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The Honorable Maxine Waters
Chairwoman
House Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
House Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry,

On behalf of the Credit Union National Association (CUNA), I am writing in regard to hearing entitled, "A Biased, Broken System: Examining Proposals to Overhaul Credit Reporting to Achieve Equity." CUNA represents America's credit unions and their more than 120 million members.

The credit reporting system plays a critical role in the financial lives of Americans as the data collected and maintained are influential metrics for many lending decisions. The Fair Credit Reporting Act (FCRA), which establishes the system's legal framework, was passed by Congress in 1970 to ensure the integrity of consumers' data maintained by the credit reporting agencies (CRAs). CUNA supports the purpose of the FCRA and its importance in ensuring consumers' financial information is handled and used in an appropriate and responsible manner.

Credit unions, as both users and furnishers of information to the CRAs, have a substantial interest in promoting the accuracy and quality of the data contained in the system. For that reason, credit unions take their compliance responsibilities seriously and strive to develop and implement sound credit reporting policies and procedures, train personnel on those policies and procedures, and promptly resolve any issues that may arise. This dedication to being responsible stewards of consumer information is why credit unions have a reputation as consumers' best option in the financial services marketplace.

Accurate and complete credit reports are essential to credit unions providing safe and affordable financial services to their members. Whereas credit unions' field of membership restrictions were originally designed as a mechanism for determining borrowers' credit worthiness, today credit unions and other financial institutions rely on credit reports and credit scores to assess credit worthiness and inform lending decisions. It is in the interest of all stakeholders in the lending process for borrowers' credit reports to be accurate and complete.

While we agree the current system is imperfect and the FCRA should be examined for necessary amendments and modernized to promote clarity and accountability, CUNA is concerned about the negative impact on consumers' access to credit that could result from well-intentioned but overly disruptive changes to the system. The bills being considered in today's hearing would make sweeping changes to the credit reporting framework, most notably establishing limits on the data contained in credit reports, creating a public credit reporting agency, substantially increasing the power and influence of the partisan Consumer Financial Protection Bureau (CFPB), and many others.

We caution Congress against taking these actions for a myriad of reasons. In particular, the FCRA has been an area of growing litigation risk over the past decade and the proposed legislation could further exacerbate the problem of frivolous suits. In the case of credit unions, frivolous litigation means that access to safe and affordable financial services becomes more expensive and potentially less available for credit union members.

Regarding the creation of a mandated consumer-facing online portal, we are concerned about the potential for significant cybersecurity risk to consumers, financial institutions, and companies. This would be an unnecessary risk given that consumers can dispute the accurateness of information on their credit reports with the credit reporting agency or with their creditor. The FCRA requires these disputes to be resolved in a timely manner and, if the disputed information is incorrect, the information in question is eliminated from the report. As such, consumers already wield significant tools to dispute information and correct errors without introducing a potential vulnerability to the system.

We are also concerned about the proposed creation of a public credit reporting agency within the CFPB. Such an agency would not only expand the influence of the Bureau within the lending ecosystem but also require considerable costs and many years to fully implement before providing a benefit to consumers – if any benefit at all. The money and time required to successfully launch such a massive undertaking would be better allocated towards prudent regulatory oversight, financial inclusion initiatives, and grant programs aimed at supporting rural and underserved communities and increasing access to credit.

Ultimately, there is no evidence to support the notion that a public credit reporting agency would be more transparent, innovative, or inclusive than the current private system. In fact, given the Executive Branch’s firm control over the CFPB and its leadership, a public CRA could allow an administration to meddle in the nation’s lending ecosystem to the detriment of fair and equitable access to credit. This type of heavy-handed government control could serve to undermine confidence in the integrity of the credit reporting system itself, which is an essential tool in the credit underwriting process. The foreseeable problems that could arise down the road from this proposed “solution” warrant a serious reconsideration of the legislation.

In the meantime, Congress and the regulatory agencies have already taken steps to encourage inclusion and increased access without stepping into the system as a de facto competitor. These steps have facilitated positive change in the system, such as the increased exploration of “alternative data” as a tool to expand access to credit. We encourage policymakers to put forward more ideas that would encourage rather than hinder such progress.

On behalf of America’s credit unions and their more than 120 million members, thank you for the opportunity to share our views and look forward to working with you on these important issues.

Sincerely,



Jim Nussle
President & CEO