

Written Testimony of Beverly Anderson
President, Global Consumer Solutions, Equifax Inc.
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Subcommittee on Oversight and Investigations
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Chairman Green, Ranking Member Barr, and distinguished members of the Subcommittee, thank you for the opportunity to be here today. I am Beverly Anderson, President of Global Consumer Solutions at Equifax. I am responsible for the strategy, business development, growth and consumer experience of direct and indirect Equifax solutions that serve consumers with credit, identity protection and financial education needs. I have served in this role since December 2019 following my tenure as Executive Vice President of Cards and Retail Services at Wells Fargo where I led consumer credit cards, co-brand cards, loyalty solutions, retail finance, digital payments and enablement capabilities for almost eight years.

I appreciate the opportunity today to discuss the issue of credit reporting accuracy that Equifax shares as a common priority with consumers, lawmakers, regulators, and financial institutions. As one of the three national consumer reporting agencies (“CRAs”) in the United States, Equifax has a legal obligation to utilize “reasonable procedures to assure maximum possible accuracy,”¹ and we also recognize the business value of maintaining the most accurate data possible. As the Equifax executive in charge of developing and delivering our consumer facing solutions, I am personally committed to helping consumers as they seek an understanding of their financial profiles and consider their most significant financial decisions.

I also manage our internal operations that include the receipt, review, investigation and response to disputes sent to Equifax directly from consumers and data furnishers, as well as from the Consumer Financial Protection Bureau (CFPB) Consumer Complaint Database. Equifax takes seriously the increase in complaints directed at Equifax through the CFPB’s Consumer Complaint Database. Although the increase in complaints has been significant, several underlying contributing factors should be recognized in order to put the increased complaint volume in context.

Equifax shares the Committee’s goals to ensure the financial ecosystem is functioning in a way that benefits consumers and operates with accurate and complete information. We 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.

¹ 15 U.S.C. § 1681e.

CFPB COMPLAINT PORTAL AND THE RISE IN COMPLAINTS DURING THE PANDEMIC

The increase in complaints directed against Equifax and the other two national CRAs through the CFPB Consumer Complaint Database - particularly during the course of the pandemic - is concerning. I interpret the increase in complaint portal volume not as an indictment that the consumer reporting system is broken, but rather as evidence that the national CRAs play a meaningful and necessary role in facilitating the dispute process between consumers and their creditors. Recognizing the rise in complaints, the CFPB also reported in their annual report to Congress that companies provided a timely response to approximately 99% of the complaints that the Bureau sent for response in 2020.²

A review of several factors contributing to the rise in complaint volume through the CFPB Consumer Complaint Portal will hopefully contextualize the numbers.

Heightened concern over financial obligations

Over the last fifteen months, many consumers have experienced dramatic financial changes while lenders needed to quickly comply with new CARES Act relief provisions and reporting requirements. Consumers reviewed their credit reports more often to confirm their credit standing and take greater control of their financial well-being. Because of this increased scrutiny, consumers frequently submitted concerns about their credit reports and the CARES Act accommodations provided by banks and other lenders to the national CRAs through the CFPB complaint portal. According to the CFPB, beginning in April 2020, consumers began to submit more than 3,000 complaints mentioning coronavirus keywords nearly every month, with over 32,000 complaints mentioning coronavirus keywords in 2020.³

Complaints against CRAs should be considered in the context of number of consumers

While consumer complaints increased year over year by nearly 54%,⁴ the CFPB acknowledged in its annual report to Congress that complaint volume should be considered in the context of company size and market share. For example, companies with more customers may reasonably have more complaints than companies with fewer customers.⁵

The national CRAs are in a unique position as compared to other financial services providers. Equifax compiles information on over 250 million U.S. consumers while the largest banks may serve about a quarter of those consumers. The amount of information and number of

² *Consumer Response Annual Report: January 1 - December 31, 2020*. Consumer Financial Protection Bureau, March 24, 2021, p. 16, available at https://files.consumerfinance.gov/f/documents/cfpb_2020-consumer-response-annual-report_03-2021.pdf.

³ *Consumer Response Annual Report: January 1 - December 31, 2020*. Consumer Financial Protection Bureau, March 24, 2021, p. 11, available at https://files.consumerfinance.gov/f/documents/cfpb_2020-consumer-response-annual-report_03-2021.pdf.

⁴ CFPB 2020 Consumer Response Annual Report Press Release, March 24, 2021, <https://www.consumerfinance.gov/about-us/newsroom/cfpb-annual-complaint-report>.

⁵ CFPB, Consumer Complaint Database, <https://www.consumerfinance.gov/data-research/consumer-complaints>.

consumers served by the credit reporting system is one reasonable explanation for the volume of complaints mentioning CRAs.

Not only is the number of consumers served by CRAs vastly greater than virtually all other financial services providers, but consumer reporting agencies also serve as the intermediary between consumers and their lending institutions. Given this dynamic, consumers submit complaints to the CFPB Consumer Complaint Database that are not actually customer service complaints about a CRA, but rather disputes about information on their credit report. These disputes might relate to information provided by a lender, an outdated address, or a credit score, which is information that originates with an entity other than a consumer reporting agency. For this reason, most complaints against the national CRAs in the Consumer Complaint Database should not be attributed to errors made by the consumer reporting agencies when the CFPB has given consumers the ability to dispute issues with their lenders through the bureaus.

CFPB portal does not distinguish FCRA statutory disputes from complaints

The CFPB complaint portal combines consumer complaints with disputes about information on credit files. As described above, the Fair Credit Reporting Act (“FCRA”) mandates that CRAs investigate consumer disputes with their banks and other lenders. Recent internal Equifax reviews show that 95% of CFPB complaints include a dispute about information received by Equifax from a third party. Since the complaint portal was established, the consumer reporting industry has expressed concern to the CFPB regarding the characterization of information submitted to the complaint portal and the CFPB’s role in publishing information without further explanation. In 2015, the Consumer Data Industry Association (“CDIA”) wrote to the CFPB:

Definitions matter materially in the categorization of complaints coming through the CFPB’s portal. Unlike all other industries that are within the CFPB’s purview, the federal Fair Credit Reporting Act (FCRA) establishes a detailed mechanism for consumers to use when submitting a dispute about data in their files. The CFPB examines our members’ consumer services teams and is fully aware of the millions of dollars invested in working with consumers who have questions or wish to submit disputes. Therefore, the CFPB should differentiate the disputes from the complaints submitted through its portal and track only the complaints about our members’ practices following a consumer exercising his or her right under the FCRA.⁶

As outlined in the 2015 CDIA letter, the CFPB complaint portal permits consumers to submit a complaint without first exercising their FCRA rights to initiate a dispute directly with a consumer reporting agency or the data furnisher. In further comments submitted to the CFPB in 2015, the CDIA pointed out that

⁶ Consumer Data Industry Association Letter to CFPB Director Cordray, August 2, 2015, available at <https://www.cdiaonline.org/wp-content/uploads/2021/04/cordray-complaint-narrative-letter-080515.pdf>.

[w]hen the CFPB first began accepting credit reporting complaints in October 2012, the intake form for credit reporting complaints included the following comment: “To address your issue, you must file a dispute with your credit reporting company.” However, as of December 18, 2013, that comment was removed from the intake form, and consumers were no longer directed to provide credit bureaus with an opportunity to resolve their dispute prior to submitting a complaint directly to the CFPB.⁷

Today, the CFPB complaint portal simply asks the consumer “Have you already tried to fix this problem with the company?” and does not direct nor advise the consumer of their rights under the FCRA to submit a dispute directly to a CRA or the data furnisher. Recent internal Equifax reviews indicate that approximately 60% of CFPB complaints appear to be disputes of first impression with Equifax and have not been filed with the consumer reporting agency within the past 90 days.

Credit repair organizations inundate the portal

The CFPB complaint portal has been inundated with the rise of credit repair organizations’ submissions disputing accurate but adverse information on consumers’ credit reports. Recent internal Equifax reviews indicate that more than 65% of complaints in the CFPB complaint portal appear to be associated with credit repair organizations. Credit repair organizations purport to assist consumers in “cleaning up” their credit reports for a fee by disputing negative information on consumers reports. These firms submit numerous disputes (not complaints, as distinguished above) to the CFPB Complaint Database on behalf of consumers to attempt to overwhelm the system and ultimately get the negative information removed from the report. While this practice may appear to benefit consumers, the benefit is superficial. If a credit repair organization is successful in clearing accurate, negative information from a report, that consumer may go on to accumulate new credit obligations that the consumer is not able to afford, with lenders now blind to previous obligations or payment behavior. The CFPB Complaint Database would be improved by requiring validation that items submitted by credit repair organizations are done so with the consent and full understanding of the consumer.

While Equifax is respectful of the CFPB’s efforts to establish the portal and recognizes the benefit to consumers of a central government channel to express concerns about financial service providers, many of the complaints against Equifax are not attributable to actions or mistakes on Equifax’s part, but instead to the extraordinary circumstances of the COVID pandemic, the CFPB’s decision to allow consumers to submit disputes through its portal rather than through the statutory dispute process, and an increase in credit repair organization submissions.

⁷ Consumer Data Industry Association Comments in Response to Request for Information Regarding the Consumer Complaint Database: Data Normalization, Docket No.: CFPB-2015-0030, August 31, 2015, available at <https://www.cdiaonline.org/wp-content/uploads/2020/12/CDIACommentsreCFPBDataNormalizationFinal.pdf>.

Equifax respectfully provides these observations after years of experience with the CFPB Complaint Database. Our recommendations are supported by our analysis of the CFPB portal as compared to disputes submitted directly by consumers to Equifax.

ERRORS AND HOW WE ADDRESS THEM

Equifax works every day to deliver the most accurate data possible. The credit reporting industry has a demonstrated track record of accuracy as it pertains to credit reports; however, despite our best efforts, errors still occur resulting in consumer complaints. The various stakeholders in the financial ecosystem including CRAs, financial institutions, consumers, lawmakers and regulators have a shared interest in maintaining the accuracy of data. 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 their credit report. When I hear these stories, it strengthens my resolve to push to do better. At Equifax, we seek to eliminate errors, and I pledge our company's collective efforts to continue that pursuit.

Because of the foresight and diligence of Congress, the credit reporting industry operates under a 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, must meet stringent requirements of accuracy, fairness and privacy. CRAs are required to follow reasonable procedures to assure maximum possible accuracy of the information concerning the individual to whom a report relates. Moreover, if a consumer disputes the accuracy of any information in their credit report, CRAs are required to conduct a reasonable reinvestigation within statutory timeframes.

THE CARES ACT AND STATUS OF COMPLIANCE

Throughout the COVID-19 pandemic, Americans have faced dramatic and quickly evolving economic stressors. Due to the uncertainty of the economic outlook, Congress moved quickly in early 2020 to enact new consumer protections and relief measures, including the CARES Act. The CARES Act provided relief to states and consumers, including the enactment of several consumer protections, such as mortgage forbearance, eviction moratoria, and a pause on student loan payments. In the time period since these protections were enacted, there has been a shift in many consumers' financial circumstances. Many consumers have paid down debt, placing some in better financial positions than they were in before the pandemic. Equifax analysis found that outstanding balances on credit cards have decreased by 10.4% year-over-year, demonstrating that some consumers are in a position to pay down debt. Similarly credit card severe delinquency rates are at 1.67%, down from 2.38% a year ago. As a result of these and other positive consumer behaviors, credit scores reached a record high FICO score average of 711⁸.

⁸ Gravler, Elizabeth. "The average FICO credit score hit a record-high 711 this summer—here's how to raise yours to meet it." *CNBC*, March 19, 2021, www.cnbc.com/select/average-fico-credit-score-hits-record-high/. Accessed May 18, 2021.

We have a strong history in anticipating and addressing consumers' needs during times of crisis and hardship. Equifax will continue to work with lenders and other data furnishers to help ensure the CARES Act is implemented effectively to protect consumers. Through direct consumer engagement and lender communications, Equifax and credit reporting stakeholders have responded to the crisis. Based on the consumer credit data recently reported to us by data furnishers, we have seen a significant increase in accounts reported with accommodations since April 2020 as lenders provide relief to their customers.

Under my leadership, Equifax has taken meaningful actions to assist consumers including:

- We quickly launched a COVID + Credit Financial Resource Center in April 2020 to help consumers understand potential impacts on their finances and credit as well as to navigate financial considerations related to the pandemic. The online resource center (www.equifax.com/personal/covid-19/coronavirus-manage-personal-finances/) gives consumers access to articles, podcasts, videos, and more.
- I have personally conducted a series of publicly available webinars entitled "You Ask. Bev (Equifax) Answers" where I have answered questions to assist consumers manage their finances and utilize the free resources available to them through Equifax.com. I also recorded several podcasts named "Equifax CreditTalks" to discuss challenges faced by consumers that are also available to the public
- In April 2020, Equifax, Experian, and TransUnion collectively announced an initiative to give consumers access to a free credit report each week at www.annualcreditreport.com. In March 2021, the three national CRAs extended the initiative to make free credit reports available to consumers through April 2022. Consumers have responded favorably to the increased access to free reports, rising from 5.7 million reports delivered in the 12 months leading to March 2020 to 7.3 million reports delivered in the 12 months leading to March 2021.
- We offer consumers a free monthly VantageScore® 3.0 credit score based on Equifax data with Core Credit™.
- We provide immediate easy access to freeze or unfreeze a credit file, place a fraud alert, or start a dispute digitally through a myEquifax account.
- We share information about the financial services community's response to the pandemic.

Equifax has invested and continues to expand its online consumer support center named myEquifax (www.my.equifax.com) since its launch in September 2018. To date, more than eleven million consumers have accessed myEquifax to more easily manage their security freezes or fraud alerts, and access other free services. Based on third party evaluations of our market peers, many of our consumer services are deemed easy to access and use in all of our direct channels. Consumers have increasingly joined myEquifax as we deliver more services and capabilities. Recent enhancements to myEquifax include new tools to help consumers process and manage disputes on their credit reports. This new service gives consumers transparency and peace of mind that their disputes are being managed promptly.

We have also made improvements in our call centers to better serve consumers. The changes include expanded call center hours, improved phone systems, reduced time to answer our phones and an improved telephonic interface. We have invested over \$50 million in our

consumer-facing infrastructure over the last two years, and I plan for additional investments and enhancements over the coming months. My goal is for Equifax to be easy to navigate and consumer friendly at every touchpoint of a consumer's engagement.

ADEQUACY OF OUR RECENT RESPONSES TO COMPLAINTS IN THE CFPB PORTAL

Equifax takes its obligations to respond to consumer complaints in the CFPB portal seriously. Historically, we provided more substantive and complete responses to consumers through the CFPB portal after resolving a complaint, often through Equifax's dispute process. As discussed above, Equifax experienced an increase in disputes submitted through the CFPB complaint portal during the pandemic. We worked hard to balance our priority of assisting consumers with making sure our employees and their families were safe, which in some cases involved shifting resources to virtual locations. As the COVID pandemic progressed, we focused on investigating and resolving consumer disputes through our traditional statutory mechanisms and simplified the manner in which we communicated the resolution of disputes that were submitted through the portal. Consumers continued to receive dispute results directly, but a more abbreviated version of the resolution was provided on the portal. As we return to more normal operating procedures, I anticipate that we will resume sending the CFPB a more detailed description of the dispute resolution.

To close, thank you for the opportunity to appear before this Subcommittee. Equifax is committed to working collaboratively to ensure that we continue to fulfill our duties to help consumers manage their financial affairs accurately and with excellent customer service. I am proud of the work my team has done in assisting consumers through the COVID epidemic, and know that we have more work to do. I am committed to ensuring that the millions of American consumers who need access to reasonable and affordable credit to power their financial dreams are treated fairly and have a consistently positive experience with Equifax.