

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office
FLOOR DEBATE

February 26, 2003 LB 487

employment, or other benefits. Twenty-nine percent had those serious errors. Seventy percent of the reports contained at least one error. More than two-thirds of these credit reports had an error, and this is what we're basing some of these rates on. The problems are exacerbated by a laxity of the credit bureaus toward consumers. The big three credit bureaus--Experian, TransUnion, and Equifax--are all, as I'm told, operating under Federal Trade Commission consent decrees that resulted in a combined \$2.5 million in civil penalties in a 1999 Federal Trade Commission action for failure to, among other things, provide enough staff to answer the phones. So if you don't have people answering phones to take information to correct these credit reports, the reports are not corrected and people have the basis for their insurance premiums on inaccurate and incorrect information on their reports. Worse yet, the big three purchase much of their credit scoring software from California-based Fair, Isaacson (sic), a company which has a reputation for an unacceptable level of secrecy that has prevented independent review of their formulas for determining credit scores. These scores are created by Fair, Isaacson (sic). They see it as proprietary information and that proprietary information is not shared. So people don't know what goes into how they make up these credit scores. When you don't know what goes into them, it's pretty difficult to challenge them. Further, there are inaccuracies in these credit reports. Richard LaFevre, of AAA Motor Club Credit Services in Arizona, has estimated that 70 to 80 percent of credit reports contained errors sufficient to affect a credit score; 70 to 80 percent he's estimating from his experience.

SENATOR CUDABACK: One minute.

SENATOR PREISTER: Scores suffer not only from the presence of inaccurate information in the credit files, but also from absences of accurate information in these credit files, such as payment history. In 1999, the Federal Trade Commission and banking regulators discovered that some consumer lenders were not reporting accurate information to the credit reporting agencies because they did not want competitors to market to their customers. Lenders withholding data accounted for 90...for 50 percent of the credit card market. That's a