

**Written Testimony of Mark Begor
Chief Executive Officer of Equifax Inc.
Committee on Financial Services
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Chairwoman Waters, Ranking Member McHenry, and distinguished members of the Committee, thank you for the opportunity to be here today. I am Mark Begor, Chief Executive Officer of Equifax, a role that I accepted in April 2018 after 37 years in senior leadership roles at General Electric and Warburg Pincus. While I was not a part of the Equifax team when the cybersecurity incident occurred in 2017, I certainly recognize the disruption and impact that the cyberattack caused for consumers and our customers — and I deeply regret what happened. I also understand that our regulators and lawmakers undoubtedly felt, and continue to feel, a strong duty to ensure that the financial ecosystem is functioning in a way that benefits consumers, safeguards their personal data and is fueled by accurate and complete information.

At Equifax, we too share that sense of obligation. Credit reporting agencies like Equifax are trusted to protect the personal data we hold, to provide accurate information to financial institutions making important risk decisions and to facilitate greater access to credit for consumers. I am committed to making improvements to our processes so that consumers have a seamless and positive experience when they are facing some of life's pivotal moments — such as applying for a mortgage, financing an education or buying a car. Under the Fair Credit Reporting Act (FCRA) and recently enacted S.2155, we are well positioned to meet and exceed consumer needs when they are standing at these critical junctures.

For example, last year in the U.S., Equifax delivered 2.3 billion consumer credit files — more than six million per day — to lenders. During this hearing today, we will help lenders with more than a half million transactions, including mortgages, auto loans, credit cards, apartment rentals and other consumer and commercial financial transactions. In 2018, mortgage lenders relied on our insights to help more than 11 million homebuyers secure a home mortgage or home equity loan. During that same period, our information helped more than nine million people finance their education. These examples are just a few of the ways that we, and our industry peers, play a critical role in the U.S. financial ecosystem.

I am pleased to share with you today some of the measures that Equifax is taking proactively to become a more consumer-focused bureau that continually prioritizes accuracy in its reporting. But first, I would like to give you an update on the comprehensive actions we have taken in the 18 months following the 2017 cybersecurity incident to transform a number of aspects of our business.

We are committed to building a culture within Equifax where security is a part of our DNA, and I have made a personal commitment that we will become an industry leader in data

security. The foundation of any true change must start at the most senior levels of an organization, and I am proud of the leadership and cultural enhancements that Equifax has made.

We've had a meaningful refreshment of our Board of Directors, with four new directors (including me) joining the board since the announcement of the 2017 incident. The Board is regularly updated by our Chief Information Security Officer (CISO) about cybersecurity matters and our security transformation progress. Equifax has a mindset that everyone at the company must have an understanding of and appreciation for the role they play in keeping our environment secure — and the Board is no exception. In fact, our CISO has developed a Board Cyber Audit Framework that consists of a set of programmatic and operational metrics so that directors can better understand where the company stands with respect to cybersecurity and so that any issues that arise are treated with the proper urgency. Equifax intends eventually to share this framework with other companies as a tool to leverage with their own boards to increase awareness about important cyber topics that boards and management teams regularly face.

Last year, we made senior-level appointments on my leadership team to help round out our strong security, data governance, IT and risk management teams. As already noted, I joined Equifax in April of last year. I have a deep understanding of the financial system and the importance of credit reporting agencies to that system, having served as CEO of GE's retail credit card business as well as a Director of FICO. Additionally, we hired seasoned security expert and former The Home Depot CISO, Jamil Farshchi, to lead our security program, reporting directly to me. We also appointed Bryson Koehler, the former Chief Technology Officer at IBM Watson and Cloud Platform, as our new Chief Technology Officer. We have made other significant additions to our team, including Nick Oldham as Chief Privacy and Data Governance Officer and Kent Lindner to lead our Enterprise Risk and Compliance functions.

These leadership changes are helping drive accountability from the top down as we work to strengthen our holistic culture of security. But to truly transform into an industry leader, we must embed security into everything we do — from product development, to our merger and acquisition strategies, to our incentive compensation plans. To that end, we have implemented a company-wide security goal in our annual bonus plan for every eligible employee across the company. This sort of 'shared-fate' mindset reinforces accountability and properly incentivizes our workforce — regardless of role or department — so that security is viewed as a responsibility not only of the security team, but also of the entire company.

Another component of our culture change includes a concerted effort to attract and cultivate the best and brightest cybersecurity talent because, ultimately, our success or failure hinges on our people. In 2018, we added nearly 1,000 full-time IT and security professionals to our workforce. We sought highly-specialized, technical talent that will help Equifax develop a world-class security organization.

We recognize that part of being an industry leader in data security is being transparent about our learnings over the past 18 months and sharing the best practices that we are collecting as we work to implement change. Nearly every day we read about new data breaches in the media, impacting a wide-range of industries and companies. All security practitioners stand to benefit from information sharing and open dialogue. Therefore, in 2018 we established a number of meaningful partnerships that ultimately will raise the bar for the entire security community. We founded ATLAS, a public-private sector initiative aimed at sharing threat intelligence and thought leadership, and we were invited to join the World Economic Forum's Centre for Cybersecurity. We also joined the Better Identity Coalition and are taking a leadership role in policy discussions to reduce reliance on the Social Security number and to support a secure digital identity. We plan to continue this level of investment and participation in 2019 and beyond.

The last part of our plan to implement meaningful change in our organization includes the technical improvements we are making to strengthen the maturity of Equifax's security program. We dramatically increased our technology spending by \$1.25 billion between 2018-2020 and will spend approximately \$1 billion per year during this time frame to transform our technology and security to industry-leading capabilities.

In 2018, we built out core information security competencies, matured the program to address current and future environmental changes, and began to regain consumer and customer trust. Among our most important achievements were the following:

- Implemented a 24 x 7 x 365 follow-the-sun Security Operations Center, enabling Equifax to better respond to cyber incidents in real time and in many cases with local resources.
- Established a data discovery program and deleted unnecessary data and records, reducing the footprint of high-risk systems.
- Reinstated the majority of compliance certifications that were suspended as a result of the cybersecurity incident.
- Deployed updated identity and access management controls with enhanced security being applied to thousands of privileged, administrative and service accounts and restricted administrative privileges on hundreds of endpoints.
- Completed penetration testing of hundreds of externally-facing applications – those with the highest propensity for being attacked.
- Increased code security scanning, with each code scan representing an opportunity for developers to identify and remediate security flaws prior to moving their code into production.
- Created technical assurance measures to validate control effectiveness.

Heading into 2019, our technical project portfolio looks to further increase maturity by executing against key security considerations such as controls assurance, acquisition integration and cloud services. We look forward to keeping you up to date on our progress and will continue to be transparent about our lessons learned.

In the remainder of this testimony, I will discuss some of the changes we have made to become a more consumer-friendly bureau. I also will discuss the investments we will continue to make to create an enhanced consumer experience that leverages the most accurate data possible.

As you well know, consumers are at the core of what we do, and Equifax strives to help people achieve their financial goals. We do this in a number of ways and support efforts to build financial well-being and financial inclusion for individuals, families and small businesses all around the world. I would like to give you just one example. In Atlanta where we are headquartered, we have invested to support the On the Rise Financial Center, which collaborates with local credit unions to provide counseling and financial coaching. On the Rise Financial Center helps consumers increase credit scores, reduce and manage debt, and increase savings.

Ms. SrLis Powell of Atlanta received services and education at the On the Rise Financial Center that improved her personal financial situation by helping her understand the significance of maintaining good credit and recognize signs of potential fraud. This guidance helped her take charge of her financial well-being, establish a checking account after more than six years of using prepaid cards with fees, open and contribute to a savings account, manage a personal budget, and learn about effective savings techniques when shopping. We are honored to partner with our community to assist consumers like Ms. Powell, and we bring that spirit into our business operations.

While we have been able to assist many consumers through partnerships like On the Rise Financial Center, we also recognize that millions of American consumers do not have ready access to affordable credit. According to research conducted by the Consumer Financial Protection Bureau and supported by our own analysis, approximately 26 million American consumers are credit invisible and an additional 19 million consumers are not able to be scored because of a lack of data or lack of recently reported information. When consumers who fall within these categories need credit, they often are forced to resort to high cost, predatory loans that lack important consumer protections. By having credit histories within our credit bureau files, consumers have access to more affordable credit through loans that are regulated by federal and state laws.

In addition to our traditional credit data, we manage a database on behalf of a consortium of telecommunications, cable and utilities companies that includes payment information on over 30 million consumers who either are not found in our traditional credit files or do not have sufficient information to be scored. We estimate that the data provided by this consortium could enable nearly eight million consumers to enter the regulated credit market.

We also continue to be proactive in anticipating and addressing consumers' needs during times of crisis and hardship. Following Hurricane Michael in October 2018, we provided consumers with educational content and information they needed following a natural disaster. And just recently, on February 1, 2019, Equifax responded to help consumers impacted by the federal government shutdown by offering them a free credit report service. We understand the

financial stress experienced by federal employees, contractors, their families and communities during the shutdown, and we hope this service helps those affected to monitor their credit reports and ensure that their reports accurately reflect the agreements they reached with their lenders and others with whom they have financial relationships.

We will remain committed to providing consumer education and support in times of crisis, and we also understand the need for more services that help consumers protect their identities and monitor activity on their credit files. Since the 2017 cybersecurity incident, Equifax has invested more than \$80 million on services to assist impacted consumers. At the time that we announced the incident, we offered our TrustedID Premier service, an identity theft protection and credit file monitoring service, for free to all American consumers — regardless of whether they were affected by the incident. TrustedID Premier included three bureau credit file monitoring, identity theft insurance, internet scanning for Social Security numbers, the ability to lock and unlock Equifax credit reports and copies of Equifax credit reports. In November 2018 when that service was nearing its conclusion, Equifax voluntarily decided to extend the protection for another year.

Equifax also has taken an industry-leading role to give consumers more control over personal credit data. In January 2018, Equifax launched the Lock & Alert™ service to allow consumers to quickly lock and unlock their Equifax credit reports for free, for life, using a simple mobile application that we developed. We also enriched consumer education available through the Equifax website with timely blog postings, video content, frequently asked questions and other related information to help consumers.

Additionally, following the 2017 incident, Equifax provided U.S. consumers the ability to freeze and unfreeze their Equifax credit files for free, and, in September 2018, we successfully implemented the national security freeze requirements included in S.2155, the “Economic Growth, Regulatory Relief, and Consumer Protection Act.”

At the same time, Equifax took an extra step and unveiled a new online consumer enrollment center called myEquifax™ to make it easier and more convenient for consumers to manage their credit information online. To date, more than 600,000 consumers have taken advantage of myEquifax to more easily manage their security freezes or fraud alerts. Our roadmap for myEquifax includes significant additional investments to help consumers process and manage disputes on their credit reports, including sending proactive alerts to consumers on the progress of their disputes. This new service will help give consumers transparency and peace of mind that their disputes are being handled promptly and with urgency.

Additionally, we are making improvements in our call centers designed to better serve consumers. The changes we have made to date include expanded call center hours, improved phone systems, reduced time to answer our phones and an improved way in which we greet consumers on the phone. We are investing over \$50 million in our consumer-facing portals and service centers to enhance our consumer experience. Our continued focus is ensuring that we are consumer friendly at every touchpoint.

We also are continuing to work every day to deliver the most accurate data possible. In general, the credit reporting industry has a strong track record of accuracy when it comes to consumer reports; however, despite our best efforts, errors still occur, which result in consumer complaints or media publicity.

But these complaints and publicity do not mean that the current system is broken. Because of the foresight and diligence of Congress, we currently operate under a clearly defined and robust regulatory structure established by the FCRA, with continuous, active oversight by the Consumer Financial Protection Bureau and the Federal Trade Commission. Under the FCRA, consumer reporting agencies, as well as data furnishers and users of consumer reports such as banks and other companies, must meet stringent requirements around accuracy, fairness and privacy of information. We are required to follow reasonable procedures to assure maximum possible accuracy of the information concerning the individual to whom a report relates. Further, if a consumer disputes the accuracy of any information in his or her file, we are required to conduct a reasonable reinvestigation.

Inherent in the financial ecosystem is a shared interest of credit bureaus, lenders, consumers and data furnishers in maintaining accuracy of credit data. Therefore, we all continuously endeavor to eliminate errors. Let me be clear: any error on a consumer's credit report is one error too many. And I understand how frustrating it can be for a consumer to be on the cusp of an exciting financial event only to discover a problem with his or her credit report and to feel helpless in engaging with Equifax. When I hear these stories, it strengthens my resolve to push this company further.

Fortunately, millions of Americans have benefitted from the efficient structure of the FCRA. The system in place holds credit reporting agencies accountable for promptly investigating any disputes or inaccuracies and also expects that lenders provide credit reporting agencies with complete and accurate information. Above all, it recognizes the importance of comprehensive information on a credit file – including both positive and negative data – to all parties. Without comprehensive information that clearly depicts both good credit behavior and instances where debt obligations have not been fulfilled, all borrowers are rendered essentially the same – forcing lenders to raise interest rates.

In addition to focusing on removing inaccurate data that is furnished to us, we also are pioneering new technology such as our NeuroDecision® Technology. We believe this innovative solution is the first machine-learning credit scoring methodology that has been reviewed by federal regulators and credit scoring experts. NeuroDecision Technology develops an explainable neural network model that improves score performance and accuracy, which gives lenders the ability to make more informed risk decisions. Ultimately, we expect that this technology will help more consumers gain access to credit while holding default rates steady.

The bottom line is that consumers trust and expect that their credit reports contain the most accurate and complete data possible, and lenders rely on that information to help millions of

consumers obtain the right loans at the right time. Equifax recognizes the important role that credit reporting agencies play in ensuring that the process of extending credit is seamless and streamlined, and we take that role seriously.

To close, I would like to thank you for holding this hearing. Equifax is committed to working collaboratively with the Committee to ensure that we will continue to fulfill our duties and obligations under the existing legal framework to help consumers manage their financial affairs accurately and with excellent customer service. I have been clear since I joined Equifax last April that we are committed to being an industry leader in security and to becoming more consumer-friendly. We are investing unprecedented amounts in technology and security, as well as enhancing our processes to make it easier for consumers to manage their credit reports. And as you have heard, we are bringing the best resources and people to Equifax.

While we still have more work to do, please know that we remain open to sharing best practices with our peers and partners and to collaborating with you to ensure that the millions of consumers who need credit to power their financial dreams are treated fairly and with respect and that they have a consistently positive experience with Equifax.

Thank you again for the opportunity to provide this testimony and for your dedication to your constituents and American consumers.