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June 29, 2021

The Honorable Maxine Waters, Chairwoman
The Honorable Patrick T. McHenry, Ranking Member
Committee on Financial Services
United States House of Representatives
Washington, DC 20515

Dear Chairwoman Waters and Ranking Member McHenry:

As you prepare for your hearing this morning on a government takeover of credit reporting and lending standards, we wanted to share a few thoughts on the folly of this idea. This bill will hurt consumers and create uncertainty and instability in the financial system at a time when consistency and prudent decision-making is critical as we rebound from the COVID-19 pandemic and work to promote access to credit for all Americans.

Shifting the lending system from risk-based pricing to race-based decision-making will lead to higher prices and a less fair system for everyone. Private sector competition, especially in the credit reporting ecosystem, inspires innovation. Through this competition, we have seen the rise of new data sources, trended data and dynamic scoring models, all created to help benefit consumers, especially un- and under-banked consumers. Replacing a competitive system with one dominated by a government-run credit bureau, will result in fewer incentives for further innovation, ultimately hurting consumers and increasing prices.

Private credit bureaus are answerable to consumers, courts, Congress and regulators—and for a good reason: to benefit consumers. Credit bureaus are subject to consumer protection laws including the Fair Credit Reporting Act, Gramm-Leach Bliley Act, the Equal Credit Opportunity Act, and are supervised and examined on their legal obligations. There are also and similar state laws that credit bureaus are subject to, many of which also regulate banks and other users of credit reports. The result is that consumers deal with a fair and just system that judges them on their own personal circumstances, regardless of gender, race, marital status or other similar factors. As the Federal Reserve found in a study on disparate impact in lending, there is "no evidence of disparate impact by race, ethnicity or gender" resulting from credit reporting. Government-determined credit models based on race will not meet these same high standards.

Global experience shows that private credit bureaus outperform government-run credit bureaus in access to private credit. Private credit reporting systems increase financial inclusion, create better opportunities for consumers to have greater access to credit, lower costs of credit and lead to more diversified products and services from lenders.

Giving the government massive amounts of private, sensitive, personal credit bureau data would be a huge risk to consumers' data security. A government operated credit bureau would not have the same regulatory and oversight structure credit bureaus face today (credit bureaus are supervised and examined on their cybersecurity practices by the CFPB). This vast expansion of government control would expose our most personal financial information to a bureaucracy that has shown it can't protect data (the OPM data breach in 2015, the Solar Winds breach and multiple national security breaches are just a few examples). Governments have proven repeatedly that they are not able to properly secure information, whether that be national security information, taxpayer data or its own employees' information.

The government-run credit bureau would be housed within the CFPB, meaning credit scoring would be controlled by political appointees—exposing the consumer credit market to political considerations and leaving consumers with higher prices and limited options for credit.

Supporters of this proposal have said that their goal is to eliminate risk-based pricing. But risk-based pricing has been a great success, especially for minority communities. A recent report showed that access to credit has improved across the United States over the past decade, with members of minority populations seeing more improvement than anywhere else. For example, from the years 1989-2019, the share of Black households who obtained a home loan grew 10.1%, the fastest group of any ethnic group in the country. This is the direct result of risk-based pricing practices that allows lenders to manage risk and make credit available.

Competition among credit bureaus spurs innovation and helps ensure accuracy in the system – a government monopoly on credit reporting would eliminate that. If a bank or other lender thinks there are problems with one credit bureau's data, in most cases they can stop using that bureau and use a different one. Likewise, the credit bureaus are constantly introducing new products and tools to give lenders better insights into their customers, competition that ultimately helps consumers. A government takeover of credit reporting would eliminate that.

Under a government-run credit bureau, consumers facing problems with their credit reports would now have to go to a government office and ask for the government to change their data. Consumer experience with the Social Security Administration, Internal Revenue Service or Department of Veterans' Affairs suggest that a government-run credit bureau would be a nightmare for consumers to deal with.

A government take-over of credit reporting and lending standards would hurt consumers, put the government in charge of credit allocation and will not advance the goal of racial equity. Instead, we will have a system that creates volatile and unstable lending environments, with inconsistent policies and credit decisions swinging back and forth from election to election, and fewer choices for consumers. We urge Members of the Committee to reject this and other ill-advised ideas.

To improve the credit reporting system, we should make some changes to bring more people in to the financial system. There is broad agreement that we should immediately pass legislation expanding the kinds of data reported to credit bureaus, in fact, bi-partisan legislation that would do just that has passed your Committee with strong, bipartisan votes. We hope the Committee in this Congress will finally pass bi-partisan legislation that will increase financial inclusion and allow it to become law.

Sincerely,

Francis Creighton

Francis Creighton
President & CEO