

MEMORANDUM

**To:** Members, Subcommittee on Financial Institutions and Consumer Credit

**From:** Financial Services Committee Majority Staff

**Date:** September 5, 2014

**Subject:** September 10, 2014, Financial Institutions and Consumer Credit Subcommittee Hearing Entitled “An Overview of the Credit Reporting System”

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The Subcommittee on Financial Institutions and Consumer Credit will hold a hearing entitled “An Overview of the Credit Reporting System” at 2:00 p.m. on Wednesday, September 10, 2014, in room 2128 of the Rayburn House Office Building. This hearing will feature one panel of witnesses, including:

- Stuart Pratt, President and CEO, Consumer Data Industry Association
- J. Howard Beales, Professor of Strategic Management and Public Policy, George Washington University
- John A. Ikard, President and CEO, FirstBank Holding Company, on behalf of the American Bankers Association
- Chi Chi Wu, Staff Attorney, National Consumer Law Center

The purpose of this hearing is to provide members of the Subcommittee with a better understanding of the roles and responsibilities of the consumer reporting agencies, as well as the users and furnishers of consumer credit data. The banking system is dependent upon fair and accurate credit reporting. Inaccurate credit reports impair the efficiency of the banking system and can result in consumers being denied access to credit, and unfair credit reporting methods undermine the public confidence which is essential to the continued functioning of the banking system.

Credit scoring systems were created to provide a tool to evaluate the creditworthiness of prospective borrowers. Consumer reporting agencies—commonly called credit bureaus—compile and maintain credit reports from data voluntarily provided to them by credit card issuers, mortgage lenders, debt collectors, and other creditors. In addition to compiling data, credit bureaus use a variety of credit-scoring statistical models, each employing complex formulas to generate credit scores. The use of credit scores is crucial to the efficient functioning of the economy, and has streamlined the credit approval process, facilitating more rapid access to credit for the consumer.