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**Statement of Edmund Mierzwinski, Consumer Program Director  
Consumer Federation of America (CFA) News Conference on Financial Literacy  
-- National Press Club, Washington, DC --**

“U.S. PIRG is pleased to join CFA today to release its critical survey on consumer knowledge of credit reporting and credit scores and the need for reform of the federal Fair Credit Reporting Act.

The survey documents that consumers both need and overwhelmingly support strong reforms to ensure the accuracy of credit reports, stop identity theft and protect privacy. Unfortunately, the House Financial Services Committee thinks otherwise. Instead, its consensus bill takes only modest steps to improve the law, while permanently preempting stronger state action in most areas. U.S. PIRG is disappointed that while the committee’s hearings established a strong record of the need for strong action, its bill is modest while also preventing states from doing better.

U.S. PIRG intends to work with CFA and reform-minded Representatives to improve this bill on the House floor. We also intend to work with consumer champions led by Chairman Shelby and Senator Sarbanes of the Senate Banking Committee to ensure that the Senate bill does a better job of protecting consumers and guaranteeing states’ rights. Our fact sheet attached to your materials highlights some of the key solutions needed.

The House bill’s centerpiece was to be annually free credit reports and free credit scores. Both those promises have been rolled back—bureaus can charge for credit scores and only the Big Three national bureaus must now provide free credit reports annually on request. Since the products are often combined, charging for scores also diminishes the value of the free report.

Consumers also need to see the actual reports and scores that lenders see because these reports are more likely to contain errors. Employment applicants already have a similar right. The House bill does not provide for this. Consumers also need more adverse action notices. As the FTC has recommended, consumers should see adverse action notices when they accept counter-offers—this is not in the House bill either.

The House bill helps victims of identity theft but fails to stop identity theft before it starts. Congress must enact legislation going after the sloppy practices of credit card companies, department stores, banks and credit bureaus that aid and abet the crooks. Bureaus should be required to match at least four points of identification before issuing reports to lenders. The bill also fails to give consumers the legal tools they need to enforce the accuracy of their reports

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Besides failing to strengthen accuracy, the House bill fails to address incompleteness. It ignores the record evidence that many creditors game the system by not telling the whole truth about their customers. Incomplete credit reports lead to low credit scores and that prevents consumers from shopping for better offers.

The House committee also rejected the important Sanders-Bachus-Maloney amendment that would have prohibited firms from raising your interest rate because your credit score declined or due to an alleged non-payment to a different creditor. Allowing lenders not only to report incompletely, but then to use those incomplete reports to raise your interest rate to 25% APR or more, is outrageous.

Worst, from a public policy perspective, the House bill eliminates most state reforms permanently. The only reason we are having a debate in Congress this year is the threat of state action. If the states are permanently barred from seeking stronger state laws, what will bring Congress back to the table next time? The House bill, HR 2622, is a win for the financial forces that seek both a weak federal law and a bar on state actions. Unfortunately that makes it a loss for consumers and bad public policy to boot.

Although industry has largely refused to talk about this, one of its goals is for the FCRA preemption to over-ride the separate Gramm-Leach-Bliley Act's provision (known as the Sarbanes amendment) allowing states to enact stronger financial privacy laws. Industry is in court seeking to overturn opt-in/opt-out hybrid laws enacted by several California cities under GLB. Industry claims that the FCRA preemption trumps GLB.

Don't let industry tell you they are for opt-out. Industry is for no-opt, which is what GLB provides in affiliate sharing circumstances and even some third-party circumstances. Industry wants to prevent states, and cities, from enacting financial privacy laws stronger than GLB's no-opt.

CALPIRG, Consumers Union, AARP, Consumer Federation of California and others are about to finish collecting enough signatures to qualify a March 2004 ballot initiative on financial privacy. The voter initiative, if passed, will require banks to obtain opt-in consent before affiliate sharing. Industry's goal to extend preemption permanently is nothing more than a cynical attempt to enact one more legal roadblock in front of this important democratic reform.

If HR 2622 is enacted with its permanent preemption provisions, Congress won't return to credit reporting again, unless there is an Enron crisis in credit scoring or a privacy crash like the Exxon Valdez. That's wrong and we pledge to work with the Senate to eliminate state preemption and enact real reforms to the broken credit reporting system."

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