



## **TRANS UNION**

*Pittsburgh Division  
333 Baldwin Road, Suite 401  
Pittsburgh, PA 15205  
Telephone (412) 429-8300*

### PA H.B. 2114 Comments

Trans Union is a primary repository of consumer data. We offer a range of information services including nationwide credit information through a network of our own offices and independent credit bureaus. Trans Union has two credit reporting divisions in Pennsylvania. One is located in Springfield and the other is here in Pittsburgh. I appreciate the opportunity to provide Trans Union's comments on H.B. 2114.

The existence of each individual's continuously updated credit file makes possible the nearly instantaneous, objective credit and insurance decisions consumers expect and rely upon. Credit and insurance decision processes that formerly took days or weeks may now be completed in minutes. The availability of fast accurate consumer credit history information is one of the reasons Americans enjoy their high standard of living. Ready access to the Trans Union database and others like it make the modern consumer economy possible.

Trans Union recognizes that there is a balance between the availability of credit information and improper access to such information that can infringe on consumer expectations or privacy. General concerns about privacy and the problems of consumers who have been the victims of identity theft have compelled some privacy advocates and public policy makers to urge the adoption of a new legal regime for the transfer of information about consumers among private sector databases. Many of these proposals are well intentioned but impractical. They will only serve to choke off the availability of consumer credit without providing prudent solutions to privacy and security concerns. H.B. 2114 is the kind of proposal that would disturb the balance between the consumers' interest in readily available credit and the security of the information in their files without substantially improving the status quo.

This bill is designed to regulate consumer credit reporting agencies and help these agencies adopt reasonable procedures for meeting the demands of commerce for consumer credit in a manner that is fair and equitable to the consumer. To accomplish this laudable goal, H.B. 2114 is largely patterned on the federal Fair Credit Reporting Act of 1997 or as it is commonly called the FCRA. However, there are significant differences between H.B. 2114 and the FCRA. We believe some of these differences would impair the ability of reporting agencies and credit grantors to provide the access to credit currently enjoyed by the citizens of Pennsylvania without significantly increasing the confidentiality or accuracy of consumer credit files. Trans Union has major concern with the provision of H.B. 2114 that require: 1) the matching of at least three specified categories of identifying information; 2) the change of address verification procedure; 3) the blocking of information in a consumer file; and 4) the mandate that a permanent separate file containing indentifying information be created.

1) Section 204(a)(1) of H.B. 2114 requires that a credit reporting agency match at least three categories of identifying information within their files before the agency could furnish a consumer report. These categories include: first name and last name, month and date of birth, driver's license number, place of employment, current residence address, previous residence address or social security number. The problem with this requirement is the difficulty of always matching three reliable identifiers in every case. A reporting agency may not have all of the information on a given individual in the database to make a match by using such identifiers as the driver's license number or the current address. People constantly move or change their jobs. Some change their drivers' license numbers. Women often change their names when they marry or divorce. Imagine the difficulty that could be presented by someone who changes her name. It may not always be possible to find three separate reliable identifiers for the new name. The one reliable identifier in this case may be the social security number. H.B. 2114 would limit a reporting agency's ability to match such an individual to her credit file. There is no evidence that a requirement for three matches would reduce fraud. A professional criminal has the necessary information to meet this criterion. This provision is a misguided attempt to reduce fraud or increase accuracy but it will reduce the availability of credit to many more individuals than are helped.

2) The provisions of the H.B. 2114 that requires a consumer reporting agency to verify an address change with a consumer in certain situations demonstrates a similar misunderstanding of the operation of the database and the consumer reporting industry. Section 207(d) would require the agency to verify a change of address with the consumer if the agency receives notice of a change of address that is followed by a request for a credit report within 30 days. The agency has five business days to contact the consumer at the last known address and may not issue the report unless and until the agency has verified that the consumer has knowledge of the change. This procedure is problematic.

The requirement for the credit-reporting agency to contact the consumer seems to presume that the agency and the consumer have some kind of direct commercial relationship. That is not the case. Consumers do not report change of address or any other information directly to the agency. The information on the change of address would be received by the agency second hand. The agency would probably not have the phone number of the consumer in the database because phone numbers change even more frequently than addresses.

The address notification procedure would not deter a professional thief in the case of an existing credit account if the consumer were not vigilant. It is the responsibility of the consumer to notify the credit grantor if they have not received their bill.

3) Sections 201(e) and 209(e) allow consumers to block access to their credit files. There are two ways for a consumer to activate the blocking provisions. One is for the consumer to notify a credit reporting agency that they are not in the market for credit and the other is to present the consumer reporting agency with a valid police report alleging that their identity has been stolen. The presumed reason for allowing consumers to block access to their report using the notice that they are not currently in the market for credit is to prevent identity thieves from obtaining credit in another's name. This provision would create more problems for consumers than it would solve and would interfere with creditors' ability to monitor an existing account.

This blocking procedure would diminish the accuracy of credit reports while increasing the cost. Credit reporting agencies maintain unique databases. It is difficult to imagine any other operation, including government, that maintains volumes of constantly updated information with varying degrees of access. Each of the three national credit reporting companies process more than 2 billion items of information from credit grantors each month. Errors do occur in the processing of this information but they are relatively rare given the volume of data. The inclusion of consumers as direct contributors to the information processed by the database will only increase the opportunity for mistakes. Consumers desiring credit could be denied if they fail to revoke the block on their credit file in a timely manner.

The second method of blocking a credit file by submitting a police report will not have a positive affect on fraud. It will only encourage criminals to file false police reports when they want to block a credit file so that they can continue to run up large bills. Credit grantors would not be able to access the blocked credit report even if the information contained in the report is accurate. A better alternative to blocking the file is the inclusion of a fraud statement that advises any potential creditors to contact the consumer before approving credit applications. This procedure is presently available to consumers on the Trans Union database and it addresses the fraud problem without the problems presented by blocking.

4) The provisions of H.B. 2114 that requires the creation of a permanent file that contains separate identifying information [Section 204(b)(1)] is ambiguous. This language was probably included in the bill as a way to prevent theft of identity but it is unclear what kind of additional information would be included in the database and how this would help prevent fraud. As a practical matter identifying information is already included permanently in the database to the extent that it is unchanging. In the above discussion of matching at least three categories of information within credit files it was explained that many of the reliable identifiers are subject to change. As the changes are determined through activity on credit files, the old information drops off and it replaced by current information. Reliable identifiers such as date of birth and social security number remain in the database unchanged. The creation of a separate file will add nothing to the current accuracy and reliability of the database but it does create the possibility of greater costs by requiring the duplication of information already contained in the database.

Trans Union recognizes the significance of the concerns about privacy and theft of identity that have led to proposals like H.B. 2114 and has adopted stringent privacy protocols to protect the confidentiality of personal credit information contained in its database. Access to this information is limited to companies that have a legal permissible purpose to receive it. When information from the database is supplied we limit the type of information we disclose to our customers based on the balance between their needs, permissible purpose and the likely consumer benefit.

We believe that consumers should have the right to make informed decisions about the use of their personal data, including the right to be removed from direct marketing lists. Consumers have the right to choose if they want the opportunity to shop at home, evaluate competing consumer credit offers or receive other types of promotions in the mail. At every consumer contact, we notify consumers of their right to have their names removed from Trans Union lists. We encourage our customers to do the same. We provide an address and a toll free telephone number that consumers can use to opt-out.

Trans Union also has established the Fraud Victim's Assistance Department (FVAD) to assist fraud victims. FVAD has created a program consisting of seven steps that is designed to prevent further fraud and to restore the credit file to its accurate state. The steps are:

- 1) Add a consumer fraud statement and remove the victim from mailing lists.
- 2) Highlight recent inquiries and/or accounts suspected as fraud.
- 3) Mail the credit file to the consumer.
- 4) Mail education material to the consumer that includes a dispute form and tips on preventing future fraud.
- 5) Notify joint-victim credit grantors.
- 6) Maintain a database of fraud information that will trigger an alert to potential credit grantors when this information is used on future fraudulent applications.
- 7) Restore the victim's credit file to its accurate state.

Trans Union believes that these steps and the privacy protocol makes the provision of G.B. 2114 discussed above unnecessary but we are committed to working with legislators, customers, competitors and consumers to ensure the privacy and security of consumer credit information is continually balanced with the demand for instant access to credit.

We appreciate the opportunity to share our views on H.B. 2114 with this committee.