

A.G. Schneiderman Announces Groundbreaking Consumer Protection Settlement With The Three National Credit Reporting Agencies

Experian, Equifax, And Transunion, Which Maintain Consumer Credit Information On 200 Million Americans, Have Agreed To Increase Protections For Consumers Facing Credit Report Errors; Provide Second Free Annual Credit Report To Consumers

Agreement Increases Protections For Consumers With Medical Debt; Reforms Process For Correcting Report Errors; Improves Accuracy Of Reports

A.G. Schneiderman: This Agreement Will Reform The Entire Industry And Provide Vital Protections For Millions Of Consumers Across The Country

NEW YORK – Attorney General Eric T. Schneiderman today announced a settlement with the nation’s three leading national credit reporting agencies, Experian Information Solutions, Inc., (“Experian”), Equifax Information Services, LLC (“Equifax”), and TransUnion LLC (“TransUnion”). **The agreement** means the companies will improve credit report accuracy; increase the fairness and efficacy of the procedures for resolving consumer disputes of credit report errors; and protect consumers from unfair harm to their credit histories due to medical debt. All three credit reporting agencies worked cooperatively with the office to develop these critical reforms.

“Credit reports touch every part of our lives. They affect whether we can obtain a credit card, take out a college loan, rent an apartment, or buy a car – and sometimes even whether we can get jobs,” **Attorney General Schneiderman** said. “The nation’s largest reporting agencies have a responsibility to investigate and correct errors on consumers’ credit reports. This agreement will reform the entire industry and provide vital protections for millions of consumers across the country. I thank the three agencies for working with us to help consumers.”

"Debt collection is consistently one of our top complaints, with collection of debts not owed being the number one reason New Yorkers contact us," said **NYC Department of Consumer Affairs Commissioner Julie Menin**. "Mistakes like these, illegal payday loans and other information like medical debt end up on credit reports where they can misrepresent a consumer's creditworthiness. The agreement by Attorney General

Schneiderman with the three credit reporting companies is no small feat and I applaud him for ambitiously requiring these institutional agencies to make it easier to obtain and repair one's report."

"Today marks a major victory for New York consumers; it has been widely reported over the last few years that there are gross inaccuracies that can be found on the average consumer's credit report," said **Assemblyman Jeffrey Dinowitz**. "Our system puts great faith in the credit reporting agencies to serve as the de facto watch dogs of the credit market in this country and in New York State. To put it simply, the current system was failing. As Chairman of the Assembly Standing Committee on Consumer Affairs and Protection I held a hearing on the inaccuracy of credit reports in 2013 and what we found was a system that ignored errors and made it practically impossible for a consumer to repair their credit without undue hardships. This settlement should help to restore consumers' faith in the credit reporting system and will hopefully make repairing erroneous marks on their report that much simpler. I applaud Attorney General Schneiderman for his action on this issue."

"Problems with credit reports routinely block people's access to housing and jobs, particularly low income people and people of color," said **Susan Shin, Senior Staff Attorney at New Economy Project**. "The practices of the big three credit reporting agencies have an outsized impact on the lives of hundreds of millions of people. We applaud Attorney General Schneiderman for his leadership in challenging fundamental inequities in the credit reporting system."

"This agreement addresses some of the most egregious problems in credit reporting that consumer advocates have complained about for many years," said **Chi Chi Wu, National Consumer Law Center staff attorney**. "We commend Attorney General Schneiderman and his staff for getting these changes, which should benefit consumers enormously."

Experian, Equifax, and TransUnion are credit reporting agencies ("CRAs") that maintain consumer credit information on approximately 200 million consumers. The credit information is compiled by the CRAs via voluntary submissions from "data furnishers" such as banks and collection agencies. The CRAs provide credit reports to companies who then use the reports to assess consumers' credit-worthiness. Creditors use credit reports to assign numerical ratings, called "credit scores" that are used in determining whether to grant credit and in determining the cost of credit.

Credit report errors may arise as a result of identity theft or fraud, or through the CRAs' process of matching information provided by furnishers to individual consumer's credit files. For example, when consumers have similar names and share other identifying information, some or all of the credit information of one consumer can become "mixed" into the file of another consumer.

A 2012 study by the Federal Trade Commission found that 26% of study participants identified at least one potentially material error in their credit reports, and that 13% of study participants experienced a change for the better in their credit score as a result of modification to their credit report after a dispute to a credit reporting agency. These findings suggest that millions of consumers have material errors on their credit reports.

The Attorney General's settlement requires the CRAs to institute a number of reforms to increase protections for consumers, over a three year period. Many of those reforms will be instituted nationwide:

1. Improving the Dispute Resolution Process

Consumers have the right to challenge inaccurate information in their credit report by initiating a "dispute" with a CRA. Attorney General Schneiderman's investigation of the CRAs revealed that in some cases, the CRAs use a fully-automated process in which they reduce consumers' disputes to a three-digit code and submit the code and any documentation to the creditor. If the creditor verifies the challenged information, the CRA rejects the consumer's dispute without conducting any further investigation.

The agreement requires that the CRAs employ specially trained employees to review all supporting documentation submitted by consumers for all disputes involving mixed files, fraud or identity theft. The agreement also requires that, for all categories of disputes, when a creditor verifies a disputed credit item through the automated dispute resolution system, the CRA will not automatically reject the consumer's dispute, but rather, a CRA employee with discretion to resolve the dispute must review the supporting documentation.

2. Medical Debt

Over half of all collection items on credit reports are medical debts. Medical debts often

result from insurance-coverage delays or disputes. As a result, medical debt may not accurately reflect consumers' creditworthiness.

Pursuant to the Attorney General's agreement, the CRAs will institute a 180-day waiting period before medical debt will be reported on a consumer's credit report. This waiting period will provide extra time to permit resolution of delinquencies that result from insurance delays or disputes. In addition, while delinquencies ordinarily remain on credit reports even after a debt has been paid, the CRAs will remove all medical debts from a consumer's credit report after the debt is paid by insurance.

3. Increasing the Visibility of AnnualCreditReport.com

Many consumers are not aware that they are legally entitled to one free annual credit report from each CRA via AnnualCreditReport.com. Consumers searching for a credit report online frequently find a CRA's website, and many consumers subscribe to a CRA credit monitoring service to obtain a credit report or purchase a credit report from the CRA without understanding that they can obtain a free credit report. The agreement requires the CRAs to include a prominently-labeled hyperlink to the AnnualCreditReport.com website on the CRAs' homepages. The hyperlink must appear directly on the CRAs' homepages or via a drop-down menu visible on the homepages.

4. Additional Free Annual Credit Report

Consumers have a statutory right to obtain one free credit report per year from each CRA. The Attorney General's agreement requires the CRAs to provide a second free credit report to consumers who experience a change in their credit report as a result of initiating a dispute. This requirement will permit consumers to verify that the CRA made the correction to their credit report without have to pay for a second credit report.

5. Payday Loan Debt

Predatory high-interest loans made in violation of New York lending laws are often referred to as "payday loans." New Yorkers who take these loans often have trouble paying them back, damaging their credit, and making it more difficult to obtain a credit card, get a job, or even rent an apartment. The Attorney General's agreement prohibits the CRAs from including debts from lenders who have been identified by the Attorney General as operating in violation of New York lending laws on New York consumers' credit reports.

6. Furnisher Monitoring

Companies that provide consumer data to the CRAs (“furnishers”) must investigate consumers’ disputes and report their findings to the CRAs. The Attorney General’s agreement requires the three CRAs to create a National Credit Reporting Working Group (“Working Group”) that will develop a set of best practices and policies to enhance the CRAs’ furnisher monitoring and data accuracy. The Working Group will develop metrics for analyzing furnisher data, including: the number of disputes related to particular furnishers or categories of furnishers; furnishers’ rate of response to disputes; and dispute outcomes. Each CRA will implement policies to monitor furnishers’ performance and take corrective action against furnishers that fail to comply with their obligations.

7. Media Campaign About Consumers’ Rights

To ensure that consumers understand their rights, the Attorney General’s agreement requires the CRAs to carry out an extensive consumer education campaign in New York via public service announcements and paid placements on television, radio, print media, and online. The campaign will be carried out over three years and will focus on consumers’ rights to: (a) obtain a free annual credit report; (b) dispute errors in their credit reports; and (c) submit documents in support of disputes. **The agreement** also requires the CRAs to expand the consumer education materials available on AnnualCreditReport.com, the website that consumers can use to obtain their free annual credit report.

All three credit reporting agencies cooperated in the Attorney General’s investigation and demonstrated a strong commitment to reforming practices to increase protections for consumers.

Tips for Consumers:

- You can get a free credit report from each of the CRAs once each year.
- To get your free report, visit www.AnnualCreditReport.com or call (877)-322-8228.
- You can request all three credit reports at the same time, or you can request the reports separately. Spreading out the reports permits you to monitor your credit over the course of the year.
- It is important to review your credit report regularly in order to check for errors.
- If you find an error, you have the right to dispute the error with the CRA and with the company that provided the information.

- You have the right to submit copies of documents that support your dispute. You may submit such documents to the CRAs online via the CRAs' websites.
- Watch out for websites that claim to offer "free" credit reports, but require you to subscribe to their fee-based services in order to obtain the credit report.

New York City residents who need help understanding their credit report or improving their credit score, should call 311 to find their nearest Financial Empowerment Center for free financial counseling.

This case was handled by Special Counsel Carolyn Fast, Assistant Attorney General Melissa O'Neill and Bureau Chief Jane M. Azia, all of the Consumer Frauds Bureau, and Executive Deputy Attorney General Karla G. Sanchez.