



May 22, 2006

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

**RE: Procedures to Enhance the Accuracy and Integrity of Information  
Furnished to Consumer Reporting Agencies, Project No. R611017**

On behalf of the Consumer Data Industry Association's<sup>1</sup> members we provide the following comments in response to the interagency advance notice of propose rulemaking regarding procedures to enhance the accuracy and integrity of information furnished to consumer reporting agencies. We applaud the agencies' efforts to foster a thorough and productive dialogue on this subject. Accuracy and integrity of data are key priorities for our members. While, as the Federal Register notice itself points out, there is a diversity of consumer reporting agencies producing data products regulated under the FCRA, our comments will focus primarily on the furnishing of information to nationwide consumer reporting agencies as that term is defined in Section 603(p) of the FCRA.

**Overview – Credit Reporting and the U.S. Economy – Preserving Success**

By any standard of measure the U.S. credit reporting system provides tremendous economic benefit to the country. In fact, the following excerpts from the “statement of purpose” of the Fair Credit Reporting Act (15 U.S.C. 1681 *et seq.*) are no less true today than when they were first written as part of the enactment of this law in 1970.

- *“The banking system is dependent upon fair and accurate credit reporting.”*
- *“An elaborate mechanism has been developed for investigating and evaluating the credit worthiness, credit standing, credit capacity, character and general reputation of consumers.”*
- *“Consumer reporting agencies have assumed a vital role in assembling and evaluating consumer credit and other information on consumers.”*

Beyond the prescient thoughts of the authors of the FCRA, studies have demonstrated just how profoundly important credit reporting really is to our economy as a whole. Consider the following excerpts from leading papers:

- *“Transparency of consumer credit data is the foundation of consumer credit in the US. Outstanding consumer loans exceed both government debt and corporate debt in the US, and constitute sixty percent or better of US gross domestic product (GDP). The consumption [of] consumer credit comprises two thirds of US GDP. Perhaps most important is the fact that people and capital are relatively more mobile in the US serving to minimize economic dislocations in a more competitive global economy.”<sup>2</sup>*

---

<sup>1</sup> CDIA, as we are commonly known, is the international trade association representing over 250 consumer data companies that provide fraud prevention and risk management products, credit and mortgage reports, tenant and employment screening services, check fraud and verification services, data for insurance underwriting and also collection services.

<sup>2</sup> Kitchenman, Walter., U.S. Credit Reporting: Perceived Benefits Outweigh Privacy Concerns., Pp. 5 (1998).

- “Securitization, largely driven by consumer loans, numbers in the US trillions of dollars, but is not common outside of North America. Because of Fannie Mae, and other US sponsored conduits to the secondary market, mortgages in the US are estimated to cost as much as 200 basis points lower.”<sup>3</sup>
- “Credit bureau data on consumer borrowing and payment behavior has become the cornerstone of the underwriting decision for consumer loans in the United States. Armed with the most comprehensive consumer payment histories on the planet, creditors apply statistical scoring models to estimate an individual’s repayment risk with remarkable accuracy.”<sup>4</sup>
- “Perhaps most significantly, credit bureau data has made a wide range of credit products available to millions of households who would have been turned down as too risky just a generation ago.”<sup>5</sup>
- “In 2002, the Federal Reserve estimates that homeowners were able to extract some \$700 billion of accumulated equity from their homes, prompted by the lowest interest rates in 35 years, according to the Federal Reserve Board.”<sup>6</sup>
- “Between 1983 and 2001, the share of families with home-secured debt rose from 36 to 45 percent. Over the same period of time, the percentage of families who owned their homes increased from 60 to 68 percent.”<sup>7</sup>
- “Previously underserved groups have greater access to credit. The percentage of households in the lowest income quintile with a credit card has increased from 2 percent in 1970 to 28 percent in 2001. During this same period, the percentage of African American households with credit cards has more than doubled, from 23.6 percent to 55.8 percent.”<sup>8</sup>

The studies from which these quotes are drawn, and the health of our credit economy overall, speak to the success of the credit reporting system and our comments are set in the context of this success. The credit reporting system is a system of accurate and predictive data which preserves the safety and soundness of our country’s financial services infrastructure. The regulatory process must take care to preserve this success and the success of all consumer reporting agencies of all types and ultimately to allow for continued private-sector innovation as the primary means by which the system is improved.

### **A Careful Balance is Essential for a Voluntary System of Data Furnishing**

In 1996, the FCRA was amended for the first time to include Section 623, which imposed duties on furnishers of information for the accuracy of data they supply to consumer reporting agencies.<sup>9</sup> CDIA believes that this new furnisher duty was imperative to creating parity between consumer reporting agencies and data furnishers with regard to the duty to be accurate. Since 1970 consumer reporting agencies have had an obligation imposed on them to employ “reasonable procedures to assure maximum possible accuracy”, which is found in Section 607(a) of the Act. In 2003 a number of new duties were imposed on furnishers of information.<sup>10</sup> Thus over a short ten-year period significant new duties of furnishers of information have been enacted.

The furnisher duties found in FCRA Section 623, and this regulatory process which has begun with an ANPR will affect a great many furnishers of information to all types of consumer reporting agencies. For example, regulations will impact more than 18,000 data furnishers which are voluntarily supplying approximately three billion updates of information per month to more than 200 million consumer files on credit-active Americans to credit reporting companies. These furnishers of data are the largest financial institutions in the country and also the smallest credit unions and community banks. Ensuring that all furnishers can continue to afford to provide their data to the credit reporting system is essential.

We believe that the authors of the FACT Act recognized the importance of not only preserving the integrity of the current voluntary system of data furnishers to the credit reporting system but also the possibility of expanding the

---

<sup>3</sup> Ibid. Pp. 8.

<sup>4</sup> Barron, John., Staten, Michael., The Value of U.S. Credit Reports: Lessons from the U.S. Experience. Pp.2 (2000).

<sup>5</sup> Ibid.

<sup>6</sup> Turner, Michael., The Fair Credit Reporting Act: Access, Efficiency & Opportunity. Pp. 8 (2003).

<sup>7</sup> Ibid. Pp. 6.

<sup>8</sup> Ibid.

<sup>9</sup> See Public Law 104-208, Title II, Subtitle D, Subchapter 1.

<sup>10</sup> See Public Law 108-159.

diversity of data furnishers. Section 318(a)(2)(D) and (E) required the FTC to study "...any common financial transactions that are not generally reported to consumer reporting agencies, but would prove useful information in determining credit worthiness." In December of 2004 the Federal Trade Commission issued their report which suggests that there are approximately 50 million consumers who do not have a traditional credit report, or whose credit report is so "thin" that it cannot be scored. The report suggested that underserved populations are likely overrepresented in this number. Utility payments and rental payments were amongst the types of data the FTC identified as likely new data sets for determining credit worthiness thus allowing creditors to reach underserved markets more effectively. The FTC cautions, however, that barriers to the voluntary reporting of such data sets "appear to be based on cost."<sup>11</sup> In July of 2005 the Information Policy Institute added scholarly input to the discussion through their paper entitled "Giving Underserved Consumers Better Access to the Credit System: The Promise of Non-traditional Data." In this study, the IPI considers a much wider variety of possible data sources in the context of both the number of consumers utilizing a given service and also the number of consumers per data furnisher. It concludes that the general discussion must move from one which focuses on general premises to empirical analyses to prove out the extent to which various data types are in fact useful in scoring a consumer's report to determine credit worthiness.

Ultimately successful regulations and guidelines will have to consider:

- That the current system of data furnishing to consumer reporting agencies is voluntary. With the exception of selected governmental programs, such as reporting delinquent student loans, furnishers are not obligated to report any data to any type of consumer reporting agency.
- That over the last decade data furnishers have experienced a significant increase in the regulation of data furnished to consumer reporting agencies.
- That not all data furnishers can absorb the same costs relative to new regulations since they vary significantly in size.
- That possible new sources of data may dry up before they are tapped if regulations create burdens that are unworkable or are otherwise disincentives to reporting.

### **Private Sector Leadership and Cooperation has Preceded Regulatory Oversight**

CDIA's members constantly seek better ways to achieve higher rates of accuracy. Discussion of the industry's data standards project and operation of an automated consumer dispute verification system called E-OSCAR-web™ is provided below. Both of these projects are specific to the operations of nationwide credit reporting systems and are illustrative of the extensive voluntary, longitudinal efforts of industry to address the accuracy and precision of data reported. Each project makes a substantial contribution to accuracy of information.

#### **METRO FORMAT**

As discussed above, more than 18,000 data furnishers provide approximately three billion updates of information per month to the nationwide credit reporting systems. No law requires any furnisher of information to provide data to a consumer reporting agency.

A data format standard becomes a very important part of how the industry can ensure greater precision in the reporting of information, particularly with such a wide diversity of data furnishers<sup>12</sup>. If each of these data furnishers can choose how to report data and what data goes into what fields or how to define the status of accounts, etc., then the files of any given consumer are likely to reflect a wide variety of approaches to reporting information making it far more difficult to properly and fairly assess a consumer's risk.

The original Metro format for credit reporting was first developed in the mid '70s. Over the years, it has gained in popularity and achieved a high level of use in the market place. By 1996, more than 95% of all data was received by

---

<sup>11</sup> FTC Report to Congress on FACT Section 318(a)(2)(D) and (E), December 2004, Pp. 85.

<sup>12</sup> Examples of data furnishers include credit unions, savings and loans, thrifts, mortgage lenders, credit card issuers, collection agencies, retail installment lenders, auto/finance lenders and more.

the nationwide credit reporting systems in this format. In 1996, the credit reporting industry took advantage of the opportunity afforded by the Year 2000 data processing “bug” to completely reengineer the format for credit reporting. The Metro 2 format was introduced in 1997 and has been steadily gaining in use by the data furnisher community. At this time, more than half of all accounts are reported in this new format.

Both the original and the new Metro 2 formats are maintained by an industry task force of volunteers from each of the national systems. This group meets on a regular basis to develop industry-wide responses to questions from data furnishers and create new codes or fields as necessary. Annually this group creates and delivers training sessions on the Metro 2 format for data furnishers that have not yet converted to the new format. More of these training sessions are scheduled for 2006.

Typically, data furnishers report data on a regular basis, usually monthly. The industry does encourage those companies that bill their customers in cycles (e.g., every 30 days) to report that data to the consumer reporting agencies in cycles thus ensuring that the data is not only accurate as of the date reported but is also as current as possible.

The Metro 2 Format documentation is distributed within the industry by the Association. Data furnishers can obtain the document in hard copy or can download it from the CDIA website. The documentation is quite extensive and granular. For example, for the FCRA Compliance/Date of First Delinquency field, a full page is devoted to a description of each particular circumstance under which this date should be reported. A full definition of the field is provided. Procedures for reporting the field if the account should become current are discussed. In addition, the industry developed three detailed examples showing exactly how to calculate this important date in different situations. We also provide the exact language of the Fair Credit Reporting Act detailing this requirement for the convenience of customers.

Approximately 65% of all furnishers – accounting for 79.9% of the data -- which furnish information to Section 603(p) CRAs voluntarily furnish such information using the Metro 2 format. CDIA’s members continue to encourage data furnishers to migrate their practices from the Metro Format to Metro 2 due to the added precision this reporting format offers.

#### *e-OSCAR-web™*

The consumer reporting industry, through the auspices of the industry association, came together in 1992 to build an Automated Consumer Dispute Verification (ACDV) process. This voluntary industry effort predated the FCRA amendments by a full five years. The network went live in November of 1993 and began growing quickly thereafter. Fully 50% of all consumer disputes sent by the consumer reporting industry to data furnishers were traveling through the ACDV process by 1996. From 1996 through 1998, the industry remained at that 50% market penetration. In 1998, a reengineering process began to help capture additional users. In 2001, industry began beta testing the E-OSCAR-web™ network with data furnishers. It went live in the early summer of 2001. The new network is secure, encrypted, and available to a larger number of companies because it is browser based.

The success of this industry effort and the benefits to the quality of a consumer’s file are unquestionable.

- In August of 2001, only 1040 data furnishers representing approximately 50% of the disputes processed annually used the system built in 1992. Today, more than 17,500 data furnishers use the new system and 97% of all disputes are processed online.
- Now that virtually all disputes are processed online, we note a number of benefits to file quality:
  - Via the E-OSCAR system, CDIA’s nationwide consumer credit reporting agency members can ensure that a data furnisher knows how much time it has to respond to every dispute it receives. The system allows furnishers to prioritize all disputes to ensure that the most urgent are processed first and that all disputes can be processed within the time frames established by FCRA. Further, the E-OSCAR system allows data furnishers to use daily management reports to manage workflow. Electronic messages to compliance officers are sent if a reinvestigation request is not being processed in a timely manner.

- The number of lenders which provide complete updates of the entire account has increased; thus, not only is the specific item that is in dispute updated where appropriate, but all other data related to an account is, as well.

In drafting appropriate guidelines and regulations, the agencies should take into account the success of the industry's efforts to develop and adopt high-quality data standards and automated systems for the processing of disputes. CDIA's members will continue to encourage data reporting and dispute processing best-practices. Our national credit reporting agency members also remain committed to migrating all data furnishers to the Metro 2 data standard.

### **Defining Accuracy and Integrity is an Important First Step**

The question of how to draft appropriate guidelines pivots off of the question of how to define accurate information. We believe some background on the challenge of defining accuracy is important to the context in which the agencies draft guidelines and regulations. Following is a discussion of the difficulty of defining what constitutes accurate information and ultimately what is consequential.

We all know what we mean by the term "accuracy." But when we apply this term to an industry that sells three billion consumer reports per year and in fact which loads three billion updates of information per month, there's some context that can help us in our discussion. Consider the following points about the term "accuracy."

Accuracy and Voluntary Reporting: Fundamental to understanding the flow of information to consumer reporting agencies from more than 18,000 data furnishers is the fact that these data are provided voluntarily. Thus, there is always a careful balance that has to be maintained in order to ensure that the law creates appropriate duties for ensuring accuracy and alternatively, does not create a legal regime that imposes a strong disincentive to report at all.

Accuracy, Consumer Reporting Agencies and the Law: The CDIA's members are governed under the Fair Credit Reporting Act (15 U.S.C. Sec. 1681, *et seq.*), which establishes a duty that any consumer reporting agency must employ reasonable procedures to ensure the maximum possible accuracy of the information contained in the consumer report produced on a given consumer at a given point in time. Simply put, the law requires that the information contained in the report must be accurate as of the date reported. The Federal Trade Commission's own commentary on the FCRA provides the following comment:

"General: The section does not require error free consumer reports. If a consumer reporting agency accurately transcribes, stores and communicates consumer information received from a source that it reasonably believes to be reputable and which is credible on its face, the agency does not violate this section simply by reporting an item of information that turns out to be inaccurate. However, when a consumer reporting agency learns or should reasonably be aware of errors in its reports that may indicate systematic problems (by virtue of information from consumers, report users, from periodic review of its reporting system, or otherwise) it can review its procedures for assuring accuracy."

Accuracy, Data Furnishers and the Law: In 1996, the FCRA was materially amended. Perhaps the most significant change was the addition of Section 623, which imposed for the first time an express duty on data furnishers to report accurate data to the consumer reporting agencies. In taking this step, the Congress acknowledged that consumer reporting agencies, on their own, could not fully ensure the accuracy of information absent the partnership with the data furnishers that voluntarily provide information to the databases of consumer reporting agencies.

Accuracy and the Absence of Information in All Files: Some have posited that consumer reports are inaccurate when there is data missing from the file. CDIA disagrees with this characterization. There is no doubt that the vast majority of the nation's largest lenders report voluntarily to all of the nationwide consumer reporting agencies which produce what are commonly called "credit reports", there are some smaller data furnishers which may choose to report only to one system. Some variance in product will always be evident in a competitive marketplace. However, while there are modest variances between nationwide consumer reporting agencies' databases, they all

complete based on file quality and content and thus all are constantly seeking to ensure that their reports are complete and fully representative of the consumer about whom the report relates.

Note that credit repair can have a deleterious effect on the completeness of a consumer's credit report and, thus, where third-party file comparisons identify absences of data between files, this is in part attributable to credit repair. One of our members testified that more than 30 percent of all consumer disputes were generated by credit repair agencies, which commonly dispute accurate, derogatory information with the sole intention of having that information deleted from the file. In 1996, the Congress recognized the seriousness of the credit repair problems and enacted the Credit Services Organizations Act (Public Law 90-321, 82 Stat.164). That law prohibits the following with regard to credit repair activities and there is a continued need for even greater enforcement resources in order to ensure the effectiveness of the Act:

SEC. 404. PROHIBITED PRACTICES. (7)

(a) In General. --No person may--

(1) make any statement, or counsel or advise any consumer to make any statement, which is untrue or misleading (or which, upon the exercise of reasonable care, should be known by the credit repair organization, officer, employee, agent, or other person to be untrue or misleading) with respect to any consumer's credit worthiness, credit standing, or credit capacity to--

(A) any consumer reporting agency (as defined in section 603(f) of this Act);

Accuracy and Data Furnishing/Data Reporting Timing Issues: Some have reviewed reports about the same consumer obtained from more than one nationwide consumer credit reporting system and have suggested that differences in the status of a particular account (e.g., 30- v. 60-days delinquent) is an inaccuracy. The data are in fact accurate as of the date reported. There are a number of reasons for differences in the status of the same account on different "credit reports" produced by different credit reporting systems. For example, if a lender's data center is on the west coast and it ships physical media of accounts receivable information to each nationwide credit reporting systems, then the physical media may arrive on different days. The result is one of the nationwide systems may receive and load its update of a particular account sooner than the others. Thus, the status of a particular account is shown as sixty days delinquent on one system as of June 1, and on another the same account may, until the update is loaded, display the same account as thirty days delinquent (pending the update to sixty days as of June 1). Another reason may be that a data furnisher produced an incorrect set of data for one of the three systems and, via the credit reporting systems' audit controls, this physical media is sent back to the data furnisher for reprocessing and correction. Physical media are also, though infrequently, damaged in transit and have to be sent back to a data furnisher for reprocessing. Our members report success in migrating data furnishers from physical media reporting to electronic. One member reports that 90% of data is now reported electronically.

Accuracy and the Consumer – Perceptions and Realities: One of our members observed that items in a consumer's credit file may be accurate, but not in sync with the consumer's perspective. Consumers have a tendency to "dispute" such items that are not in sync with their perspective, even when the data is accurate. Below are a few examples<sup>13</sup>:

(1)Maiden name – A married woman obtains a copy of her file and sees that her married name is not on file. She calls to dispute this and the representative asks her if she has applied for any credit in her married name. She replies in the negative and offers that she and her husband are now starting to apply for joint credit accounts. She is advised that information in her file is reported to us by the credit grantors with whom that she holds accounts. Since she does not have any credit accounts in her married name, we would have no way of knowing that she has changed her name unless she reported this directly to us.

(2) A consumer sees an old, dormant account on his file and indicates that he had long ago instructed the credit grantor to close the account. He might have confused that request with a similar request to another credit grantor.

---

<sup>13</sup> These examples are drawn from the industry experts who lead consumer relations/assistance units for the nation's largest consumer reporting agencies which maintain files on the majority of credit-active consumers.

Or maybe he might have instructed the credit grantor to close the account and they never did. The point is that the information on file is "accurate", because it is an open account.

(3) A consumer sees an account with General Electric Consumer Credit (GECC) on his file and swears that he never did business with GECC before. However, the account in question was with a retailer who subsequently outsourced their lending to GECC and the consumer never knew of that relationship or isn't aware that some retailers outsource their lending. In this case, the consumer will be adamant that the account is incorrect, but, in fact, it is accurate. Once they are made aware of the retailer's name (i.e. Home Depot for example), they acknowledge they do have a Home Depot account. The file was accurate.

(4) A consumer sees a previous address listed as the current address and vice versa. He cannot understand how the credit bureau could make that mistake. However, the consumer had failed to notify some of his credit grantors about the previous move, so some credit grantors are still reporting the old address as current. This hasn't been an issue for the consumer because the mail from those credit grantors is getting forwarded or the account is so inactive the credit grantors do not need to send them a billing statement very often.

(5) A consumer sees his or her name listed with an unrecognizable combination of personal initials they don't remember using. The consumer's inclination is to believe the credit bureau is responsible for this. However, the fact is that our members' systems are incapable of making up a name. That particular name was transmitted to us by the credit grantor. Either the consumer previously used that name with a credit grantor in the past or the credit grantor transmitted the erroneous name.

(6) Consumers also often find that employment data is not current on their file disclosures. This is due to the fact that many lenders do not report employment data any longer. Nonetheless, the FCRA requires that a consumer reporting agency disclose "all information in the file at the time of the request" and this includes dated employment data.

The previous examples have no bearing on the lender's risk decision. Yet, the consumer has questions about this data and regards these as "errors" by the credit reporting agency.

Accuracy and Divorce: One very significant challenge for CDIA's members is the problem lenders and consumer reporting agencies have with how credit obligations are handled incorrectly by divorce courts. A divorce decree does not supersede an original contract with a creditor and does not release a consumer from his or her legal responsibility on those accounts entered into jointly with the former spouse.

A consumer will see an item on his or her report and call to dispute the accuracy of it because they feel the divorce court adjudicated it. Despite the explanation that the debt is still owed the consumer will argue that her lawyer did not advise her at the time of her divorce that this would be the case. We explain to the consumer that it is ultimately his or her responsibility to contact creditors and seek a binding legal release of the debt obligations that have been incurred.

Accuracy and Expectations of Immediacy: Another very significant challenge is the perception by consumers that their credit reports should and can be updated nearly instantaneously. For example, consumers may review their credit reports and while data is accurate as of the date reported, they believe that recent payments should already be reflected showing a lower outstanding balance. A majority of data in the nationwide credit reporting systems is updated on a thirty-day cycle and this timing correlates with the thirty-day billing cycles for many types of contractually prescribed credit payments to creditors. CDIA believes that a great many disputes are likely being driven by a desire to update information, which is otherwise accurate.

Accuracy and Misunderstandings About the Law: Often enough our members report that consumers believe that when an account is delinquent and subsequently paid, that any negative information about the missed payments will be expunged from the record. Similarly, consumers often believe that an item placed for collection should be expunged once paid. In fact the law recognized that it is important for creditors to know when the account was paid and to also maintain a history of the timeliness of past payments for purposes of safety and soundness. Thus, the law permits adverse information to remain on the file, but for no more than seven years.

We strongly believe that this context is essential. Anecdotes can be based on problems that are not real and in some cases are driven by perceptions or misconceptions about how the system does or should work and even how other laws work. Finally we caution against making the term “accuracy” synonymous with “consequential.” Some inaccuracies are inconsequential to the consumer, such as a missing middle initial, and some inaccuracies may be very consequential, such as a lender incorrectly reporting a consumer as 30 days late on an account.

## **CDIA Responses to Specific Agency Questions**

### **(A) Accuracy and Integrity Guidelines and Regulations**

**A1 – Please describe, in detail, the types of errors, omissions, or other problems that may impair the accuracy and integrity of information furnished to consumer reporting agencies. Please specify whether any such problems result in credit file information that: (1) is incorrect, including inaccurate account information, public record data, or collection account data; (2) is out of date or includes stale account information; (3) is associated with the wrong consumer; (4) omits potentially significant information about the consumer account or transaction, such as credit limits for or positive information about the account; (5) is duplicative; (6) may mislead users of consumer reports; or (7) otherwise adversely affects consumers, particular types of consumers, or the credit reporting system. Finally, please describe the significance of such problems for consumers, particular groups of consumers (e.g., borrowers with poor or limited credit histories), users of consumer reports, and the credit reporting system.**

CDIA Answer A1 – The industry initiatives described above speak to the efforts of the credit industry as a whole to address problems such as those described in this question.

CDIA’s nationwide credit reporting agency members believe that certain practices employed by most data furnishers today are particularly important to ensuring that problems of the type described do not occur frequently:

- Reporting information in a timely manner following the completion of a billing cycle and using the latest CDIA data standard Metro 2, including populating data in all relevant fields (e.g., credit limit, Consumer Information Indicator for bankruptcy, date of first delinquency.) and making use of all appropriate comment and status codes contributes to accurate data management.
- Encouraging consumers to always provide full identifying information including first name, middle initial, last name, suffix, current address, Social Security number, and date of birth. While many lenders are making this effort, consumers often make the data management process difficult when they choose not to provide SSNs or other sensitive data. This said, every application (off line or online) which will be evaluated in whole or in part using a consumer report should ensure that a consumer can choose to provide all identifying information.
- Reporting all consumer identifying information to the consumer reporting agency with every update of an account and reporting updates on no less than a monthly basis for all customer or collection accounts.
- Third-party collection agencies that have reported a collection account to a consumer reporting agency should request that it delete the account when the collection agency returns the account to the creditor or client and is no longer attempting to collect the account. CDIA has included with this letter a sample communication sent to collection agencies encouraging them to adhere to this data reporting practice.
- Properly reporting on portfolio transfers or sales of all types is a key to ensuring that accounts are properly annotated as closed or transferred. Reporting on the transfer of a mortgage or other loan from one servicer to another is also important.
- There are also fraudulent practices which can impair the accuracy of data. Attempts by consumers to create synthetic identities or to boost credit scores by adding good accounts to credit reports that are not in reality theirs are two examples of fraudulent behavior that creates problems with the integrity of information contained in consumer reports. For example, when an individual succeeds in creation of a synthetic identity by using a blend of false name, address, birth date and SSN information, and is able to obtain credit—escaping detection by the various fraud prevention mechanisms in use by financial institutions, including CRAs—then that individual could indefinitely maintain that credit relationship and indeed obtain new ones if he or she continues to pay the account on time. The resulting information that is duly reported to the national CRAs is arguably accurate and complete, but obviously lacking in integrity. At any time



the individual could disappear and adopt a new synthetic identity, leaving unpaid debts and collection activity that could eventually be traced back to one or more identity theft victims, i.e., the true individuals associated with one or more parts of the synthetic identity.

- Using *e-OSCAR-web*<sup>TM</sup> to process consumer disputes received from consumer reporting agencies contributes to timely completion of reinvestigations offers the fastest means of providing updated information to all consumer reporting agencies to which the furnisher provided the disputed data.

**A2 Please describe, in detail, the patterns, practices, and specific forms of activity that can compromise the accuracy and integrity of information furnished to consumer reporting agencies. Relevant patterns, practices, and specific forms of activity may relate to any aspect of the information gathering and reporting process, such as the methods by which furnished information is collected, verified, edited, standardized, and transferred. They may be of general applicability or relate to specific types of furnishers, such as financial institutions, creditors, or collection agencies, or specific types of consumer reporting agencies, such as credit bureaus or tenant screening services. Examples of patterns, practices, and specific forms of activity that may cause these problems include, but are not limited to, the sale of consumer debts to and among collection agencies, the conversion or translation of furnished information into a standard form, and the frequency, timing, categories, and content of information that is furnished to consumer reporting agencies.**

CDIA Answer A2 - It is our members' experience that data furnishers work hard to avoid patterns or practices that would compromise the accuracy and integrity of information. Our answers provided to Q.1 are generally responsive to this question, as well. In particular our members highlight the need to ensure that:

- Where portfolios are sold or transferred that the seller follows reporting guidelines to ensure that the status of the account that is sold is properly annotated on the file, etc.
- Where loans are transferred from one servicing agent to another that the transfer is reported properly to avoid duplicative accounts in a consumer's file.
- Where accounts are transferred from one collection agency to another by the client, that the agency which is no longer for collecting the debt directs the consumer reporting agency to delete the debt to avoid duplicative collection tradelines on a consumer's file (see attached sample guidance issued to collection agencies this year).
- Where debt is sold (and in some cases repurchased) that the original seller properly reports the fact of the sale to avoid the duplication of trade data on the file. Our members have developed specific Metro 2 guidance for companies that purchase distressed debt to aid them in effectively using the data standard.
- The Metro 2 reporting standard is used to ensure that the fact of a filing of bankruptcy is reported only with regard to the consumer who requested the filing and that this annotation does not affect the files of co-signatories or authorized users associated with the same account.
- All types of furnishers respond to consumer requests for reinvestigations (Though many data furnishers do work hard to respond to disputes, collection agencies are commonly the least likely type of data furnisher to respond.).

In closing, our members agree that no listing of patterns and practices that threaten the accuracy and integrity of information containing in the CRAs databases would be complete without an acknowledgment of the continuing threat posed by credit repair organizations, or credit clinics. We applaud the continuing work of the Commission in combating this ongoing consumer fraud.

**A3 Please describe, in detail, any business, economic, or other reasons for the patterns, practices, and specific forms of activity described in item A2.**

CDIA Answer A3 - CDIA is not in a position to evaluate the reasons behind various furnisher practices or patterns that may affect accuracy or integrity.

**A4 Please describe, in detail, the policies and procedures that a furnisher should implement and maintain to identify, prevent, or mitigate those patterns, practices, and specific forms of activity that can compromise the accuracy and integrity of information furnished to a consumer reporting agency.**

CDIA Answer A4 - We believe that the majority of data furnishers are effectively implementing and maintaining policies and procedures that are responsive to patterns or practices that can compromise accuracy and integrity of data. It is important to remember that the furnishing of data is voluntary and thus care must be taken to avoid burdening furnishers with requirements which could operate as a disincentive to report. Our members will continue to work collaboratively with all data furnishers on the voluntary use of data reporting standards and automated reinvestigation processes. CDIA is not in a position to suggest specific policies and procedures.

**A5 Please describe, in detail, the methods (including technological means) used to furnish consumer information to consumer reporting agencies. Please describe, in detail, how the use of these methods can either enhance or compromise the accuracy and integrity of consumer information that is furnished to consumer reporting agencies.**

CDIA Answer A5 – In the case of nationwide consumer reporting agencies, CDIA’s discussion of the Metro 2 data standard included above is responsive to this question. The standard is made available via the “Credit Reporting Resource Guide” which includes the field layout itself, along with field definitions, descriptions of all codes as well as specific Q&A for various data furnisher sectors that the industry has identified as needing additional guidance. Further multiple “Accuracy Workshops” are held each year for furnishers to learn about the operation of the data standards and to have questions answered. CDIA has a Metro 2 Format Task Force that meets regularly throughout the year to discuss data furnisher questions, data reporting patterns and to consider adjustments or enhancements to the standard. This year CDIA will also begin a series of web-based teleseminars to enhance access for all data furnishers via distance learning.

The *e-OSCAR-web*<sup>TM</sup> system is based on Metro 2 values to ensure consistency of terminology. As described above, this system also contributes to accuracy and integrity by allowing consumer disputes about data to be processed electronically and securely, which creates communications efficiencies, precision in responses, completeness of responses to all disputed items, and training efficiencies for data furnisher staff and management tools to ensure timely processing of disputes based on urgency. As indicated above, use of this system has reduced data furnisher non-responses to consumer disputes by 50% with more than 97% of all disputes now processed online.

To protect the integrity of data reported to nationwide credit reporting companies, our members have also agreed to selected encryption standards to encourage all data furnishers to encrypt data which is shipped via physical media (see attached press release). By taking this step, any data furnisher can choose one of a number of industry encryption products for use with all three credit reporting companies. Our members are also working with data furnishers to move them away from shipping data via tape to secure electronic transfer channels. One of our members reports that they have migrated 90% of data to electronic transfer.

**A6. Please describe, in detail, whether and to what extent furnishers maintain and enforce policies and procedures to ensure the accuracy and integrity of information furnished to consumer reporting agencies, including a description of any policies and procedures that are maintained and enforced, such as policies and procedures relating to data controls, points of failure, account termination, the re-reporting of deleted consumer information, the reporting of the deferral or suspension of payment obligations in unusual circumstances, such as natural disasters, or the frequency, timing, categories, and content of information furnished to consumer reporting agencies. Please assess the effectiveness of these policies and procedures and provide suggestions on how their effectiveness might be improved or enhanced. Please describe whether particular policies or procedures are especially necessary or relevant to particular methods of furnishing information. Please also describe how such policies and procedures are monitored and evaluated to ensure their effectiveness.**

CDIA has no response to this question.

**A7. Please describe, in detail, any methods (including any technological means) that a furnisher should use to ensure the accuracy and integrity of consumer information furnished to a consumer reporting agency.**

CDIA has no additional response to this question, other than in the case of nationwide consumer reporting agencies, the goal of ensuring 100% voluntary use of both Metro 2, e-OSCAR-web™ and encrypting all information transmitted via physical media.

**A8. Please describe, in detail, the policies, procedures, and processes used by furnishers to conduct reinvestigations and to correct inaccurate consumer information that has been furnished to consumer reporting agencies. Please include a description of the policies and procedures that furnishers use to comply with the requirement that they “review all relevant information provided by the consumer reporting agency” as stated in section 623(b)(1)(B) of the FCRA 12**

CDIA has no response to this question.

**A9. Please describe, in detail, the policies, processes, and procedures that furnishers should use to conduct reinvestigations and to correct inaccurate consumer information that has been furnished to consumer reporting agencies.**

CDIA has no additional response to this question other than our recommendation that all furnishers voluntarily choose to use e-OSCAR-web™ as the means of accepting and transmitting consumer disputes where the dispute relates to data in the file of a nationwide credit reporting agency.

**A10. Please describe, in detail, the policies and procedures of consumer reporting agencies for ensuring the accuracy and integrity of information received from furnishers, including any policies, procedures, or other requirements imposed on furnishers (by contract or otherwise) to ensure the accuracy and integrity of information furnished to consumer reporting agencies. Please describe specifically whether and to what extent those policies, procedures, or other requirements address particular problems that may affect information accuracy and integrity such as the accuracy of consumer address and other identifying information, updating records to link the correct consumer(s) to account information, the impact of different reporting formats, and duplicate reporting by collection agencies. Please also describe whether particular policies or procedures are especially necessary or relevant to particular types of furnishers.**

In the case of our nationwide credit reporting agency users, some of our members’ practices are proprietary or are otherwise protected under intellectual property claims. Below is a summary of some of the practices our members do use:

New data furnishers – all of our members report having specialized staff, policies and procedural systems in place to evaluate each new data furnisher. Common practices include reviews of licensing, references, and site visits. All apply robust tests to sample data sets and all work with the furnisher to conform data reporting to the Metro 2 data standard. Once a furnisher is approved, there may be ongoing monitoring of this data reporting stream during a probationary period of time.

Ongoing furnishing – Our members report a variety of practices and some of these are listed below:

- Producing reports for data furnishers which outline data reporting problems, including errors in loading data and data which is not loaded.
- Cross-referencing data in certain fields to look for logical inconsistencies is often used as a data quality check.
- Historical data reporting trends, at the database level or data furnisher level, are used as baseline metrics upon which to evaluate incoming data.
- Manual reviews of data can occur when anomalous data reporting trends are identified.
- Reviewing incoming data for consistency with Metro 2 data standard.

In closing this discussion, though the Metro 2 data standard is designed for all types of data furnishers, our members have produced specific guidance for certain types of furnishers to augment their use of it. Target audiences include

collection agencies, agencies which purchase distressed debt, all parties which report data on student loans, child support enforcement agencies and utility companies.

## **(B) Direct Dispute Regulations**

**B1. Please identify the circumstances under which a furnisher should (or alternatively, should not) be required to investigate a dispute concerning the accuracy of information furnished to a consumer reporting agency based upon a direct request from the consumer, and explain why.**

In March 2005 the General Accountability Office, in response to a direction enacted as part of the Fair and Accurate Credit Transactions Act, published a report on “Credit Reporting Literacy.”<sup>14</sup> With regard to consumer disputes, the GAO found that fully 64% of consumers polled would prefer to contact the creditor about incorrect late payment data on their credit report and only 18% reported a preference for contacting the consumer reporting agency. Of the 18% of consumers who actually reported disputing information, 54% disputed information that related directly to the furnisher’s account including:

- Incorrect payment history.
- Incorrect late payments.
- Incorrect bill information.
- Incorrect credit card information.

Only 10% the consumers surveyed who reported disputing data, disputed personal identifying information. In fact of the 18% of consumers surveyed who reported disputing data, one third disputed information directly with their creditor. These data speak in favor of allowing consumers to dispute information with data furnishers.

Our members believe that it can be appropriate for data furnishers should handle consumer disputes directly. In particular this is the case when consumers have a recognized contractual relationship with a lender. Where this is so, they naturally want to turn to it for service and not to a consumer reporting agency. In doing so, lenders can act on fraud claims sooner with their own customer, they alone can provide input on why an inquiry was made on a consumer’s credit report, and they alone have access to the backup data regarding payment history (including late payments) and balances, which are often the focus of disputes. It is also beneficial to allow a consumer to submit disputes directly where they have already done so through a consumer reporting agency, but the consumer is not satisfied with the results of the reinvestigation. In contrast, a furnisher should not be required to handle a dispute where the information in a consumers disclosure appears to be mixed, or where it is a dispute regarding personal identifying information not relating to an account with the data furnisher. We also believe that where a consumer does not recognize the data furnisher as one with which he or she has a contractual relationship, disputing the information through the consumer reporting agency is likely best.

Some data furnishers are likely well prepared to process direct disputes today, and in fact do so voluntarily recognizing that this service is part of effective customer retention. In fact one of our members reports receiving 350,000 updates of data a month that are sent outside of a dispute process or a regular cyclical reporting process. Clearly furnishers are working with consumers and correcting information. Formalizing this process makes sense, however, our members do recognize that not all furnishers are well prepared and some may even find the burden so great that the obligation may operate as a disincentive to report some or any data to a consumer reporting agency. Care must be taken not to overburden data furnishers and to protect them against frivolous or multiple submissions of disputes (some consumers attempt to deluge the system with disputes for the sole purpose of seeking a deletion) about the same item of information and fraudulent credit repair claims which will inevitably follow if direct disputes are required by regulation and guidelines.

---

<sup>14</sup> GAO – 05 – 223 Credit Reporting Literacy

Finally, we believe furnishers must be given significant time to prepare for the processing of direct disputes to ensure that furnishers do not simply cease reporting due to their inability to otherwise comply.

We appreciate this opportunity to comment.

Sincerely,

Stuart K. Pratt  
President & CEO



Important follow up message to a previously distributed email.

*"The message below applies to Collection Agencies only."*

The Fair Credit Reporting Act was amended in 2003 and these amendments included stronger statutory requirements for the accuracy of data furnished to consumer reporting agencies. The amended law also called for new regulations regarding data accuracy which will be drafted this year. To help our data furnishers with their independent efforts to successfully manage the process of furnishing data, our national credit reporting agency members designed the Metro 2 data reporting standard. In this letter we want to highlight several key data furnisher issues that are of particular importance to collection agencies.

First, please be aware that the industry's Metro 2 guide does have specific instructions when a third party collection account is returned to the original lender. Specifically, the collection agency should direct the national credit reporting agency to delete the trade data from the consumer's file since it is no longer an account for which the agency is attempting collection. Following is the information that appears in the Credit Reporting Resource Guide in the collection agency reporting guidelines section.

7. Account Status Codes (Base Segment, Field 17A) — report only the following:

93 — Account assigned to internal or external collections

62 — Paid in full, was a collection account

DF — Delete entire account due to confirmed fraud

DA — Delete entire account (for reasons other than fraud)

- Collection Agencies must delete accounts that have been canceled and returned to the creditor.
- Debt Purchasers/Factoring Companies must delete accounts that have been forwarded or sold to another entity.
- This value should also be used for accounts reported in error.

Do not delete paid in full collection accounts

If your company is still reporting in the old Metro Format, the codes for deleting an account are Account Status Code "04" and Special Comment Code "R". CDIA strongly recommends that you convert to the Metro 2 Format.

Also, FCRA Sections 623(a)(5)(A) & (B) stipulate what a collection agency must do to attempt to determine the date it must provide to a consumer reporting agency for purposes of calculating a seven-year period. This date is key to ensuring that collection accounts, even when transferred from one collection agency to another, do not result in a change in the calculation of the seven-year period for retention of adverse information. The Metro 2 format requires the reporting of this information in the "FCRA Compliance/Date of First Delinquency Field" (number 25) in the base segment.

Finally, all collection agencies which provide services to the medical community should consider whether or not they are medical information providers (see FCRA Section 623(a)(9)). If a collection agency is a medical information

provider, it must notify the consumer reporting agencies to which it reports data of this fact. This can be handled in Metro 2 by reporting Creditor Classification "02" in the K1 Segment for each medical account reported.

We know that we share the same goal, namely to provide accurate data upon which creditors and others can rely to make informed decisions. Please provide this information to those in your organization that deal with reporting collection account data to our member companies.

Thank you in advance.

Sincerely,

Stuart K. Pratt  
President and CEO

---

**Consumer Data Industry Association**      1090 Vermont Avenue NW Suite 200 Washington, DC  
20005  
phone 202.371.0910  
fax 202.371.0134  
[Click here](#) to unsubscribe.

## **Equifax, Experian and TransUnion Announce Coordinated Encryption Standards**

**Washington, DC, Sept. 22, 2005** -- The three national credit reporting companies, Equifax, Experian and TransUnion, today announced a cooperative effort to adopt coordinated encryption standards to further assure the protection of sensitive consumer data when transmitted between data furnishers and credit reporting companies.

Each of the three major credit reporting companies has long employed information security tools and programs, including programs designed to meet the Safeguards Rule of the Federal Trade Commission. Today's announcement further advances consumer data protection by providing data furnishers with the choice of a single standard of encryption that can be used when reporting data to Equifax, Experian and/or TransUnion.

"This is an important step for the credit reporting industry," said Stuart Pratt, President and CEO of the Consumer Data Industry Association. "This cooperative effort to simplify, clarify and accelerate the use of industry-level encryption standards is progressive and necessary. These standards address the goals being advanced by the credit reporting industry of encryption use by all data furnishers and make the implementation of encryption a single straight-forward choice for all - from the largest financial institutions to the smallest market lenders."

This coordinated approach includes Advanced Encryption Standard (AES) and Triple Data Encryption Standard (3DES) encrypted algorithms and a minimum of 128-bit key encryption. AES and 3DES encrypted algorithms which use 128-bit key encryption are widely accepted commercial standards to protect sensitive financial data. Both standards are governed by the National Institute of Standards and Technology.

The three national credit reporting companies have also established an ongoing encryption task force to ensure the adopted standards reflect the continuing progress of technologies and methods.

Information for media contact use:

### **Contacts**

Equifax: David Rubinger, 404-885-8555, [david.rubinger@equifax.com](mailto:david.rubinger@equifax.com)

Experian: Donald Girard, 714-830-5647, [donald.girard@experian.com](mailto:donald.girard@experian.com)

TransUnion: Colleen Tunney, 312-466-8389, [ctunney@transunion.com](mailto:ctunney@transunion.com)