Disputes*

Due to a lack of federal or state laws and/or judicial precedence,⁵ there is discrepancy in interpreting what qualifies as a "reasonable investigation" when it comes to resolving disputes brought to furnishers by consumers. Therefore, while it may be the practice of some furnishers to fully investigate disputes about the accuracy of information furnished to the CRAs based on direct requests by consumers, other furnishers may use less than adequate procedures to investigate and resolve consumer disputes. Due to the lack of strict standards and procedures in the current system, furnishers have extreme flexibility in their internal procedures for investigating consumer disputes, which increases the risk to consumers and leads to the potential impairment of a consumer's creditworthiness. NAMB believes that the current standards of FCRA fail to hold furnishers sufficiently accountable for inadequate investigations considering harm furnishers can inflict upon consumers by incorrectly reporting information to the CRAs.

⁵ From PUBLISHED: UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT No. 03-1235 "Neither this court nor any other circuit has addressed the extent to which a creditor must investigate a consumer dispute in order to avoid liability under § 1681s-2(b)(1). However, district courts that have considered the issue have consistently recognized that the creditor's investigation must be a reasonable one. *See Agosta v. Inovision, Inc.*, 2003 WL 22999213, at *5 (E.D. Pa. Dec. 16, 2003); *Buxton v. Equifax Credit Info. Servs., Inc.*, 2003 WL 22844245, at *2 (N.D. Ill. Dec. 1, 2003); *Wade v. Equifax*, 2003 WL 22089694, at *2-*3 (N.D. Ill. Sept. 8, 2003); *Betts v. Equifax Credit Info. Servs., Inc.*, 245 F. Supp. 2d 1130, 1135 (W.D. Wash. 2003); *Olwell v. Med. Info. Bureau*, 2003 WL 79035, at *5 (D. Minn. Jan. 7, 2003); *Kronstedt v. Equifax*, 2001 WL 34124783, at *16 (W.D. Wis. Jan. 25, 2001); *Bruce v. First U.S.A. Bank*, 103 F. Supp. 2d 1135, 1143 (E.D. Mo. 2000)."

The current practices of furnishers and their failure to properly re-investigate disputes brought by consumers jeopardizes the credit reporting system's accuracy and integrity. A furnisher's ability to inappropriately classify a consumer's repeated dispute as frivolous should not be allowed. When a furnisher is able to classify a dispute as frivolous they restrict the consumer's ability to further contest inaccuracies in their credit file. NAMB believes this is detrimental to the credit reporting system and jeopardizes the integrity of the system.

III. Impact on Overall Accuracy and Integrity of Consumer Reports if the Furnisher is Required to Investigate Disputes

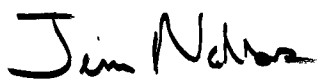
Increasing the accountability of furnishers and implementing the policies and procedures outlined above will increase the overall accuracy and integrity of the credit reporting system. The current belief is that employees working for the furnisher or CRAs are not adequately handling consumer disputes, but rather just moving disputes through their channels in an attempt to "verify" them without actually reviewing appropriate documents. NAMB believes furnishers should be required to establish procedures that would allow consumer disputes to be properly vetted and moved through the system. These procedures should also include policies that allow all parties an opportunity to provide documentation during the resolution process. Without the implementation of sound policies and procedures that protect the rights of consumers under FCRA, the accuracy and integrity of consumer reports and the credit reporting system in general is jeopardized by the actions of some furnishers who fail to properly verify, and correct when appropriate, items that are disputed by consumers.

SUMMARY AND CONCLUSION

NAMB believes that any furnisher providing consumer information to the CRAs must establish procedures and guidelines to ensure the accuracy and integrity of consumer information as well as appropriate and timely processes and procedures for dispute resolution. Because the information contained in a consumer's credit report weighs so heavily on their ability to obtain loan products, and financial security, NAMB recommends that the Agencies take steps to ensure consumer disputes are properly vetted through both the furnishers and the CRAs in a timely matter.

NAMB appreciates the opportunity to comment on the vital issues presented by this ANPR. If you have any questions, please feel free to contact Roy DeLoach, Senior Vice President/Chief Financial Officer at 703-342-5850 or Nikita Pastor, Legislative and Regulatory Counsel, Government Affairs at 703-342-5851.

Sincerely,



James L. Nabors, II
President of NAMB