

**Oversight of the Credit Reporting Agencies**  
**Senate Committee on Banking, Housing, and Urban Affairs**  
**April 27, 2023**

**Opening Statements**

**Chairman Brown (D-OH)** said that these credit reporting agencies have tremendous power over people's lives, and it determines whether people can get a mortgage, insurance, buy a car, rent an apartment, and the rates of people's credit cards. He said that it is important that these companies get the reporting right. Brown pointed to the massive data breach with Experian and how the company compromised the information of millions of consumers. He said that consumers should not have to deal with the consequences of these types of breaches. Brown added that credit reports are still riddled with errors and pointed to a study from the FTC on this. He noted that the CFPB found that credit reporting agencies often fail to respond to consumer complaints about errors on their reports. Brown then discussed the problem of mixed files and how credit reporting agencies were required to establish standards to reduce the number of mixed files. He said that errors are often introduced into the system via furnishers and debt collectors. Brown added that medical debt also has no place on credit reports and said that low-income and minority families are hit particularly hard. He said that medical debt does not correlate with credit risk, it correlates with illness or injury. Brown said that this is why he is asking them to stop listing medical debt on credit reports. He thought the step of not including \$500 or less of medical debt on credit reports was good, but not enough. Brown added that these agencies also perform tenant screening and there can be errors on these reports, and it impacts renters' ability to get housing. He said that it is vital that credit reports are accurate and do not include medical debt.

**Ranking Member Scott (R-SC)** thought looking at whether someone is creditworthy is really important here and that having an objective standard makes the nation a better place. He told his personal story of starting his small business in the 1990s and how his light credit score worked against him. Scott said that credit score impacts your auto and home insurance rates and because of this, he thought that as they make progress on a risk-based method, it takes the subjective nature out of lending that relies only on relationships and reputation and in turn, creates a fair objective measure of creditworthiness. He said that this is important because anyone can improve their credit score in a way that improves their opportunities. Scott pointed to how the CFPB is exploring regulatory overreach on a number of things, despite the agency itself experiencing a data breach and hiding it. He said that as the data that lenders use becomes less reliable and predictable, it will result in less loans. Scott said that there is good news though, technology is allowing lenders to use alternative data. He pointed to various pieces of legislation he's sponsored that allow for the use of new, reliable, predictive data in our system. Scott added that they should also consider guardrails to ensure growth and consumer protection.

**Witness Testimony**

**Mr. Mark W. Begor, CEO, Equifax Inc.,** said that their company's purpose is to help people live their financial best. He said that every financial first can spur positive economic change and they constantly look to bring change to more people in more places. Begor pointed to how technology is allowing them to improve the accuracy and security of data. He added that they are also working on integrating alternative data and pointed to the use of utility and cell phone bills to boost the credit scores of consumers. Begor then discussed ways they are helping consumers

navigate resolution disputes and how they are working to improve the accuracy of credit reports. He said that there is more Equifax can do and they are still working to improve accuracy and data security.

**Mr. Chris A. Cartwright**, *President And CEO, TransUnion*, briefly gave some background on TransUnion and said that their mission is to help people and society through information. He said that the credit reporting agencies are the backbone of the consumer credit economy. Cartwright said that their credit reports help millions of consumers access personal financial products. He said that this system enhances quality of life and improves the American economy. Cartwright said ensuring that institutions have the data to understand and mitigate risk is crucial. He went on that financial inclusion is key to their strategy and they are integrating alternative data to help increase credit access for millions. Cartwright noted that they recently removed all paid medical debt from credit reports, and they are addressing unpaid medical debt as well.

**Mr. Brian Cassin**, *CEO, Experian*, began his testimony by stating why credit bureaus exist, how consumers benefit, and how their work provides underlying stability to the entire consumer credit system. Cassin said that Experian understands their statutory obligations and supports the Committee's goal of enhancing the accuracy of credit reports and improving the dispute resolution process. He then detailed how Experian has invested to improve data accuracy as well as how the company has been incorporating alternative data to increase access to credit. Cassin added that they also launched a program to help consumers who are credit invisible to establish a financial identity. He looked forward to working with the Committee to identify other ways to improve the system for consumers.

### **Member Questions**

**Sen. Smith (D-MN)** said that Black, Hispanic, and Native American consumers often have lower credit scores because they fall outside the mainstream credit system. She asked Cartwright how we can use alternative data to address this inequity in the credit scoring system. Cartwright said that this is hugely important and an opportunity to improve the system. He said that there are millions of consumers who have thin credit files or are credit invisible and we know that rental payments, utility bills, and telecommunication data are all strong indicators of their financial management approach. Smith asked if a barrier is getting access to this data. Cartwright said yes, explaining that the custodians of this information are not required to furnish it to the credit reporting industry and legislation here would help. Smith said that medical debt that has gone to collections affects one in five Americans and many patients do not know the cost of care upfront. She asked what value medical debt has in determining creditworthiness. Begor said that this is very complex, and the credit reporting agencies have been excluding medical debt for a year and any that is \$500 or less. He added that they are looking to improve the accuracy of this debt as well. Smith said that some people could end up with multiple medical bills that are more than \$500 and asked how they would address this. Begor thought there was more they could do to address this issue.

**Ranking Member Scott (R-SC)** discussed his legislation, the Credit Access and Inclusion Act, and he thought there were two ways to increase access to credit. He said that one way is flawed, as it creates a less reliable system and he pointed to how the FHFA is departing from risk-based pricing with their new LLPAs for the GSEs. Scott said that there are ways to ensure that minority

borrowers have access to credit and including alternative data creates a more fair and objective system. He asked how Experian Boost is going and if the accuracy of the information allows for an objective system still. Cassin said that they have had 12 million consumers add tradelines to their credit reports and they have found that these consumers have seen a material increase in their credit scores. He added that they also launched Experian Go, which is targeted at people with no credit history, and they think these programs are helpful to people with limited or no access to credit. Begor agreed with Cassin and added that more data leads to better decisions and referred to a database they have on utility and cell phone records and how it has helped those on the lower end in the credit space. He said that they think around two million consumers will see a lift in their credit scores with this data. Scott said that the use of objective standards is so critically important, and he sees people trying to eliminate objective standards to help minorities, which he finds insulting. He hoped they were spending a lot of time investing in financial literacy.

**Chairman Brown (D-OH)** wanted to talk more about medical debt and appreciated their commitment to increasing access to credit overall. He pointed to how the CFPB released a report on medical debt and how removing medical debt of under \$500 increased credit scores. Brown asked if Begor would commit to removing medical debt over \$500 from the credit reports. Begor said that they would look at this and work with his office. Cartwright thanked him for acknowledging the progress and agreed that they should continue to analyze this issue and determine the best threshold for including medical debt in the credit record. He acknowledged that medical debt could be a burden for consumers, and he thought the best outcome is when the banks, consumers, bureaus, and the Committee collaborate and analyze the information and let the data lead them to the best outcome. Brown asked if Cartwright was not willing to commit to removing this debt over \$500. Cartwright repeated that he was willing to work with the Committee on this. Cassin agreed with the others and said he was willing to work with the Committee on this. Brown said that they all know that medical debt is not predictive and has no place on credit reports. He pointed to how VantageScore does not include medical debt and said that this is why he is urging medical debt be taken off. Brown turned to tenant screening reports and how they include eviction filings and criminal records, which can be erroneous. He said that TransUnion provides many tenant screening reports and asked if consumers can see their reports. Cartwright said that TransUnion is committed to ensuring the accuracy of tenant screening reports and they have invested a lot in algorithms to ensure that information is matched with the right consumer. He said that this screening information plays an important role in getting consumers access to housing. Brown again asked if consumers should be able to see their reports. Cartwright said that consumers are able to see the information reported against them and can dispute it under the FCRA. He agreed that transparency in this process is hugely important. Brown asked if tenants will now see their reports when they apply to rent somewhere. He said that tenants often get turned down due to errors on these reports. Cartwright said that accuracy is very important and when tenants are turned down, they see the reason why. Brown asked if these potential tenants really see this information. Cartwright said that landlords are responsible for communicating the reasons for denying access to housing to applicants. Brown said that they do not communicate this and asked if this was correct. Cartwright said that this was difficult for him to speak to, but it should be a transparent process and that they would work with his office to refine regulations as appropriate. Brown said he would be touching base with them on the Eviction Crisis Act.

**Sen. Britt (R-AL)** pointed to how around 26 million Americans are credit invisible and said that many of these people are Alabama residents. She said that one of their goals on the Committee is to responsibly increase access to financial institutions and credit. Britt asked what their plan is to help these Americans. Begor said that this is in line with their goals, and they have large alternative data databases. Britt asked if they are seeing this help more people. Begor said yes. Cartwright responded that it is a hugely important issue, and it is probably the single biggest issue the Committee could work on. He highlighted that TransUnion has adopted trended credit information in recent years and how they now include over 3 years of credit history. Cartwright agreed that they need to invest in alternative data and that nontraditional data expands credit access to consumers. Cassin said that this is a huge issue for the industry and Experian has been proactive on this issue. He said that consumers can access their reports for free and there is also Experian Boost so consumers can add alternative data to their file. Cassin also pointed to Experian Go and said that these products are geared towards targeting this issue. Britt commended them for their work and said that they have to keep working to improve opportunities for Americans and improve financial literacy.

**Sen. Tester (D-MT)** said that many of Montanans have reached out and complained about lacking access to credit because of freezes on their credit reports. He asked how consumers can address this. Begor pointed to how they are improving education on their website and on the freezes, they are making this process more streamlined, so it is easier for consumers to lift freezes. Cartwright agreed and said that this process needs to be quick and seamless for consumers. Cassin noted how Experian has a mobile app for consumers and said it should be an easy process for them. Tester turned to data breaches and asked what is being done to help folks who have had their identity stolen due to breaches. Begor said that they have a process where consumers can freeze their credit file and work with their team if they have been a victim of a breach. Tester asked if the credit reporting agencies are selling information to third parties when people pull their credit reports because people in Montana are getting advertisement calls for mortgages after they pull them. Cassin said that this product has been around for a while and people have benefited from getting better offers, but people are able to opt out of this. Cartwright echoed Cassin, saying that they have a similar opt out functionality for their digital products, adding that they are easy for consumers to use. Begor said that they have the same capability for consumers to opt out of that marketing.

**Sen. Fetterman (D-PA)** referred to research his staff did and pointed to systemic bias, saying that minorities are less likely to have a credit score and asked if this sounded accurate. Begor replied that too many Americans are credit invisible and said that alternative data can be used to develop credit reports. He agreed that access to credit is a big issue and is a priority for TransUnion. Fetterman asked if there are any trends or patterns regarding race and credit reports. Cassin replied that reports are blind to racial factors but highlighted the issue of underrepresentation in minority communities. Fetterman went on that according to the FTC service members are more likely to be victims of digital theft and asked what the credit agencies are doing about this. Cassin replied that Experian makes its reports free to service members and their families. Cartwright replied that TransUnion does the same and repeated that at the beginning of the pandemic, consumers were only given one free credit report during the year and changed that to a free report a week, which he said is critical because they want consumers to be

able to access their information. Begor replied that Equifax supports service members. Fetterman discussed the problems consumers face when they transition genders and asked what the agencies are doing to help the transgender community. Cartwright replied that there is a wide range of criteria to ensure match accuracy. Begor replied that changing one's name is an easy process. Cassin echoed both Begor and Cartwright.

**Sen. Warren (D-MA)** stated that credit reports have big consequences for people's lives, impacting their auto loans and insurance, and emphasized that the data needs to be right. She touched on medical debt collections and said that the ones that have been paid are less predictive of consumers creditworthiness than non-paid debt. Warren asked if Begor was aware of this issue. Begor replied that medical debt is a very complex issue and said that medical debt does have predictive value, but he did not have data on whether it was less predictive. Warren was shocked that he did not know how predictive medical debt is compared to other forms of debt collection. She said that our medical system is a mess and medical bills are a moving target, which is why it is a less predictive element on a credit report. Warren asked Begor if the CFPB concluded that medical debt data does not belong on credit reports, would he support its removal. Begor replied that he would support this. Warren asked the same question to Cartwright and Cassin. Cartwright answered that the CFPB is its regulator so if it directed TransUnion to remove medical debt, TransUnion would comply. Cassin replied that if the CFPB directed Experian to do so, it would comply. He added that medical debt is a complex issue. Warren understood that the credit reporting agencies are just a link in a very problematic chain that are profiting from illegal healthcare charges but said that credit report agencies are the ones turning the data into real pain for consumers.

**Sen. Britt (R-AL)** referred to the housing hearing the Committee held yesterday and said that rising prices have cost a typical household over \$10,000. She emphasized the need to expand homeownership and turned to Begor's comments about alternative data in the housing space and asked him to elaborate. Begor replied that there is a new mortgage credit report rollout that uses phone payment data to expand the credit file, which will help consumers increase their credit scores and make homeownership easier to achieve. Britt asked about the consequences of removing data from reports. Cartwright answered that Scott talked about an era in financial services where loan determinations were based on relationships and said that it has been an enormous innovation to have objective information reported at scale, so the decisions are data driven and unbiased. He said that having a truthful record at the base of a lending decision is crucial. Cassin replied that the perfect example is Experian Boost where consumers can add additional data to their file and added that systems around the world with less information perform much poorer than systems with more information. Begor agreed, saying that more data results in better decisions for consumers and agreed that the US credit system is the envy of the world due to the data agencies have, but said that there is more work to do. Cartwright added that adding rental payments to credit files would materially drive home ownership. Britt hoped that any CFPB rulemaking would follow the notice and comment periods.

**Chairman Brown (D-OH)** thanked the CEOs for being there and concluded by saying that Democrats are united behind believing that medical debt should be removed from credit reports and knew that the CEOs intuitively understand that. He said that removing medical debt would increase credit scores by 32 points and urged the removal of medical debt again.