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On behalf of the U.S. Chamber of Commerce
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House Committee on Financial Services
United States House of Representatives
Hearing on "The Importance of the National Credit Reporting System to Consumers and the U.S. Economy"

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Good morning Mr. Chairman and distinguished members of the Subcommittee. Thank you for inviting me to testify before you today. I commend you for your efforts to protect the nation's economy and for holding a hearing on this important issue.
My name is Michael Uffner and I am the President, Chairman and CEO of AutoTeam Delaware, a regional automobile dealer, located in Wilmington, Delaware, with customers throughout the region, including Delaware, Maryland, New Jersey and Pennsylvania.

I am here to speak with you today on behalf of the U.S. Chamber of Commerce. I became a Member of the Board of Directors of the Chamber of Commerce in 1998. I also serve as Chairman of the Chamber's Public Affairs Committee, and am active in the Delaware State Chamber of Commerce, where I formerly served as State Chairman.

The Chamber is the world's largest business federation, representing more than three million businesses and organizations of every size and in every industry sector and region of the country.

Introduction:

A Failure to Reauthorize the Fair Credit Reporting Act (FCRA) Could Cause Major Disruptions In Everyday Business Operations.

As a preliminary matter, I wanted to discuss the breadth of interest and concern that surrounds this important issue, and why the U.S. Chamber, as a broad-based business association, is so engaged. The reason is simple: a failure to reauthorize the FCRA could adversely affect almost every industry sector in the economy. For example, as Members of the Financial Services Committee, you are doubtlessly aware of the severe disruptions that a multiplicity of credit rules across multiple states could wreak on the credit industry and their customers, making it more difficult and expensive for consumers to obtain credit for everything from home and car loans to student loans and credit cards.

However, a failure to reauthorize the uniform standards of the FCRA could also cause significant problems throughout the economy, from manufacturing and technology to everyday services that people simply take for granted, like utility service and shopping.

While my experience may be typical for an auto dealer or a small retailer, these issues cut across the business spectrum. For your convenience, therefore, I am including as an appendix to my testimony a short description of how a wide range of industries relies on the smooth and continued operation of the FCRA.

What is the Fair Credit Reporting Act?

The Fair Credit Reporting Act (FCRA) is the statute that generally governs the use of credit information: payment history, amount of available credit and debt, etc., but NOT information about a person's income. It puts very strict limitations on how credit information can be used, and how consumers can dispute information that they believe is wrong.

The FCRA has been instrumental in helping to create the national credit system that we enjoy today, helping to facilitate the creation of our whole consumer credit economy, from the miracle of instant credit to the ubiquitous availability of credit cards.

As you may know, prior to 1970, credit was generally very localized -- dozens of credit bureaus operated in different parts of the country, and, because little credit information was shared, it was often difficult for people who moved to obtain credit beyond their local area. Further, it was often difficult for consumers to obtain credit -- consumers could obtain retail credit cards, and could get credit from their bank, but there was little widespread availability or competition. Today's consumers enjoy more competition and convenience because consumers who were formerly forced to obtain their car loans and home financing from their bank can now get the most convenient and best deals from their auto dealer, their realtor, or a bank across the country.

For example, before the modern FCRA, it was difficult to directly finance purchases for our customers. In fact, customers often had to shop around to a couple of different banks, wait a few days for approval, and compare financing packages that way. Now, they can obtain instant financing through us, through their own bank, or even through companies that may not even have offices in their state!

In 1996, Congress updated the FCRA in two very important ways: first, it strengthened the protections enjoyed by consumers, and second, it recognized the critical importance of a national, uniform credit reporting system. Congress changed the law so that a number of specific sections of the law could not be regulated by the states and, in so doing, established a national, uniform credit reporting system. However, Congress limited the operation of the national system by providing that the parts of the legislation that preempts the states would expire after 7 years -- on December 31, 2003. Therefore,

at the end of the year, the states will be free to implement their own changes to the FCRA, potentially creating a patchwork of different rules and obligations.

As others with more knowledge and expertise than me can testify, such a patch-work could wreak havoc on the nation's credit system, making credit reports much less reliable, and increasing the cost and time and hassle required to obtain credit, therefore reducing credit availability. The customer benefits from these efficiencies, and the customer will be the one to pay the price for the lack of uniformity

The Case for Uniform, National Standards

Because I come from the great State of Delaware, which, incidentally, the U.S. Chamber recently rated as having the best state legal system in the country, I am not particularly worried about any ill - considered rules that my state legislature might impose on small businesses or on the credit reporting system. However, my ability to conduct my business could be directly impacted if other states enact their own rules, even if I do not have any business relationships with those states.

First, if states were to enact different credit rating or reliability standards, consumers in one state might be placed at a competitive disadvantage. Like many companies of all sizes, I generally operate on a regional basis, and have customers from four states, as well as occasional customers from states as far away as West Virginia and even Texas. For companies like ours who operate on a regional basis and serve customers from multiple states, a uniform national standard is vital. If there are different credit rating and reliability standards for customers from different states, that may affect my ability to serve customers from those states, and may force me to charge different prices for customers based solely upon where they live. I have lots of loyal customers, and neither they nor I would want to see a state law that forced me to charge them a higher price or reduce the services that I can provide to them.

Second, if a state enacts a law that reduces the information available on a credit report, making it less reliable, that means that my customers from that state may have to pay higher rates to compensate lenders for increased risk. Or, if a customer moves to Delaware from a more restrictive state, my lenders may be forced to undertake an expensive investigation of my customer's credit history to compare it to Delaware's – such an invasive process surely would not "protect" consumers in those other states. Additionally, customers may face higher interest rates, and a whole chunk of lenders from outside the state may be precluded from making loans to customers from particular states.

Finally, credit furnishers, companies that *voluntarily* provide information to the credit bureaus every month detailing customers' payment history, are legitimately concerned about increased liability for mistakes made in reporting payment history to the credit bureaus. For example, even with good employees and strong procedures in place to minimize any mistakes in reporting payment history to a credit bureau, mistakes do occasionally occur. When they do, the FCRA requires that furnishers and credit bureaus do a quick and thorough check to ensure accuracy. However, if the rules were changed so that even when innocent mistakes are made and promptly corrected companies could still be found strictly liable for any damages, many companies would consider ceasing to provide that information to the credit bureaus. If risk managers began advising credit furnishers to cease providing information voluntarily, the entire credit reporting system could be impaired. For example, if all auto dealers stopped reporting credit information, a lack of credit and payment history could severely hurt the ability of low-income households to establish credit. If a consumer's only loan is a car loan, but their stellar repayment history is not reported to the credit bureaus, they may lose the opportunity to move from the sub-prime market to the prime lending market – all because too much potential liability scared the voluntary credit furnisher out of the reporting business.

In a national economy that depends on interstate commerce and allows consumers and businesses easy access to services in other states, a national, uniform standard that treats every customer the same is vital. Dismantling our national consumer credit system will weaken the country's' credit reporting and credit availability systems, and could take consumers back to the days of inconsistent reporting, error-riddled credit reports, higher credit costs, more paperwork, time-consuming credit application procedures and less choice in the retail marketplace, thus putting increased strain on our economy and reducing transaction efficiency.

In addition to the concerns I've outlined above, I'm also concerned about the ability of companies, like mine, to continue sharing certain information across their corporate structures. The ability to share information across affiliates is vital to many businesses because it permeates their whole ability to care for their customers.

In some cases, auto dealers and others may have corporate structures made up of many separate but affiliated firms linked by common ownership and control but perceived, correctly by their customers, as a single brand. Currently, under FCRA, members of the same corporate family can share with one another information about their transactions and experiences with consumers. FCRA also allows affiliates to share certain other types of information if the consumer is first provided a notice and an opportunity to opt out of such sharing. If the ability to share information amongst affiliates is significantly curtailed by state action following the expiration of FCRA's current provisions, the ability to serve customers could be adversely affected.

Restrictions on information sharing could turn a series of transactions that are seamless to the customer into time-consuming, multiple transactions. This could not only add to the hassle and stress of customers, but could increase the potential for errors, could cause consumers to miss or forgo potentially vital services. Further, multiple transactions could actually increase the opportunities for identity theft if, for example, the number of people handling a single transaction increased from one to many.

This is also true of business, and particularly small business – many entrepreneurs take out loans or borrow from their credit card to start a company or sustain themselves during lean times. If it is more difficult and expensive to obtain critical financing, many small business owners may decide that the costs are too great. Small businesses and consumers have been the drivers in this weakened economy – don't shut them down, now that the economy is just getting its legs back.

While it is beyond the scope of my testimony today, I would also like to note that the Chamber is concerned by the application of the FCRA to employment investigations (for example, the Federal Trade Commission's so-called Vail letter) and non-credit related employment background checks. Interpretations of the FCRA have made it more difficult for employers to effectively investigate allegations of workplace misconduct and carry out their responsibility to provide a safe and secure work environment. The Chamber would be happy to work with the Committee to address these important issues.

Conclusion: The FCRA protects Consumers, Businesses and the Economy

The current Fair Credit Reporting Act helps me to meet the needs of my customers. If a customer needs financing at 8:30 at night, the current system provides me with the tools to complete the transaction in a highly competitive and efficient market. What would happen to consumers and the consumer economy if every company like mine had these potential problems: if retailers couldn't provide seamless service to their customers; if banks and lenders had to impose significant delays or burdens on their customers ability to borrow money; if sub-prime lenders stopped reporting payment history to the credit bureaus; and if companies that operate across state lines had to charge different customers different amounts.

The concerns regarding what could happen to my company if parts of the FCRA become subject to multiple state rules is simply a microscopic look at the huge implications that a failure to reauthorize could have on the entire economy. The economic displacement throughout the economy would be massive. We would not only see more hassle, cost and headache for consumers, but would also see a significant drop in the amount of borrowing and therefore spending, that a customer might do. In an economy 2/3rds driven by consumers and consumer spending, that would quickly translate into a huge hole in the economy.

If Congress allows these amendments to expire, the benefits of our national consumer credit system that have evolved over the last seven years will likely unravel. This potential patchwork of dozens of divergent laws and systems could result in significant detrimental consequences for consumers and businesses.

Again, thank you very much for the opportunity to present my experience to this Committee. I would be happy to answer any questions.