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CONSUMER FINANCIAL PROTECTION BUREAU REPORT DETAILS HOW THE NATION'S LARGEST CREDIT BUREAUS MANAGE CONSUMER DATA

Credit Cards Dominate Consumer Reports; Debt Collection Tops Disputes

WASHINGTON, D.C. — Today the Consumer Financial Protection Bureau (CFPB) released a report on the consumer experience with the three largest nationwide credit reporting companies: Equifax Information Services, LLC; Experian Information Solutions Inc.; and TransUnion LLC. Among the key takeaways in the report, which is one of the most comprehensive studies of credit reporting to date, are that credit card history dominates the information in credit reports and that debt collection items generate the highest rate of disputes.

"Today's study is another step toward bringing more clarity to the confusing world of credit reports. It will help educate regulators and consumers about how this important industry works," said CFPB Director Richard Cordray. "If consumers know how these companies handle their credit histories, they can make better decisions on how to handle their financial lives."

Credit reporting companies, also called credit bureaus, are businesses that track a consumer's credit history. The credit reports they generate – and the three-digit credit scores that are based on those reports – play an increasingly important role in the lives of American consumers. Most decisions to grant credit and set interest rates for loans are made using information contained in credit reports as a key decision factor.

Equifax, Experian, and TransUnion each have more than 200 million files on consumers. In a typical month, they receive updates from approximately 10,000 information "furnishers," which are the entities that supply data on consumers. The furnishers do this on more than 1.3 billion "trade lines," which are individual information sources on a consumer report such as a consumer's accounts for a car loan, mortgage loan, or credit card.

The report is the result of the CFPB analyzing U.S. information from 2011, including information submitted by TransUnion, Equifax, and Experian. Among the key takeaways in the report:

- **More than half of the trade lines in the credit bureau databases are supplied by the credit card industry:** Credit reporting companies get their information from a variety of industries but more than half of the account information is supplied by credit card companies. Specifically, 40 percent comes from bank cards, such as general credit cards, and 18 percent comes from retail credit cards. Only 7 percent comes from mortgage lenders or servicers, and only 4 percent comes from auto lenders.

- **More than a third of disputes have to do with collections:** In 2011, consumers reached out to the credit reporting companies roughly 8 million times, resulting in disputes of 32 to 38 million items in their credit files. Almost 40 percent of the disputes relate to debt in collections, and debt in collections is five times more likely to be disputed than mortgage information. According to the industry, some of this may have to do with consumers' incentive to dispute any negative information on their reports.

- **Fewer than one in five people obtain copies of their credit report each year:** The most effective way for consumers to identify errors in their reports is to obtain copies and review them. But only about 44 million consumers per year, or about one in five, obtain copies of their files.

- **Most information contained in credit reports comes from a few large companies:** Most information contained in credit files comes from a small number of large banks and other financial institutions. In fact, the top 10 data furnishers provide 57 percent of the trade lines coming into the credit reporting companies. The top 50 furnishers provide 72 percent. And the top 100 furnishers provide 76 percent.

- **Most complaints are forwarded to the furnishers that provided the original information:** The credit reporting companies resolve an average of 15 percent of consumer disputed items internally, without getting the data furnishers involved. The remaining 85 percent are passed on to the furnishers. Today's report, however, found that the documentation consumers mail in to support their cases may not be getting passed on to the data furnishers for them to properly investigate and report back to the credit reporting company.

The report, "Key Dimensions and Processes in the U.S. Credit Reporting System: A review of how the nation's largest credit bureaus manage consumer data" is available at: http://files.consumerfinance.gov/f/201212_cfpb_credit-reporting-white-paper.pdf

The CFPB is the first federal government agency that supervises both consumer reporting companies and those that provide consumer reporting companies with consumers' credit information, such as large banks and many types of nonbanks. In July, the CFPB adopted a rule to extend its supervision authority to cover larger consumer reporting agencies, and in September, it released the examination procedures it will use to examine these companies. Previously, these companies were not supervised at the federal level.

In September, the CFPB released a study examining credit scores that compared credit scores sold to creditors and those sold to consumers. It found that while credit scores sold by credit bureaus to consumers were generally highly correlated with credit scores used by lenders, about one in five consumers would likely receive a score that could be materially different from what a lender would see.

In October, the CFPB began accepting individual complaints about credit reporting companies. If a consumer files a complaint with a credit reporting company and is dissatisfied with the resolution, the CFPB is available to assist. Consumers can find out more at: https://help.consumerfinance.gov/app/creditreporting/ask

The CFPB also published a Consumer Advisory about credit reports earlier this year at: http://files.consumerfinance.gov/f/201207_cfpb_consumer-advisory_check-your-credit-score-every-year.pdf

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit www.consumerfinance.gov.