

Dear Sirs:

I have been involved in the world of credit for the past 23 years in the automotive industry. In the good old days we used the three C's - Character, Credit and Collateral - to determine approval of loans. Today we've been relegated to a number on a computer screen that is generated by a formula that is a more closely guarded secret than KFC's chicken recipe.

I bought into Equifax's annual credit report program where for a mere \$80 per year I get unlimited copies of my credit file including the score. During this time I was able to watch my score soar to a peak of 667 when they decided in January of 2004 to change their formula. My credit score fell nearly 100 points to 576. There were no changes in credit lines, no new negative reports, simply a drop in score because of the new way they calculated the number.

My inquiries went unanswered, especially when you call their 800 number and get forwarded to a call center in India. But that's for another discussion.

Bottom line is that the score fell. I decided to hold off on purchasing a home because the score would add nearly 3% to my APR on the loans they were offering. One afternoon a good friend offered to work out something and for me to trust him in getting my loan approved and at a decent rate. I said sure, if you think you can do better than the 9% I've been offered, have at it. Well, low and behold I was told by my Mortgage broker friend that my score was not 576, but 680. I was flabbergasted. I asked him to look at what Experian gave me and he told me that it was common for the credit bureau's to give different scores to consumers than what they gave to Mortgage companies, and even different to automobile lenders and even more different to credit card companies.

I sent off several letters to the CRAs asking if this was true. The responses I got were the form letter variety. I ended up speaking to several people in different industries than mine. I was startled to find out that they can offer different scores to everyone is because there are no checks, balances or standards since these formulas are kept secret. There is no way for us to factor in such things as an industry that you are attempting to borrow money from. It appears that the CRA (Credit Reporting Agencies) have that portion licked.

Next, I bought a new car and called my insurance agent to get it insured. The cost of my insurance went up 25%. I told her I was going to shop around since I've been with this company for the past 7 years with no claims, it was ludicrous to have it increase so much. She informed me that the insurance companies have come out with "studies" that indicate a fellow with a credit score of sub 640 will have claims with their insurance so before we make a claim we're to pay a higher premium. I asked her what about past experiences with the insured? Her response was pretty blunt. It doesn't factor into their rates as heavily as the credit score does. Oh yes, I forgot, the CRAs also have an insurance company credit score.

How do they determine which industry you are in? Simple, it is your credit bureau log-in ID.

You know what's amusing? I'm pretty sure that the person that is going to read this for the FTC and weigh it doesn't even realize that they themselves are being discriminated against based on which industry you are seeking credit for. I'm just wondering if this letter will even be weighed into the large scheme of things or will it be brushed under because the average politician has a credit score above 700 and is unaffected?

The worst thing that could have ever happened to the consumer was that Congress and the FTC were hood-winked by the CRAs into coming up with a "score" to test the credit worthiness of the customer.

Open a \$200,000 mortgage, borrow \$28,000 for a new car and get a \$5000 limit credit card. According to the CRAs, you'll have a credit score in the 700's. But watch out if you forget to pay that \$164 electric bill from an apartment you rented in 1997. That \$164 collection will reduce your credit score by nearly 60 points. I know, it happened to me 4 years ago.

Let's push the envelope a smidge further. Let's see if I can use more IF'S then the director for Experian did in his letter to the commission.

IF you attempt to dispute the \$164 collection, what happens is that the CRA must resolve the dispute within 30 days. To RESOLVE the dispute, the CRA asks the collection agency if its accurate. The collection agency says "Sure it is! Would we lie?!?" The CRA then upholds the report and that's that. The consumer's only relief left is to put in a notice on his or her credit report that says "No, they are not telling the truth! I do not owe them \$164!" Guess what? The credit score is still unchanged. In fact, the consumer statement has no weight in the credit score at all. Truth is, this little collection account will in effect reduce your credit score by 10%. That doesn't sound like much. But consider this, if you have a credit score of 720 or above, you get the best rates available. If you have a credit score just 10% less then that (-72 points or 648) you now go from Tier I to a Tier III credit risk. In a home mortgage, this will affect your interest rate 2% APR. It will keep you from getting a low interest credit card (1.9 intro rates with a 7.9% annual rate year round). It will prevent you from getting a sub-vented rate from any of the captive automotive finance companies (IE 4.9% in lieu of 0.0%). In short, this one collection account will affect your major purchases to the tune of hundreds of thousands of dollars in increased interest rates.

Back to my tragedy, as it turns out, that one collection was from a company that filed for bankruptcy protection in 2000. The collection agency claimed it was a legitimate bill. But trying to contact the company which claimed the bill was owed was impossible. Due to the bankruptcy, the attorney could not find a specific bill that was sold during the bankruptcy proceedings (This was an asset as the courts decided) and subsequently you can't go against the company's word since no one at the company will stand up for sure

and say you do owe the bill, only that you must have owed the bill or we wouldn't have sent you to a collection agency!

What if you decide to dispute it? Good luck. All the collection agent has to say is that it's legitimate. It stays for 7 years. That is, 7 years from the last time it's reported. The good news is that the collection agency may forget about it after a few years. Then again, they may not and just renew it 6 years later so that it stays for another 7 years. The last time the collection agency reported this \$164 was in April of 2004. No wait, I just remembered. They re-reported it this month in April of 2005. The CRA? Well they are just calling them as they get them. In the mean time, I'll just go back to paying cash for everything. It makes life simpler.

Regards

Alan J Rosner
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