

CREDIT REPORTS -- (Extensions of Remarks - December 08, 2006)

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**SPEECH OF
HON. EDOLPHUS TOWNS
OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES
THURSDAY, DECEMBER 7, 2006**

- Mr. TOWNS. Mr. Speaker, My esteemed colleagues, thank you very much for the opportunity to talk to you about an important issue involving credit reports that will disproportionately harm low-income home buyers and put most small independent credit reporting agencies out of business within a month. The issue involves the ``joint use'' of credit reports for mortgages.
- ``Joint use'', ``secondary use'' or ``reissue'' refers to the long-standing practice recognized in the FCRA, by the Federal Trade Commission, and by the Office of the Comptroller of the Currency, which allows a credit report to be jointly used by multiple entities legitimately engaged with the origination of a mortgage at no additional cost. Joint use of credit report information is essential for the proper functioning of the mortgage banking, brokerage and financing industries and is an important process by which consumers shop for and obtain mortgage credit.
- Recently, two of the credit repositories, Equifax and Experian, E&E have announced new mandatory fees and burdensome requirements for joint use of credit reports starting January 1, 2007. Consumers will now be burdened with paying multiple charges for the one-time access of their credit report in order to originate a single mortgage transaction. Unlike other credit industries, the mortgage credit reporting industry is required to depend on three-file merged credit reports provided by E&E and TransUnion. The proposed new policy will significantly increase mortgage origination costs. Costs for joint use of credit reports potentially increase by 100-300 percent. E&E will significantly increase their revenues while end users, resellers, and ultimately, consumers will pay the costs. In addition, consumers facing the highest cost increases will be those with credit challenges such as low income and first time homebuyers.

- Further, about ninety percent of the independent credit reporting agencies will be unable to meet the additional contractual requirements being dictated by E&E. These credit-reporting agencies will be unable to access the credit data from E&E and therefore unable to provide the mandatory three-file merged credit reports. They will quickly be forced out of businesses due to these changes.
- There is no new legislation, court case, regulatory decision or other external event to justify such action except to increase the revenues of these large companies at the expense of the consumer and to the detriment of small credit reporting companies.
- The other repositories, TransUnion and Innovis, have not chosen to drastically alter the joint use procedure. TransUnion is evaluating its position and CBC Companies, the parent of Innovis, is challenging E&E's proposed new guidelines in federal court as a violation of U.S. antitrust laws.
- The end user disclosure, joint use, requirements have been working well since they were enacted as part of the FCRA in 1997. The recent actions by E&E do little to combat the incidence of identity theft and increase data security. The main reason for these policies is to raise revenue and decrease competition. The effort to implement these new reissue/joint use procedures and fees needs to be stopped in order to maintain a level playing field, continue effective competition in the marketplace and provide fair and equitable access to capital for all Americans.
- Any efforts by the major credit repositories to change the reissue process should not restrict competition. In order to protect both consumers and small, independent credit reporting agencies, E&E should make the following changes to their proposed reissue policies.
- Continue to classify the GSEs, HUD and any other ancillary technology system that is part of the mortgage origination process as joint use, not the new created "reissue" or "secondary use" classification;
- Allow credit-reporting agencies, at the direction of the end user of record, to reissue to any firm on one of the approved mortgage seller or servicer lists of Fannie Mae, Freddie Mac or HUD without end user documentation and site inspections; and
- Designate a reasonable flat fee for reissue. Note: The changes to the 2003 FACT Act which included a free credit report to every American on an annual basis only required an \$.11 per file price increase while E&E's proposed policy changes attempt to justify the charge of \$1.05 to \$3.50 per file.
- Thank you very much for the opportunity to address this important topic. I strongly suggest that E&E reconsider the policies they plan to implement on January 1. Such policies will ultimately hurt the consumer and will have a disproportionate effect on low-income individuals. All Americans deserve the right to pursue the American dream of homeownership and should not be restricted to access to loans because of a policy intended solely to raise revenue for two large credit repositories.