



U.S. CHAMBER OF COMMERCE

August 3, 2020

The Honorable Mike Crapo
Chairman, Committee on
Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

The Honorable Sherrod Brown
Ranking Member, Committee on
Banking, Housing and Urban Affairs
United States Senate
Washington, DC 20510

Dear Chairman Crapo and Ranking Member Brown:

As you consider potential financial services provisions for the COVID-19 response legislation now under discussion, we ask that you refrain from adding new credit reporting provisions that may negatively affect consumers. The CARES Act established requirements that are appropriately calibrated to protect consumers and preserve the long-standing benefits derived from credit reporting. Reliable credit reporting serves consumers well, enabling lower-cost and more expansive access to credit.

CARES Act Credit Reporting Requirements are Balanced

The CARES Act established protocols to protect consumer credit. Under the CARES Act, consumers who receive short-term payment relief and were current on their loans when they requested assistance continue to be reported as current. The CARES Act did not suppress or delete credit reporting or scoring. Instead, the CARES Act ensures that consumer financial information remains available to lenders and protects the credit profile of consumers receiving payment relief. The CARES Act also took important steps designed to help consumers avoid the hardships that could impair their credit in the first place, with various forms of financial assistance intended to help cover household expenses during the shut-down periods implemented throughout the nation.

Credit Reporting Benefits Consumers

Accurate reporting of consumer financial information is central to lending decisions nationwide and consumer lending activity is a critical component of a strong and resilient national economy. Consumer credit reports give the financial services industry an independent view to

assess a consumer's past experience in fulfilling financial obligations and to anticipate and mitigate future performance problems.

Financial institutions – including banks, credit unions, mortgage lenders, vehicle finance companies, installment lenders, payment card issuers, as well as the parties who support lending in the secondary market depend on access to reliable historical information not only to originate, finance, insure, and invest in sustainable loans, but also to price those loans to make them as affordable as possible for qualified consumers. Following the reforms instituted in the wake of the Great Recession, public policy has supported the goal of ensuring that all lenders assess a borrower's ability to repay a loan, an evaluation that depends on accurate information about the borrower's debts and payment history.

In a recent paper on the "Economic Impacts of a Moratorium on Consumer Credit Reporting," Clifford Rossi of Chesapeake Risk Advisors documented the importance of credit reporting to responsible loan underwriting and the availability of credit.¹ Dr. Rossi states that "Credit scores have been proven to be one of the most statistically significant risk factors in determining the likelihood of borrower default over the years for most consumer loan products, as well as being an objective and consistent mechanism to screen borrowers for credit quality when compared to manual underwriting which requires greater subjectivity to assess and compare borrower creditworthiness."²

A Prohibition on Credit Reporting would Harm Consumers

Pending legislative proposals to prohibit the reporting of credit information during the COVID-19 crisis would represent a dramatic departure from proven practices and the approach of the CARES Act, reversing policymakers' historical commitment to the reporting of accurate credit information.

Such a change would harm consumers – especially low and moderate-income consumers. Positive consumer credit decisions, with responsible payment suspension followed by repayment arrangements or approved payment deferrals, would be removed from the reports altogether. The removal of multiple records simultaneously could disrupt the ability to generate any report or scores at all, to the detriment of the consumer. With no credit score, credit analysis by lenders is more difficult, increasing the risk of inconsistency in credit decisions. Insufficient payment information may lead lenders to make unnecessarily

¹ Rossi, Clifford, *Economic Impacts of a Moratorium on Consumer Credit Reporting* (June 2020), https://2614f178-4850-4fac-a67d-5a36c5050f32.filesusr.com/ugd/4f9a62_36e37d47dc2242beba5bbead6673d5d1.pdf.

² *Id.* at 4.

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conservative credit decisions, which would result in fewer loans, reducing overall access to credit nationwide.

In addition, to account for the uncertainty created by the unnecessary removal of credit information, loans would increase in cost, thereby reducing affordability. At the same time, the key institutions that help make credit available would pull back, again diminishing access to credit and increasing the cost of credit. These outcomes would be disruptive to the market and harm the financial well-being of consumers.

We thank you for your consideration of our perspective on credit reporting, and we urge Congress to retain the CARES Act provisions as currently implemented. We would also appreciate the opportunity for additional dialogue on this topic or others, as you work to develop new legislation to address the economic impacts of COVID-19. We share your objective to assist families and individuals affected by the COVID-19 crisis and to take the necessary steps to advance the recovery of the nation's economy.

Sincerely,

American Bankers Association

American Financial Services Association

Consumer Bankers Association

Housing Policy Council

Independent Community Bankers of America

Mortgage Bankers Association

U.S. Chamber of Commerce