Is CROA Choking Credit Report Literacy?

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Abstract

Congress is considering legislation that would modify the Credit Repair Organizations Act (CROA) of 1996 to exempt nationwide consumer reporting agencies (CRAs) and other heavily regulated entities. Proponents argue that CROA is having unintended consequences of stymying innovative consumer credit educational products. Opponents worry that exempting the nationwide CRAs and others would result in a rash of unfair and deceptive practices by the exempt organizations. This report considers evidence concerning the credit market impacts of one such credit education product offered by a nationwide CRA to establish whether or not there is any consumer value in the types of products allegedly constrained by CROA. It further considers evidence from the experience of consumers who interfaced with the nationwide CRA's credit education product to assess whether and to what extent CROA requirements are impacting their experience and decision making. The report also examines the statutory and regulatory context governing the provision of goods and services by the nationwide CRAs to assess whether the proposed CROA exemption creates any regulatory gaps that would enable the outcomes predicted by opponents. In considering the best available evidence, the report concludes that a significant percentage of those who experienced the credit education product received a measurable benefit, and that there appears real value in the credit education and information products offered by nationwide CRAs but classified as "credit repair" and therefore subject to CROA. The report also finds that the compliance requirements of CROA act to deter a substantial number of interested consumers from using credit education products, thereby making it difficult to receive the benefits of these products. Further, the report finds that exempting the nationwide CRAs from CROA carries no risk of consumer harm as the nationwide CRAs have an obligation under the FCRA to ensure maximum possible accuracy of data in their repository (therefore no incentive to provide misleading information on credit behavior or identity), and any other unfair or deceptive practices are already heavily regulated by the Federal Trade Commission Act and the broad powers of the Consumer Finance Protection Bureau (CFPB) that did not exist when CROA was passed 20 years ago.

Executive Summary

In 1996, Congress passed the Credit Repair Organizations Act (CROA). The intent of this law was to enable consumers in need of credit repair services to make an informed decision and to protect them from sham companies offering credit repair services of little or no value in exchange for exorbitant fees. In many ways, CROA has succeeded. Despite some measure of success, especially regarding the more egregious actors, the need for CROA remains as many credit repair organizations have evolved and continue to operate thriving businesses by misleading consumers and undertaking illegal practices. While CROA must remain in place, the expansion of CROA to products and services having nothing to do with "credit repair," especially those offered by nationwide consumer reporting agencies (CRAs) that have a legal mandate to ensure the maximum possible accuracy of their data—and a market imperative to do so—raise serious policy questions about whether CROA may be doing more harm than good in some instances, and if so whether the policy should be modified to permit consumer benefits while preserving all needed consumer protections under CROA.

To establish whether or not consumer education products offered by nationwide CRAs and governed by CROA offer benefits to users, this report examines evidence of impacts on credit score distribution and material impacts in credit markets over time from one such service. The report also explores evidence as to the impacts of CROA compliance requirements on consumer behavior and decision making when interfacing with this credit education service. Finally, the report examines the need for credit education and information services and the potential consequences if the nationwide CRAs were exempted from CROA.

Key findings from the report include:

Consumers Benefit from Use of Credit Education Product: We see that those who successfully completed Experian's Credit Advisor experience positive material impacts (moving to a better risk tier) at nearly twice the rate of those receiving educational materials only (22% vs. 13% for the VantageScore credit score, and 26% vs. 13% for the PLUS credit score). These large, statistically significant differences provide strong evidence of the benefits the credit education service.

Consumers Report Being Turned Off by CROA Requirements: Given the large unmet need for a national, user friendly credit report and credit score educational service, the low uptake given different price points including free access—with the free access that just 31% hit the registration page after exposure to disclaimers on the landing page, and just 6% complete the process after the 3-business day mandatory wait—suggests that the CROA requirements may be deterring people who need such services from taking advantage of this offering. And when the service was free a full 46% indicated that they would have used the credit education product if they could do so now and avoid the 3-business day or more wait.

Expansive Court Rulings Put CROA at Odds with FCRA and FACT Act: Given recent expansive interpretations of CROA by some courts, CROA has been put at odds with policy objectives in both the Fair Credit Reporting Act (FCRA) and the Fair and Accurate Credit Transactions Act (FACT Act) that envision significant financial education roles for the three nationwide consumer reporting agencies (CRAs) Equifax, Experian, and TransUnion. The recent expansive court interpretations of CROA have resulted in the reclassification of core credit bureau services that have nothing to do with credit repair—credit monitoring, credit education, identify verification—as credit repair activities. Consequently, when offering these services, the nationwide CRAs must comply with CROA. For instance, a consumer could not call one of the nationwide CRAs and ask about the specific impact of an item on one of their credit scores without such a service likely being considered credit repair and with that the consumer required to wait 3-business days before receiving an answer. This is not likely what Congress had in mind when mandating the architecture for consumers to dialogue with nationwide CRAs, and needs to be revisited.

Exempting Nationwide CRAs from CROA Carries No Risk to Consumers: The report concludes with a call for Congress to amend CROA to exempt the nationwide CRAs in order to eliminate the tension between CROA, on the one hand, and the FCRA and FACT Act on the other as created by the recent expansive interpretation of CROA by some courts. This position is supported by the following four facts. First, the regulatory environment today is dramatically different than in 1996—principally owing to the existence of the CFPB. Second, CRA obligations in the FCRA on data accuracy ensure that the first two prohibited activities of CROA—that a credit repair organization not report misleading information about a client's credit risk or identity—are non-issues. Third, the comprehensive existing regulatory framework including the FTC Act and the broad UDAAP powers wielded by the CFPB and state AGs, this with the first two facts makes the application of CROA to the nationwide CRAs entirely redundant. Fourth, and finally, there has not been a single finding of consumer harm resulting from alleged CROA violations by the three nationwide CRAs in the courts, or an administrative enforcement action against the nationwide CRAs by either the FTC or CFPB (both of which have been actively enforcing CROA). Taken together, these four facts strongly support the conclusion that exempting the three nationwide credit bureaus from CROA to permit the kind of relationship between the general public and the nationwide CRAs envisioned in the FCRA and FACT Act will yield palpable consumer benefits while carrying no risk of consumer harm.

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1. Introduction

1.1 Credit Reports & Credit Scores

For households, home ownership and small business ownership are the most common means of building assets.[1] For most, ownership of either requires taking on debt.[2] A consumer's credit history, as captured in a credit report, has become a significant driver of a lender's decision to accept or reject loan applications. Moreover, credit report information influences the interest rate on the loan. Higher risk borrowers pay higher interest rates and the difference in costs between higher priced and lower priced mortgages, auto loans and other types of consumer and commercial credit can be substantial over a lifetime.[3] Consequently, credit reports have become the gateway to economic opportunity for more than 200 million adult Americans.

FICO estimates that about one billion credit applications were processed in 2011.[4]

Moreover, credit scores are also used to monitor loans because both lenders and regulators need to understand the ongoing risks associated with loans after they have been originated. In 2010 an estimated 9.9 billion scores were purchased in the US over the entire credit life cycle, including origination and account maintenance.[5] In addition, the Consumer Data Industry Association (CDIA is the largest national trade group for the credit reporting industry) estimates that 3 billion credit reports are issued every year.[6] Clearly, credit reports and credit scores are integral parts of the financial system, helping lenders to originate and gauge risk and impacting the availability and price of credit for households.[7]

1. Emmanuel Saez and Gabriel Zucman. "Wealth Inequality in the United States since 1913: Evidence from Capitalized Income Tax Data" with Gabriel Zucman, NBER Working Paper, October 2014
2. Consumer credit histories are often reviewed for loans for very small businesses and entrepreneurs. It is also common for business owners and entrepreneurs to use personal assets as collateral and directly use personal, consumer credit for business or startup needs.
3. As an example of the magnitudes involved, the Asset Funders Network notes that a good credit standing can save a borrower $69,280 on a $100,000 mortgage and save $4,020 on a $10,000 five year auto loan. Consider a larger mortgage closer to the typical amount and/or multiple auto loans and/or credit cards and lifetime savings would be well over $100,000. And this, in turn, would also be much higher if these savings were invested. (see http://assetfunders.org/images/pages/AFN_The_Power_of_Credit_Building.pdf)
4. http://www.fico.com/en/blogs/marketing-customer-engagement/new-regulation-raises-consumer-awareness-of-credit-scores/
5. The 9.9 billion figure is from a TowerGroup estimate found in CFPB, "The impact of differences between consumer- and creditor-purchased credit scores", July 19th, 2011. Available at: http://files.consumerfinance.gov/f/2011/07/Report_20110719_CreditScores.pdf), and Stuart Pratt of the CDIA noted that "CDIA member products are used in more than nine billion transactions each year" in his September 10th, 2014 Statements for Subcommittee on Financial Institutions and Consumer Credit (United States House of Representatives) on "An Overview of the Credit Reporting System." Available at: http://financialservices.house.gov/uploadedfiles/hhrg-113-ba15-wstate-spratt-20140910.pdf
6. CFPB. "Fact Sheet: Credit Reporting Market." 2012. Available at: http://files.consumerfinance.gov/f/201207_cfpb_factsheet_credit-reporting-market.pdf
7. Michael Staten, "Risk-Based Pricing in Consumer Lending", Center for Capital Markets Competitiveness, U.S. Chamber of Commerce, 2014, pp 8-14

1.2 Credit Reports/Scores: The Awareness-Literacy Gap

Growing Awareness of Credit Scores & Credit Reports

There is little doubt that consumers have become increasingly *aware* of credit reports, credit scores, and their effects on the credit decisions of lenders. As of 2005, consumers have been able to obtain free annual credit reports (technically credit disclosures) from the three major nationwide consumer reporting agencies (Equifax, Experian, and TransUnion) via www.annualcreditreport.com sometimes referred to as ACR. The past decade has also witnessed tremendous growth in direct-to-consumer (DTC) business by the nationwide CRAs and organizations such as Credit Sesame.[8] In addition, lenders must notify applicants when a credit report is used to take an adverse action (such as rejecting a loan or to extend credit on less favorable terms due to risk-based pricing). The CRA that generated the report is identified so that the consumer can verify the report's accuracy. And the notice would also contain the credit score used, if pertinent, which is typically accompanied by four to five "reason codes" which lists the top factors lowering a consumer's credit score. Across all these channels, the Consumer Financial Protection Bureau (CFPB) in a 2012 report estimated that about 40 million consumers obtain copies of credit reports annually.[9]

For motivated consumers trying to understand their credit reports and credit scores there are a number of web sites that offer information, including government sites, CRA sites, score developer sites (such as FICO), credit monitoring sites (such as Credit Karma), non-profit credit-builder sites, and credit repair organization sites. Though, as with many things on the Internet, the content may not be fully consistent and the consumer is somewhat on their own figuring out what is relevant to them and separating the wheat from the chaff.

There has also been an explosion in the availability of free credit scores offered by credit card companies (typically offering free FICO scores). In late 2013, FICO launched its FICO Score Open Access program.[10] Discover was the first major credit card issuer to announce that it would offer this benefit to its customers. In a February 10, 2014 letter to CEOs of credit card issuers, the Director of the CFPB asked them to freely provide credit scores to customers, stating, "I strongly encourage you to make the credit scores on

8. Equifax's 2004 Annual Report notes that in the 1998-99 period Equifax "Created the industry's first direct-to-consumer business by launching Personal Solutions." The 2003 Annual Report showed that this new line of business had grown to 21.9 million in 2001. The 2014 Annual Report showed that by 2014 North American Personal Services had grown to $215 million in annual revenues. See http://investor.equifax.com/annuals.cfm
9. http://files.consumerfinance.gov/f/201212_cfpb_credit-reporting-white-paper.pdf. An industry executive suggests this figure would be higher for 2014.
10. FICO. "President Obama Acknowledges and Praises FICO and Leading Banks for Increasing Consumer Access to Free FICO Scores." Press Release. October 17, 2014. Available at: http://www.fico.com/en/node/8140?file=8061

which you rely available to your customers regularly and freely, along with educational content to help them make use of this information."[11]

Discover has been joined by Ally Bank, American Express, Bank of America, Barclaycard US, Capital One, Chase Bank, Citibank, First Bankcard, and US Bank in disclosing scores to consumers. Most of these lenders offer their customers free FICO scores.[12] This new customer benefit has been heavily advertised. In addition, Credit Karma is offering consumers free access to their VantageScore credit scores based on consumers' TransUnion and Equifax credit reports. President Obama has praised this movement toward greater access to credit scores as a way to improve consumers' understanding of their credit health.[13]

Many firms that disclose scores offer very basic information regarding the credit score itself. For instance, Discover displays the customer's FICO credit score and indicates some key factors negatively impacting the score (such as account balances too high), along with generic credit score information (e.g. 800+ scores are an "indication of an exceptional borrower;").[14]

FICO assists by offering generic education content to display to consumers for the lenders that offer free scores.[15] But, few score disclosure opportunities offer detailed information and advice tailored to a particular consumer's score. The increased awareness and information regarding some basic credit score facts is no doubt a positive development for consumers. However, an open question is whether the greater frequency of credit score disclosure has been accompanied by an increase in consumer understanding of how best to address and manage his or her own credit scores. As the Director of the CFPB noted, "As public awareness grows and spreads, people also will likely want to learn more about how to improve their credit scores and build their credit profiles in ways that will make them better managers of their financial affairs and more attractive candidates for credit."

11. CFPB. Letter to CEOs. Available at: http://files.consumerfinance.gov/f/201402_cfpb_letters_credit-scores.pdf
12. Elizabeth Dexheimer. "Discover Offering Card Holders Free FICO Scores on Monthly Bills," Bloomberg. Nov. 18, 2013. Available at: http://www.bloomberg.com/news/articles/2013-11-18/discover-offering-card-holders-free-fico-scores-0n-monthly-bills
13. The White House. "Remarks by the President on Protecting American Consumers," Press Release. October 17, 2014. Available at: https://www.whitehouse.gov/the-press-office/2014/10/17/remarks-president-protecting-american-consumers
14. These examples were taken from Credit Karma and Discover websites on February 12th, 2015.
15. See FICO website: http://www.fico.com/en/products/fico-score-open-access

Low level of Credit Report / Credit Score Literacy

A number of consumer surveys have shown gaps, sometimes major gaps, in consumer understanding of credit scores and credit reports.[16] Generally speaking, the surveys reveal that there is reasonable *awareness* of credit reports and credit scores and of very basic concepts (e.g., paying bills late can lower one's credit score). However, a deeper understanding of the personal costs/benefits of a lower/higher credit score, the ability to read a credit report and interpret a credit score, and an awareness of how to manage one's credit profile are lacking among very large segments. For instance, a December 2014 survey conducted by Ipsos found that 44% of respondents incorrectly thought that credit reports and credit scores were just different names for the same thing, with even greater misunderstanding for lower income households (49%) and for younger respondents (52%).[17]

Data from a 2005 GAO report and various other surveys indicate that members of lower-income households, less educated consumers, and younger (18-24) and older (65+) consumers are most in need of credit report and credit score education.

A February 2015 CFPB report based on findings from a focus group are broadly consistent with the survey data.[18] Consumers were fairly aware of credit scores and credit histories but were less clear on details. The release of the report notes that more consumers than ever, some 50

16. The surveys are not (typically) meant to be comparable. Questions are worded differently. They had different sample sizes and compositions and used different sampling methodologies and techniques. In addition, the credit reporting industry and governing laws have been changing. So, one should view these as only painting a broad picture of changes in consumer credit reporting awareness and literacy over time. For example: a 1978 survey found that of a sample of bank card customers only 37% correctly identified a credit bureau's function (http://www.researchgate.net/profile/William_Dunkelberg/publication/237229639_CONSUMER_PERCEPTIONS_OF_CREDIT_BUREAUS/links/53dffbd40cf2a768e49e2fdd.pdf); a Consumer Federation of America (CFA) survey conducted by ORC in 2003 found in a self-assessment of knowledge that 50% said that their knowledge of credit reports was either fair or poor and that 61% self-assessed that their knowledge of credit scores was either fair or poor (http://www.icfe.info/financial-news-press-releases/2003/20030731-consumers-lack-essential-knowledge.html); a 2005 GAO report found that "…many consumers did not know more detailed information, such as how long items remained on their credit reports or the impact their credit history could have on insurance rates and potential employment. Further, most consumers knew what a credit score was, and approximately one-third had obtained their credit scores, but many did not know that some behaviors—such as using all their available credit—could negatively affect their scores." It also found that "having less education, lower incomes, and less experience obtaining credit" was associated with less credit reporting literacy (http://www.gao.gov/new.items/d05223.pdf); the NFCC conducted financial literacy surveys from 2008 to 2014. The 2014 showed that 40% of respondents noted that they had ordered or received a credit score in the past year, but there was no obvious increasing or decreasing trend for the years 2011-2014. It also showed a number of widely held misconceptions regarding credit reports, such as the majority (54%) believe that standard credit reports contain credit scores (http://www.nfcc.org/NewsRoom/FinancialLiteracy/files2013/NFCC_2014FinancialLiteracySurvey_datasheet_and_key_findings_031314%20FINAL.pdf); and a December 2014 IPSOS Survey notes that 44% of respondents thought that credit reports and credit scores were just different names for the same thing, with higher rates for lower income households (49%) and for younger respondents (52%) (http://ipsos-na.com/news-polls/pressrelease.aspx?id=6724).
17. Ipsos. "While Most Know that Everyone Is Given Access to a Free Credit Report Each Year, Four in Ten Have not Checked It in the Past 12 Months," Press Release. January 13, 2015. Available at: http://ipsos-na.com/news-polls/pressrelease.aspx?id=6724
18. CFPB. "Consumer voices on credit reports and scores." February 2015. Available at: http://files.consumerfinance.gov/f/201502_cfpb_report_consumer-voices-on-credit-reports-and-scores.pdf

million have free access to their credit scores but "Confusion Persists."[19] Among other findings from the focus group, the report noted the following:

> "The consumers in our focus groups expressed confusion, frustration, and uncertainty related to their credit reports and scores. Many of these consumers:
>
> - Found it difficult to disentangle credit reports and credit scores.
> - Said they knew about the three largest nationwide credit reporting agencies, but were hard-pressed to name all three.
> - Were puzzled when they encountered differences in information across their various reports
> - Thought they knew what raises or lowers credit scores, but still felt that their scores were not completely within their control.
> - Said they understood that multiple scores exist, but seemed unclear about which ones lenders use or how."

Over the years consumers have appeared to become more aware of credit reporting, their own credit reports and scores, and are accustomed or comfortable with interacting with the three major nationwide CRAs. But, the evidence is mixed on consumer understanding of credit reports and credit scores and how they can be managed to maximize creditworthiness and opportunity going forward.

1.3 Available Credit Education Resources

There is a continuum of types of credit education resources available to consumers. For organizational purposes of this white paper we organize these resources into three broad categories: Basic (mostly generic information); Consumer Specific and Interactive (specific and generic information), and In Depth Credit and Financial Information.

Basic Credit Score and Report Information and Education

As mentioned previously, resources available in this category have expanded greatly with the proliferation of credit scores freely available to consumers from lenders. These scores typically come with basic credit score and credit report information. In addition, a number of direct-to-consumer offerings from CRAs and other companies (such as LifeLock) provide services enabling consumers to monitor their credit scores and changes in their credit reports for financial and identity theft purposes. These services are very useful for the purposes for which they are designed (monitoring, score awareness, and basic information), but they may not be ideal for more in depth information and education regarding consumers' credit scores and credit reports.

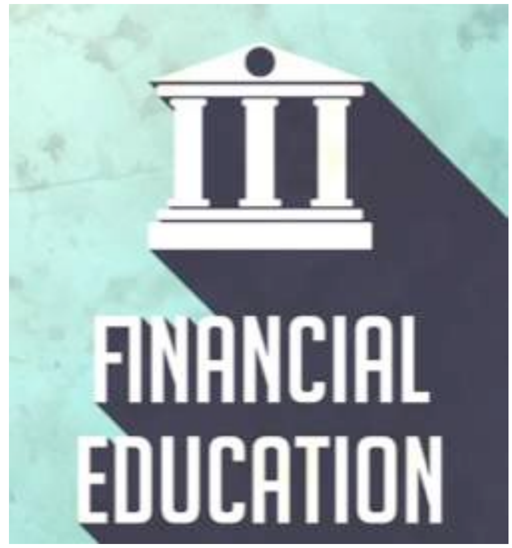
19. CFPB. "CFPB Reports That More Than 50 Million Credit Card Consumers Have Access to Free Credit Scores" February 19, 2015. Available at: http://www.consumerfinance.gov/newsroom/cfpb-reports-that-more-than-50-million-credit-card-consumers-have-access-to-free-credit-scores/

In-depth, Interactive Credit Score and Report Education and Information

This middle category comprises services and approaches that lie between the more superficial score and report information discussed above and the more holistic, in-depth personal financial education and counseling discussed next. This middle category includes services that focus on a consumer's credit reports and scores in a more in-depth way.

Information focused (more passive) services

Credit Karma provides consumer credit scores (VantageScores from TransUnion and Equifax), an Auto Insurance score, a Home Insurance score, and details from their reports, and a score simulator. This set of information and tools goes beyond the provision of basic information. Equally important is how well the website is put together and its easy to use user interface (web and mobile). Small differences in web design and the resulting customer experience on a site can greatly impact the success of an online service. The site and App no doubt help raise the bar for how consumers interact with their credit data and scores. Credit Karma earns revenue by marketing credit products throughout their site to the consumer based on the consumer's credit profile. FICO offers the FICO 3-Bureau Credit Monitoring service via MyFICO.com as well. This is a for-fee service that allows a consumer to track FICO scores (generic and others) from each of the three credit bureaus and monitor her credit reports from all three bureaus. It also allows consumers to perform credit score simulations based on different financial decisions. The underlying data for the web (Credit Karma) and value added service provider (FICO) comes from the nationwide CRAs.



Education focused (more interactive) services

The nationwide CRAs are a natural fit to offer services to consumers in this category as they house the consumer credit data and given that they develop and/or maintain a number of credit scores. The three major nationwide CRAs are also a natural place for consumers to go when they are seeking information about their scores and credit data since consumers are directed to them in many instances. Experian offers Credit Advisor, which provides consumers with a one-on-one telephone-based credit education session. The sessions lasts approximately 45 minutes and includes a detailed discussion of the consumer's credit report components, credit score, explanations of the factors contributing to the credit score, as well as credit management. Importantly, it also provides specific advice on the most effective way a consumer can raise their credit score, such as if $X dollars paid down the balance on Credit Card A, the credit score would rise by Y points. Since this is a one-on-one session, the consumer can help guide the conversation, suggests amounts of balances they could pay off and ask questions. Experian earns revenue on this by charging the consumer a session fee.

Credit Report & Score Education Under-addressed by Broader Financial Literacy Efforts

The broader financial education category includes traditional credit counseling and well as general credit and financial education, including financial education that students receive in schools.[20]

The FTC provides information on how consumers can find a credit counselor near them.[21] Counseling can be conducted either in person or over the phone. Such counseling commonly focuses on the consumers' larger financial pictures (not just credit reports and scores) and on consumers in financial difficulty (since these are the consumers typically seeking such counseling).

Barriers and Limitations to Education Resources

There are now relatively few barriers to general credit report and credit score information. Free credit scores are obtainable via lenders and websites (such as Mint or Credit Karma). In addition, free generic information is also available from many websites. The main limitation stems from the fact that basic information may not have a large impact on deeper credit report and score literacy.

For more detailed, focused, and consumer-specific credit score and report information and education, the barriers can be considered as mixed. For some, such as Credit Advisor, there are, surprisingly, some specific and onerous statutory barriers created by the Credit Repair Organizations Act (CROA). Given the expansive definition of "credit repair" recently taken by some courts, CROA now covers those for-profit organizations (such as the three major nationwide CRAs) that provide any service for a fee that may improve a person's credit standing.[22] For other services, such as Credit Karma, there are few barriers. It is likely that for-profit

20. We do not discuss High school (and K-12 more generally) based education in this paper to a greater extent since it is somewhat constrained in that students have little practical credit and bill paying experience and usually do not have credit scores and credit reports due to their age. So, focused education based on their reports is not possible. On the other hand, this is arguably when such education could be most valuable. After all, it is among young adults that surveys have shown the least credit report and credit score literacy. And it is young adults who take on student loan obligations that can be very large and be with them for decades. For instance, total student loan debt has now risen to $1.2 trillion, passing auto loan debt and credit card debt in size, and has, by far, the highest severe delinquency rates of the major debt groups at over 11 percent. The CFPB put out a white paper in 2013 with policy recommendations for furthering K-12 financial education.
21. FTC. "Choosing a Credit Counselor" Available at: https://www.consumer.ftc.gov/articles/0153-choosing-credit-counselor
22. It is worth noting here, and elsewhere, that the more expansive definition of "credit repair" seems at odds with a plain language interpretation. Think of the difference between taking your car to the garage for a tune up (or to be painted) versus having it towed there after an accident. The former are acts of maintenance or enhancements, while the latter is quite clearly repair. This definition also applies to credit standing. Receiving a credit report, credit score, or information that your report or score have changed are really about maintenance. Receiving advice and counsel on how your behavior can improve your standing pro-actively is enhancement. Seeking advice and counsel on how to repair badly damaged credit after the fact is credit repair. Despite these self-evident differences, some courts have amalgamated this full range of very different activities as they all have the effect of protecting or enhancing one's credit standing. And while offering information on people about their credit standing does not in itself subject someone to CROA, promoting that such service can help a consumer improve their credit does. To the extent that it is nearly impossible to advertise such services without saying (express or implied) why ("to improve your credit"), but simply providing the data does not trigger CROA. Consequently, most core services offered by nationwide CRAs, including dispute resolution, could be classified as "credit repair" activities and therefore subject to CROA.

Is CROA Choking Credit Report Literacy?

Credit Karma or Mint services described above are not threatened by CROA restrictions since they collect revenue not from charging consumers directly but by marketing or cross selling other services to consumers visiting their websites. However, given the higher touch nature of the direct one-on-one education service offered by the likes of Credit Advisor, it may be impractical to not charge consumers directly as there is not a third party readily available to pay the higher cost. As such, there is the possibility that CROA is inhibiting higher touch education services that can be efficiently offered by organizations such as the major nationwide CRAs.

For the traditional, more in-depth credit counseling and education, the barriers and limitations could be that much of the work is carried out by small, non-profit credit counselors who are sought out, typically, by consumers already in financial difficulty. Perhaps this model may not be sufficiently scalable to solve the lack of credit report literacy among the broader population. On the other hand there are larger organizations in this segment—the largest, MMI, had roughly 73,000 debt and budget counseling clients in 2013—and NFCC members together see a large number of clients each year.[23] But regardless of whether non-profits *could* provide all of the needed education, in today's market they do not and there remains a need for greater credit report and score education. Finally, while K-12 education is promising, the actual impacts of the education have yet to be tested and, even if implemented optimally in every school system, will take decades before the majority of the population would have received such education.

1.4 Best Way Forward to Close the Awareness-Literacy Gap

It is clear that all the resources mentioned previously are valuable and improvements and expansion of services in all three categories of resources discussed should be undertaken to increase consumer credit report and score literacy.

However, to most efficiently tackle the lack of understanding of credit reports and scores, it is the in-depth, credit report and score-specific education and information efforts that likely hold the most promise. This seems a logical companion to the efforts to raise credit score awareness and provide increased access to scores and basic, related information.

Some non-CRA and/or web-based services in this category seem to be developing well. On the other hand, nationwide CRA-provided services and, in particular, services aimed at consumer specific, one-on-one education appears to be underdeveloped. Since these latter described services are typically covered and restricted by CROA, it may be the case that CROA is reducing the use and development of these types of services, which is not what the law intended. This may be especially important for the issue of credit report/score literacy since these types of services seem ideal for providing credit report/score education. As such, the remainder of this white paper explores CROA in greater detail, whether nationwide CRA-provided services like Credit Advisor are useful to consumers, and whether CROA is inhibiting the development and use of such services.

23. Money Management International. Key Facts 2013. Available at: http://www.moneymanagement.org/~/media/Files/MMI/About/Contact%20Us/Annual%20Reports/2013%20Fact%20Sheet.pdf

The next section discusses nationwide CRAs, the CROA statute, and Credit Repair Organizations (CROs). Section three looks at the evidence on consumer benefits from Credit Advisor and whether CROA may be inhibiting its use. Section four focuses on CROA reform and section five concludes with recommendations.

2. Nationwide CRAs, CROA, and CROs

2.1 Origins of CROA

In the 1980s and 1990s, as national credit markets emerged and automated credit underwriting took root, consumer credit reports and credit scores grew in importance. Many individuals, especially those with damaged credit histories, sought assistance with repairing and improving their credit standing. Almost overnight, the credit repair industry that offered such services rose up to meet this unmet and growing need. The CROA defines a credit repair organization as:

"(3) Credit repair organization

The term "credit repair organization"—

(A) means any person who uses any instrumentality of interstate commerce or the mails to sell, provide, or perform (or represent that such person can or will sell, provide, or perform) any service, in return for the payment of money or other valuable consideration, for the express or implied purpose of—

(i) improving any consumer's credit record, credit history, or credit rating; or

(ii) providing advice or assistance to any consumer with regard to any activity or service described in clause (i); and

(B) does not include—

(i) any nonprofit organization which is exempt from taxation under section 501 (c)(3) of title 26;

(ii) any creditor (as defined in section 1602 of this title), with respect to any consumer, to the extent the creditor is assisting the consumer to restructure any debt owed by the consumer to the creditor; or

(iii) any depository institution (as that term is defined in section 1813 of title 12) or any Federal or State credit union (as those terms are defined in section 1752 of title 12), or any affiliate or subsidiary of such a depository institution or credit union." [24]

While many organizations classified as "credit repair organizations" are legitimate and work hard to service the needs of their clients, a sufficient number acted (and continue to act) in a deceitful manner, defrauding people of their money and performing little to no valuable services in exchange. In fact, those credit repair organizations that follow the law are providing services for consumers that they can do for themselves at no cost. Some firms required people to pre-pay for services, guaranteed results that they could never deliver, and then provided absolutely no service at all. "It was really the Wild West…" notes John Ulzheimer. "Because of that, you had kind of an industry come out of the ground without a whole lot of regulation."[25]

24. The Credit Repair Organization Act is Title IV of the Consumer Credit Protection Act. US Code Title 15 Chapter 41 Subchapter 2A. Downloaded from https://www.law.cornell.edu/uscode/text/15/1679a
25. Gilworth, Kelly. "'Jamming' Helps Your Credit—Temporarily." 5 March 2014. Article published by www.CreditCard.com and downloaded from http://www.foxbusiness.com/personal-finance/2014/02/20/jamming-cleans-your-credit-temporarily/

Further, many of the credit repair organizations—also known as "credit clinics" and "credit doctors"—would attempt to deceive the CRAs by disputing accurate but derogatory information ("negative" information such as late payments, defaults, charge offs, bankruptcy or lien data) with or without the client's knowledge and consent. Often times this involved gaming the system by flooding the three nationwide CRAs with disputes on each and every piece of negative information multiple times per month, for many months. This practice is known as "jamming" and evidence suggests it is still practiced among credit clinics.[26]

The intent of the credit repair organizations that employed the "jamming" tactic was to exploit a provision of the Fair Credit Reporting Act (FCRA) requiring data furnishers (creditors or the party reporting payment data to a nationwide CRA) to investigate a consumer dispute and report the results back to the relevant CRA(s) within 30 days. Failure to accomplish this automatically results in the disputed information being modified as per the request of the data subject or otherwise deleted. In reality, however, the impacts may only be temporary, as the data furnisher (a creditor) can simply certify that data was accurate and re-report the account.

These credit clinics employed (and still employ) a diverse range of additional tactics designed to make use of consumer protections in ways that Congress and regulators never intended. For example, with or without the client's knowledge and consent, some credit clinics file disputes with nationwide CRAs of all negative data while falsely claiming that their client is a victim of identity theft. This is a variation of the "jamming" technique with an ID theft wrinkle. Further, credit clinics of this type have been known to counsel their clients to obtain an Employment Identification Number (EIN) that has 9 digits just like a Social Security Number (SSN) to try to create a separate identity and house the negative accounts in a credit file separate from the positive payment accounts. By fragmenting a client's credit file, the credit clinic is attempting to help perpetrate a fraud by hiding a client's negative payment history.

Responding to this largely unregulated but rapidly growing threat to consumers and to the integrity of the nationwide consumer credit reporting system, Congress took up the issue. Variations of what would become known as the Credit Repair Organizations Act (CROA)—though technically CROA is not a stand- alone piece of law but rather an amendment to the Consumer Credit Protection Act—were introduced but failed to pass during 4 consecutive Congresses (the 100th, 101st, 102nd, and 103rd sessions of Congress).[27] Interestingly, in the fall of 1996 while Congress confronted a potential government shutdown CROA was added to the Defense Appropriations Act of 1997, which in turn was combined with 31 separate authorizations and added to the Omnibus Consolidated Appropriations Bill.[28]

26. See a 2014 News Release from the FTC regarding a credit repair organization that "continued to send these deceptive dispute letters to credit bureaus even after the company received detailed billing histories or signed contracts from creditors proving the credit reports were accurate." Available at: https://www.ftc.gov/news-events/press-releases/2014/06/court-order-bars-credit-repair-company-misleading-credit-bureaus). And see a 2012 Better Business Bureau publication which reports a large rise in complaints reported to the St. Louis BBB against credit repair companies after 2006 (rising from 133 in 2006 to over a thousand in 2010, see http://www.bbb.org/Storage/142/Documents/CreditRepairStudy.pdf).
27. 15 U.S.C. §§ 1679 Downloadable at http://www4.law.cornell.edu/uscode/15/1679.html
28. NACSO. "Credit Repair: It's Part of the Solution, Not the Problem." White paper from the National Association of Credit Service Organizations (NACSO). Pg. 16. Downloaded from https://nacso.org/new-design/Credit%20Repair%20It%27s%20Part%20Of%20The%20Solution,%20Not%20The%20Problem.pdf. See also US Library of Congress THOMAS Bill Summary of H.R. 3610 (104th Congress).

The Omnibus Appropriations Bill was passed in September of 1996 and was signed by President Bill Clinton on September 30, 1996.[29]

CROA's three primary consumer protections are: (1) to provide parties who are interested in obtaining credit repair services with sufficient information necessary to make an informed decision; (2) to protect persons against being charged fees for services that they never receive; and (3) to protect consumers generally by requiring all contracts be in writing and be cancellable within 72 hours of execution.

In addition to these consumer protections, Congress acted to protect the integrity of the national credit information sharing system—and thereby the safety and soundness of the national consumer credit market—by: (1) defining what is and what is not a credit repair organization; and (2) strictly prohibiting certain behaviors by credit repair organizations including disputing accurate and current negative information, creating false identities (file fragmentation), or otherwise misleading consumer reporting agencies regarding a client's credit standing and credit behavior. Those businesses found to be in violation of the law can be subject to disgorgement of all revenues from the activity.

A plain language read of CROA suggests that Congress seeks to increase transparency among those offering credit repair services to enable persons seeking such services to make a relatively informed decision. Further, Congress also seeks to prohibit harmful behavior by credit repair organizations, especially charging and collecting fees without offering and completing a valuable service to a consumer, and undertaking illegal activities on the consumer's behalf. While CROA has impacted the ability of CROs to brazenly scam consumers, the need for CROA remains as many CROs have adapted to the new regulatory environment and have evolved in ways that enable them to continue to skirt the law and charge consumers for services of little or no value.

2.2 Ongoing Need for CROA

When passing CROA, Congress found that people have a vital interest in maintaining their creditworthiness. This vital interest has not diminished over the ensuing two decades.

Compounding matters is the fact that those who need credit repair services the most usually already have damaged credit, and are often the most constrained from both a time and resource perspective. "For the most part, people are going to credit repair agencies because they have a lot of problems and they want to be creditworthy again," says Steven Baker, director of the Federal Trade Commission's Midwest Region.[30]

29. 15 U.S.C. §§ 1679 Downloadable at http://www4.law.cornell.edu/uscode/15/1679.html
30. Excerpted from Kelly Dilworth. "'Jamming' Cleans Your Credit – Temporarily." Fox Business. March 5, 2014. Available at: http://www.foxbusiness.com/personal-finance/2014/02/20/jamming-cleans-your-credit-temporarily/

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A recent FTC action against a credit repair organization that "continued to send these deceptive dispute letters to credit bureaus even after the company received detailed billing histories or signed contracts from creditors proving the credit reports were accurate," clearly shows the ongoing need for CROA.[31]

There are, however, legitimate public policy questions about whether the current expansive interpretation of CROA may be harming legitimate attempts to educate consumers about the key components of their credit reports and advise them how to change their behavior to improve their profiles.

As will be discussed in more detail below, given the expansive definition of "credit repair" recently taken by some courts, nearly all activities for which a CRA charges consumers could be considered *possible* assistance to a consumer to enable them to improve their consumer credit record, credit history, or credit rating. It is hard to think of a service that CRAs could offer to consumers for a fee that would not potentially fall under the scope of CROA. This raises a number of important policy questions.

Is CROA (or more precisely a misinterpreted, expansive CROA) at odds with policy objectives in other federal laws including the Fair Credit Reporting Act (FCRA), the Fair and Accurate Credit Transactions Act (FACT Act), and Dodd-Frank? Have the consumer credit market, consumer profiles, technology, and the ability of regulators to monitor the sector changed such that CROA, as implemented, does unnecessary harm? If so, we need to examine a set of related questions, including whether steps can be taken by Congress to amend CROA in order to reduce identified harm or harms without compromising existing consumer protections.

To assess whether or not CROA may be hampering a person's vital interest in maintaining their creditworthiness, an examination of how the credit market, consumer profiles, new technologies, and credit repair landscape have changed over the two decades since CROA was enacted is warranted.

2.3 The State of the Credit Repair Industry (1995-2015)

Table 1 at the end of this section demonstrates that the credit repair landscape has changed considerably since 1995. As recent FTC action demonstrates, credit repair organizations continue practices in violation of CROA—and there can be no disputing the level of activity by federal and state enforcement agencies as well as the courts to prosecute alleged violations of CROA.[32]

Indeed, a recent press release by the FTC nicely sums up the current state of affairs in credit repair: "They're dangerous, they strike fast, and they rely on camouflage to ambush their prey. We call them CROA-codiles – companies that lure cash-strapped consumers in with false promises of debt relief and credit repair, in

31. FTC. "Court Order Bars Credit Repair Company from Misleading Credit Bureaus, Charging Consumers Up-Front Fees for Its Services." Press Release. June 18, 2014. Available at: https://www.ftc.gov/news-events/press-releases/2014/06/court-order-bars-credit-repair-company-misleading-credit-bureaus
32. For discussion around some of the more recent FTC enforcement actions for CROA violations, see: https://www.ftc.gov/news-events/press-releases/2014/06/court-order-bars-credit-repair-company-misleading-credit-bureaus ; https://www.ftc.gov/news-events/press-releases/2015/03/ftcs-request-court-shuts-down-credit-repair-scam-impersonates-ftc ; https://www.ftc.gov/news-events/blogs/business-blog/2014/08/hunting-wily-croa-codile.

violation of the FTC Act and the Credit Repair Organizations Act (CROA). According to a lawsuit just filed by the FTC, the defendants added to the injury by claiming a bogus affiliation with federal agencies – and the President."[33]

While the FTC has been vigilant in their enforcement efforts, the courts have been especially active in this regard. This stems in part from the incentive of trial lawyers to continually seek out possible CROA violations that could result in total financial disgorgement for the violator as permitted under CROA.

Adding to the incentive to file class action lawsuits are recent interpretations of CROA, such as *Zimmerman v. Puccio* in which it was found that any non-profit credit counseling agency (especially those offering debt management plans) that offered any services to either improve a person's credit standing moving forward, or repair retroactive credit activities was in fact a "credit repair organization" as defined by CROA.[34] This ruling was significant as it rejected an earlier decision (*Hillis v. Equifax)* restricting the definition of credit repair organization only to persons or firms offering to repair prior credit damage.[35]

Further, *Zimmerman* also circumscribed the type of organizations exempt from CROA, requiring non-profit credit counseling organizations to demonstrate both IRS tax-exempt status as a 501(c)(3) and to prove that they actually operate as a non-profit, as opposed to subcontracting out credit counseling and credit repair services to for-profit enterprises as the defendant in *Zimmerman* had done. The effects of this decision, in addition to further fueling the litigation fires, was to force legitimate non-profit credit counseling agencies that offer much broader services to either fully comply with CROA or prepare to defend their organization's business model as a non-profit organization in a court of law—which could be very costly even if successful.

In addition to the growth and development of the CROA regulatory framework, the other major difference on the credit repair organization landscape between 1995 and 2015 is the emergence of a growing number of national for-profit credit information and credit repair organizations. These national firms operate largely online and can be bifurcated into two categories—those offering general credit information using the consumer's credit report and score (e.g. CreditKarma.com and Mint.com) and those offering customized credit repair advice (e.g. LexingtonLaw.com and CreditRepair.com). Those firms offering general credit information are likely exempt from CROA *since* they do not charge fees for their services (instead they receive revenue via marketing or other means). Otherwise, their activities would surely have them covered by CROA. As noted earlier, these services do offer value to users by providing credit reports, credit scores, and credit score simulators that can increase a user's understanding of credit report contents, how to read a credit report, the meaning of a credit score, and steps that can be taken in general to improve one's credit score over time, but they do not offer costlier customized, one-on-one credit report counseling specific to a person's credit report, credit score, and credit capacity.

33. Lesley Fair " Hunting the wily CROA-codile" FTC Business Blog. August 22, 2014. Available at: Downloaded from https://www.ftc.gov/news-events/blogs/business-blog/2014/08/hunting-wily-croa-codile
34. Pompan, Jonathan L. and Jeffrey S. Tenebaum. "Appeals Court Decision Opens Door to More Credit Repair Class Action Litigation Against Credit Counseling Agencies." *Venable LLC. Credit Counseling Article.* August 2010. Downloaded at http://www.venable.com/files/Publication/9c49cab2-36f6-4caf-9d24-a00c51f72c89/Presentation/PublicationAttachment/3c284e69-555a-4db3-881c-b32d15a5bf18/Class_Action_Litigation_Against_Credit_Counseling_Agencies.pdf
35. Op. Cit. *Hillis v. Equifax Consumer Services Inc.,* 237 F.R.D. 491 (N.D. Ga. 2006).

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The for-profit credit clinics that charge fees to users for their credit repair services do offer advice that is customized to the client, but as seen with the CROA violations, some such entities may violate the law when using tactics such as "jamming" to "improve" and "repair" a client's credit standing.

While there have been significant changes in the regulatory framework, technology, consumer awareness of the significance of credit reports/scores, and the credit repair market structure in the two decades since CROA became law, *the market has not evolved to meet the significant and growing consumer need for customized credit counseling advice, particularly in regard to their credit report, credit score, and how to improve their credit standing given actual credit capacity.* In other words, while CreditKarma.com can offer advice and information on improving a credit score, they cannot know that a person just lost their job, was recently divorced, or had unexpected medical expenses dramatically constraining their ability to pay down debt or take on new debt.

When trying to ascertain why such products haven't entered the market in greater numbers or experienced popularity associated with similar "self-improvement" consumer products (e.g. FitBit, LiveStrong), one need not look any further than the CROA regulatory framework for an explanation. The expansive interpretation of CROA taken by some courts has affected the evolution of the credit counseling, credit monitoring, and credit repair industries. The continuous extension of CROA compliance requirements to new applications, combined with the real risk of litigation, stymie investments in innovative solutions that would meet consumer needs without the harm CROA was designed to mitigate. A recent ruling discussed next demonstrates this dynamic.

On 21 February 2014 the US 9th Circuit Court of Appeals issued an opinion that will likely change the course of the entire credit education and credit monitoring services industry.[36] In its opinion (*Stout vs. FreeScore*), the 9th Circuit found that FreeScore — a business that provides online access to a consumers' credit report, credit scores, and credit monitoring — is a "credit repair organization" under CROA.[37] This decision is significant because it takes an expansive view of CROA with respect to credit monitoring. Credit "repair"—a term that once dealt with fixing the consequences of past credit problems or credit report mistakes--now includes credit "protection" that is normally associated with taking steps to prevent future potential damages to a person's credit standing. Because of this and earlier rulings (*Zimmerman*) businesses that charge a fee when helping consumers understand how to responsibly manage and protect their credit (neither of which constitutes repair in any conventional sense) are now subject to CROA.

The court expressly found that telling consumers how a product that results in "learning to manage your credit" falls under CROA. The opinion states that it is clear from the plain language of CROA that an *entity need not actually provide credit repair services to fall within the statutory definition of a CRO*. Instead, the court found that an entity need only represent that the services for which it charges a fee may somehow positively affect a person's credit score, credit standing, or anything at all to do with credit.[38]

36. *Stout v. FreeScore LLC.* No. 10-56887 D.C. No.2:10-cv-04395-R-OPINION. Appeal from the United States District Court for the Central District of California. Manuel L. Real, District Judge, Presiding. Argued and Submitted August 26, 2013—Pasadena, California. Filed February 21, 2014.
37. Op. Cit.
38. Op. Cit.

Once designated as a CRO, the law triggers a host of requirements that effectively prevent a company from being able to provide consumers timely and desirable credit education and credit monitoring services. For example, a consumer who wants to obtain and learn about his credit score before applying for a loan would have to wait three business days after signing up for membership. And that assumes that the required lengthy and unflattering disclosure doesn't deter them from pursuing the service.

This broad definition of "credit repair" recently espoused by the court *in Stout* sweeps in legitimate businesses that provide valuable services enabling consumers to monitor their credit to better manage their credit status, or as an early detection against fraud or identity theft. This court decision (*Stout*)—taken together with *Zimmerman* and *Helms vs. ConsumerInfo.com Inc.*—affects even businesses involved in credit education, credit counseling, and credit monitoring that have implemented robust compliance measures to ensure that they do not cross the line into providing consumers with advice on how to improve their credit.[39]

In summary, since the enactment of CROA in 1996:

- Non-profit credit counseling services must demonstrate both their IRS tax exempt status (as a 501(c)(3)) and that they are operating as a non-profit (a possibly expensive undertaking):
- The "plain language" interpretation of "credit repair" has grown to include all sorts of activities that have absolutely nothing to do with actually repairing credit including but not limited to—
  - educating persons about potential threats to their credit standing;
  - educating persons about their credit report contents;
  - educating persons about credit scores in general;
  - educating persons about their own credit scores;
  - alerting persons that the contents of their credit report have changed;
  - educating persons on steps they can take should they find inaccurate information on their credit report; and,
  - educating persons on steps they can take should they believe that they have been the victim of identity fraud.
- A person or entity need not actually provide credit repair services in order to be classified as a "credit repair organization," but rather they need only represent (even implicitly) that they will or can offer services that may improve your credit, credit standing, credit worthiness, or credit score;
- Offering information to people about their credit standing—including their credit report, credit score, changes to elements in their credit report—constitutes "credit repair" and could qualify the providing entity or person as a CRO[40];
- Offering traditional credit counseling services—a broad category of programs including debt management services

39. *Helms v. Consumerinfo.com, Inc.*, 436 F. Supp. 2d 1220, 1224–26 (N.D. Ala. 2005). In this case, the court concluded that a company only offering educational information, such as credit reports, credit scores, and credit monitoring, was a "credit repair organization." Downloaded from https://www.venable.com/appeals-court-liberally-interprets-credit-repair-statute/ . Pompan, Jonathan L. "Appeals Court Liberally Interprets Credit Repair Statute." Venable LLC. *News and Insights*. March 19, 2014.
40. Offering information on people about their credit standing does not in itself subject someone to CROA. Promoting that such service can help a consumer improve their credit does. But it is likely almost unavoidable to advertise such services without saying (express or implied) why ("to improve your credit"), but simply providing the data does not trigger CROA.

(DMS), first-time home buyers programs, household budgeting, setting up an individual deposit account, and balancing your check book among other things—could now be classified as "credit repair" services and the providing entity or person as a credit repair organization.

Given the potential consequences of being found in violation of CROA—including complete disgorgement of revenues for the implicated service —and the onerous compliance requirements that may be deterring people from using credit education, credit monitoring, identity protection, and credit counseling services (evidence of this is discussed below), entering this space with innovative solutions that can be scaled nationally is certainly risky and possibly economically non-viable.

Table 1: Credit repair organization landscape (1995-2015)[41]

	1995	2015
Regulatory Framework	Almost totally unregulated. General FTC unfair/deceptive practices restrictions; FCRA.	Heavily regulated. CROA and nearly 20 years of case law and administrative enforcement actions by FTC. General FTC unfair/deceptive practices restrictions; FCRA. Regularly scheduled monitoring and supervision of many potential actors by the CFPB.[42]
Nonprofit Credit Counselors	Primarily small, locally oriented with heavy emphasis on accreditation through NFCC and AICCCA. Majority of credit repair market. Strong legacy ties with credit card industry.	Still small scale and locally oriented, with accreditation emphasized by NFCC and AICCCA. No longer dominant player but significant. Many are CROA compliant, but some bad actors remain that attempt to claim non-profit status.
For Profit Credit Repair Organizations	Young industry. Mostly regional or national in scale. Some legitimate but many engage in fraud and deceptive advertising. Largely seen as "sham" industry by regulators, Congress, consumer advocates, and media.	Many national firms. Dominant players in terms of volume of clients and revenues. Significant online footprint. Rapidly growing. Bifurcated into those that comply with CROA and those that don't. NACSO emerges as trade association for ethical for profit credit repair organizations.
Online General Credit Report Counseling Service Providers	Non-existent	Recent proliferation including Mint.com, CreditKarma.com, and myFICO.com. Some models may work at cross-purposes as used for lead generation for credit card issuers.
Solutions	Non-existent	Solutions offered by all three nationwide credit bureaus. Customized to individual's credit report, and use Internet and telephone to provide ease of access and use, as well as national scale. Severely constrained by CROA requirements.

41. The taxonomy of credit repair organizations was developed by PERC for heuristic purposes in this report. The source of information include: discussions with Congressional staff; discussions with regulators; review of materials from www.ftc.gov; review of materials from the Consumer Finance Protection Bureau; interviews with executives and subject matter experts from a national credit bureau; and references from many of the articles used and cited in the compilation of this report.

42. CFPB does not have CROA jurisdiction, but examines CRAs and many entities offering educational services.

3. Nationwide CRA Credit Report and Score Education (Evidence)

3.1 Credit Report / Score Education Service: Credit Advisor Case

In this section, we will examine Experian's Credit Advisor as an example of a nationwide CRA credit report and score education service. The service currently retails for $39.95.[43] Consumers begin by signing up online or calling to schedule a single credit report coaching/education session. During this initial call, the Experian representative verifies the consumer's identity, describes the service that will be provided and specifies the credit score that will be used. In this call, a number of consents also need to be agreed to online and many caveats are presented to the consumer (e.g., no outcomes are guaranteed; there are other credit scores in the market; consumers can obtain free credit report disclosures). In all, this initial call can last over 20 minutes.

The session, however, cannot begin then but must be scheduled at least three business days following the initial session (given CROA and state restrictions) and payment for the service cannot be collected until after the education session has occurred. The credit education call itself lasts roughly 45 minutes. The consumer goes over their entire Experian credit report online and in real time while discussing it with an Experian credit specialist. The credit specialist goes through the online report tab by tab with the consumer. First covered are any negative items. The credit specialist discuss with the consumer how long different types of negative items can stay on a credit report and how open and closed account information in good standing stay on the reports. The dispute process is mentioned including the fact that items thought to be inaccurate can be disputed at no cost and that the online report offers easy online disputes. It is also possible and simple to dispute online during this education session. The credit specialist discusses the consumer's hard and soft inquiries, explains the difference, and why it is important to only apply for credit when you need it. The specialist then goes over the rest of the report, such as the remaining accounts, personal (header) information, and public records. Importantly, this is done in a very interactive and engaging way to ensure that the consumer understands the information that is being presented to them. This is the bulk of the credit report educational service. Next, the consumer's VantageScore credit score is discussed.

The value of the consumer's credit score is discussed in the context of the average national, state, and local score and the credit score model itself is discussed with the usual caveats, such as the score is one of many and may not be used by any particular lender. The general risk classification of the consumer's score is discussed. The session then moves to the key factors that are lowering the

43. The description in 3.1 is based on Experian's Credit Educator, a service very similar to Experian's Credit Advisor.

consumer's score. These are presented in relation to the consumer's actual credit report details. Then conversation moves to how the consumer could go about improving their score. Again, this is with specifics, such as which balances would it be best to pay down first, and by how much. Credit score simulations are created to show the consumer if they had an extra $X (this amount is chosen by the consumer) then which specific accounts would it make sense to pay down to maximally raise the consumer's credit score. So, $Y should go to this account and $Z to that account. The importance of paying on time, settling collections, asking a credit card issuer for a higher credit limit, would also be discussed if pertinent.

In short, the session is a very comprehensive overview of a consumer's credit report and what specific steps the consumer can take to raise their credit standing. All of this represents the credit score educational component of Experian's Credit Advisor one-to-one session. Taken together with the credit report component, upon successful completion of the session a person should understand how to read their report, how to dispute perceived inaccuracies, and how their behavior can improve their credit score.

3.2 Consumer Benefits

Presumably, a consumer who has experienced such an in-depth and interactive coaching session with a trained credit advisor would gain a greater appreciation for credit report components and how they influence a credit score. This knowledge should empower consumers to manage their credit and payment transactions and correct inaccuracies to improve their own credit profile and the credit risk they pose for lenders and other credit-related businesses who utilize credit scores. Not knowing which behaviors are associated with high-risk consumers (and lower credit scores) means some consumers can be unnecessarily acting in ways that make them look higher risk. Knowing, for instance, that higher balances, particularly on revolving accounts, and applying for too much credit lowers credit standings may prompt a consumer to lower such balances and apply for less credit.

To explore whether credit scores improve following credit report and credit score advice, we look at data collected by Experian in a study of two groups of consumers, both of whom had online access to their Experian credit report and scores. One group in the Experian study received online credit reports and scores along with companion online educational information about the products. The other group received online reports and scores plus the Credit Advisor telephone education session described in the previous section.

The Experian study looked at 1,365 consumers who purchased and experienced the Credit Advisor product during a 13-month period between March 2011 and March 2012 (an average of 105 purchasers per month were included in the sample). For comparison purposes, the study also identified 10 distinct and representative samples of consumers who did *not* purchase and experience the Credit Advisor product during the same period. The consumers in these comparison groups were Experian consumer product "members," meaning that they were sufficiently interested in viewing their credit report and score to have enrolled in online access to their Experian report and scores. Comparison group members were selected from Experian's pool of consumer members using statistical techniques that identified individuals who were "observationally similar" in terms of credit report and credit risk factors as the Credit Advisor purchasers in the sample.[44]

44. Ten non-Credit Advisor purchaser samples were constructed to minimize the potential bias created by the relatively small sample of Credit Advisor purchasers.

The results below describe observed changes in both Experian's proprietary PLUS scores[45] and the VantageScore scores for Credit Advisor group members at a point four months after their coaching session. Of course, credit scores can change for a variety of reasons, coaching being only one. To account for general economic factors that could affect all consumers during the period, score changes calculated for the Credit Advisor sample members are contrasted with score changes calculated for comparison group members during the *same* four month time period.

Table 2: Credit Score Changes Over Four Months

	Credit Advisor Group	Non-CA Group	Difference
Rise 25+ points	28%	13%	15%
Rise 1-24 points	27%	26%	1%
No change	13%	27%	-14%
Fall 1-24 points	21%	23%	-2%
Fall 25+ points	11%	11%	0%
Any Rise	55%	39%	16%
Any Fall	32%	34%	-2%
Net Rise	**23%**	**5%**	**18%**

(Experian PLUS credit score, percent of group in each change category)

In a general sample of consumers, it is normal to see score movement over a four month period; some will have score increase, some will have score deceases. Whether score increases outnumber score decreases across a sample will depend partly on economic conditions during the period. In the Non-CA Group, 39% see a score rise and 34% see a score fall. This relatively modest net score rise could be due to improving macroeconomic conditions or it could result from these consumers having access to their credit reports. In the Credit Advisor Group, however, there is a clear difference; *we see a net rise of 23%.* Consumers are much more likely to see score rises than score falls.

Interestingly, as is also seen in Table 2, there is little difference between the two groups in smaller credit score changes. Because credit scores are dynamic and are sensitive to things like different utilization rates (e.g. spike in credit card debt around December), it is these small changes that typically result in any population as data is updated over time.[46] There is also little real difference in the large score fall category (Fall 25+ points), as would occur if a consumer experienced significant financial stress or economic shocks. It seems the consumers in the Credit Advisor group are equally likely to experience such large score drops. Such shocks cannot be quickly overcome or mitigated with greater understanding of credit reports and scores. The biggest difference seen between the Credit Advisor Group and the Non-CA Group is that that

45. Both the Experian PLUS score and VantageScore are generic credit scores. Table 3 shows an example of credit bands or tiers for the PLUS score. The VantageScore uses a different scale than PLUS, additional information on the VantageScore can be found at www.vantagescore.com.
46. For instance FICO's "Scoring your customers: how often is often enough?" shows that over a 3 month period in 2007 and 2008, 25% of consumers saw score changes of 20 or greater points, see http://www.fico.com/en/wp-content/secure_upload/Insights_Score_Migration_2505WP.pdf. That is, most changes are small. This compares to 24% that see 25+ point changes seen in the non-CA group in Table 2. A FICO blog from October 8th 2011 shows that most of the under 20 point changes in a 12 month period are, in fact, under 10 point changes, up or down, see http://www.fico.com/en/blogs/risk-compliance/recession-causes-fico-score-swings/.

people who received the Credit Advisor coaching were much more likely to see large score rises. While only 13% of the Non-CA group saw a 25+ point score rise, 28% of the Credit Advisor Group saw a 25+ point credit score rise. That is, compared to the Non-CA Group, the Credit Advisor group witnessed an additional 15% of consumers raising their credit score by 25 or more points—that's more than double the rate in the non-CA group.

Depending upon where a consumer sits in the distribution of risk scores, a 25 point score change can have a significant impact on the terms of credit offered by lenders. Consumers with relatively high scores who are already eligible for the best credit terms are impacted less than are consumers in the middle of the distribution, for whom a 25 point score increase could qualify them for a lower interest rate. Companies that provide credit scoring models to industry typically provide educational materials that indicate score ranges (score bands) associated with different levels of risk. An example of risk bands for the Experian PLUS Score follows.

Table 3: Score Bands Example of Experian PLUS Credit Score

Plus Score	Risk Level	Quality Rating	What this Means
330-550	Very High	Poor	Lenders are unlikely to extend new credit
551-625	High	Below Average	Lenders who extend credit will likely charge higher interest rates
626-699	Medium	Average	Lenders will likely offer average interest rates
700-725	Low	Good	Lenders will likely offer good interest rates
726-830	Very low	Excellent	Lenders will likely offer the best interest rates

These bands give consumers an idea of how lenders view them in terms of risk and what to expect in terms of interest rates and other loan terms.

Table 4 displays the percent of group members for whom a subsequent score change moves them into a new score band associated with a different level of risk. For the consumers who experienced the Credit Advisor product, nearly 22% experienced a score increase that moved them up one score band using the PLUS score, as compared to only 12% of consumers who did not have the coaching experience. Overall, about twice the proportion of consumers in the Credit Advisor group had score changes that moved them up one or more scored bands, as compared to Experian members who did not experience coaching (26% vs. 13%).

As Table 4 shows, the overall net Score Band rise for the CA Group is 12% for the VantageScore and 15.8% for the PLUS Score. For the Non-CA Group there is little net change, with a net rise of under 2%. So, the group with the credit education experiences between a 10 and 14 percentage point additional net score band rise.

What is also seen in Table 4 is that consumers see score band rises in different scores. This is important since it demonstrates that consumer education using one score has benefits that go beyond that score. That is, there is likely little need to receive education on particular scores to benefit consumers since generic credit scores tend to be similar to one another. For example, a recent CFPB study of various commercial grade generic credit scores (those predicting the probability of being 90 or more days late within a 24 month time frame) found results across all the models highly correlated (about 0.9 out of 1.0), and were more highly correlated for those with scores below the median.[47] The same study also found that "…for a majority of consumers the scores produced by different scoring models provided similar information about the relative creditworthiness of the consumers. That is, if a consumer had a good score on one scoring model it likely had a good score on another model."[48] Of course borrowers should be made aware of the fact that creditors use many different scoring models to assess credit worthiness, but this should not confuse the fact that behaviors undertaken to improve their credit score using VantageScore will very likely have a similar direction and magnitude of impact on their FICO score, for instance.

Internal Experian customer satisfaction data also points those who used the Credit Advisor service as being satisfied. From surveys taken on Credit Advisor customers, "overall satisfaction" scores in the range of 8.5 – 9.3 on a 10-point scale over the survey period January 2013 to January 2014. Results are similar for "meeting of expectations." And Figure 1 shows that 85% of customers felt that following the Credit Advisor service they were more capable managing their credit. So, beyond the actual credit score changes, a large majority of those who completed the education service appeared to believe that it was useful.

Figure 1: Customer Survey – Do you feel more capable / confident managing your credit following the Credit Education?

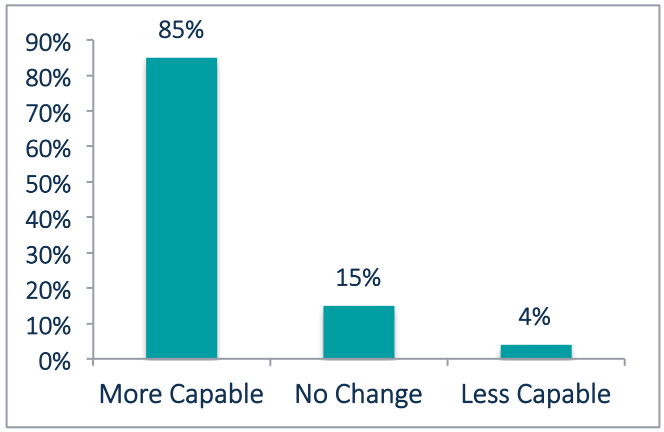


Table 4: Change in Credit Risk Band for Credit Advisor Users and Non-Users

Percent of group members who experienced band change				
	VantageScore		PLUS Score	
	Credit Advisor	Non CA	Credit Advisor	Non CA
Up 3 bands	0.0%	0.0%	0.2%	0.0%
Up 2 bands	1.1%	0.2%	3.6%	1.2%
Up 1 band	20.8%	12.7%	22.0%	12.0%
No band change	68.0%	75.7%	64.5%	75.5%
Down 1 band	9.6%	10.8%	8.5%	9.9%
Down 2 bands	0.4%	0.5%	1.4%	1.3%
Down 3 bands	0.1%	0.1%	0.0%	0.1%
Percent of group members who experienced any band change				
Rise	22.0%	13.0%	25.7%	13.1%
Fall	10.0%	11.4%	9.9%	11.4%
Net Rise	**12.0%**	**1.6%**	**15.8%**	**1.7%**

47. CFPB. "Analysis of Differences Between Consumer- and Creditor-Purchased Credit Scores," Consumer Financial Protection Bureau, Washington, DC. September 2012. Available at http://files.consumerfinance.gov/f/201209_Analysis_Differences_Consumer_Credit.pdf
48. Op. Cit. Pg. 2.

3.3 Potential Impacts Of CROA on Credit Advisor

Consumer Progression Through Website

To gauge the potential impacts of CROA on Credit Advisor use we used data collected by Experian from their Credit Advisor website and from surveys of consumers that ultimately did not complete the Credit Advisor service. Experian collected this data in the course of market research to determine how the product should be marketed and to identify the obstacles to consumer purchase of the product. The click-through behavior for consumers visiting the Credit Advisor site is shown in Table 5. These data can help address the question of whether potential customers are discouraged by the product pricing, product features or the purchase process itself (particularly the required waiting period before interaction with a Credit Advisor), and fail to complete their purchase.

As indicated in Table 5, between January 2011 and March 2014 (inclusive), several combinations of product price and website features were offered to consumers. Specifically, the product was offered at three different price points ($19.95, $9.95 and free), depending on the time period. Additionally, the product website was redesigned during the period and the new site was launched in July 2012. The original site required a series of click-throughs to complete an order. The new site (effective July 24, 2012) consolidated information and reduced the required number of clicks.

One of the first things clear from the click through data is that a higher price for the Credit Advisor product yields a smaller percentage of interested customers who schedule a session and complete the order. This can be seen by comparing columns (1) and (2) or (3) and (4). This "law of demand" result is not surprising.

Comparing columns (1) and (3) shows that with the same price, there is a much higher click-through rate associated with the redesigned website. While this may be in part due to other factors that may have changed between January 2011 and January 2013, such as public awareness of the need for credit education or the groups/types of consumers advertised to for Credit Advisor, it would not be surprising to see higher complete rates with a more streamlined website. That a more streamlined website would increase the completion rate also points to how easily consumers can be discouraged from completing online steps if the steps become a hassle.

As with price, it should not be surprising that consumers are sensitive to a "hassle factor"

Table 5: Click-Through Behavior for Consumers Visiting Credit Advisor Site

	Old Website		Redesigned Website	
	(1)	(2)	(3)	(4)
Time Period	1/11 - 4/11	6/11 - 7/12	8/12 - 1/13	3/13 - 3/14
Price	$19.95	$9.95	$19.95	Free
Landing Page (LP) Hits	**97,180**	**298,981**	**117,080**	**206,619**
% of consumers who advance	1.7%	9.5%	14.6%	31.1%
Schedule-a-Session page	**1,737**	**28,473**	**17,153**	**64,325**
% of consumers who advance	17.9%	8.8%	5.9%	19.4%
Complete order	**310**	**2,517**	**1,013**	**12,482**
% LP that Complete	0.3%	0.8%	0.9%	6.0%
% Schedule Page that Complete	17.8%	8.8%	5.9%	19.4%

and that website design is important. This is important as CROA increases the required disclaimer burden on an already disclaimer-and-caveat-heavy Credit Advisor product.[49]

Looking across all four columns we see that consumers appear more likely to advance from the landing page when the price is lower and in the redesigned website in the later periods. However, as column (4) shows, even when the product is free and offered via the redesigned website, only 31% advance to the scheduling page. This drop-off may, of course, be due to factors such as the consumers determining that they do not need the service and/or do not have the time to take the session.

In three out of the four time periods shown, the larger drop-off is seen on the scheduling page, where consumers are required (by CROA) to schedule the education session several business days in advance. Regardless of the price, scheduling an appointment rather than receiving more immediate services and feedback (when the consumer is seeking that service) appears to discourage consumer uptake. For instance, in column (3), where Credit Advisor costs $19.95, around 85% of consumer drop off after they hit the landing page where they see the price, service description, and length of the sessions, but 94% of those who express interest (sign up) and advance to the scheduling page drop off at that point.

Viewing the site abandonment data in this way makes clear that a higher price certainly reduces product purchases. It also appears that a more cumbersome signing up process increases the hassle factor and discourages consumers. But the need to schedule an appointment for assistance may represent an obstacle that discourages consumers at an even higher rate.

Overall, with the redesigned website, only 0.9% of 117,080 visitors to the Credit Advisor site actually completed a product purchase at the $19.95 price. Even when the product was free, only 6.0% of 206,619 visitors to the site completed a product order.

49. CROA requires all CROs to read the following to potential customers prior to providing any service to an interested person: *Consumer Credit File Rights Under State and Federal Law. You have a right to dispute inaccurate information in your credit report by contacting the credit bureau directly. However, neither you nor any 'credit repair' company or credit repair organization has the right to have accurate, current, and verifiable information removed from your credit report. The credit bureau must remove accurate, negative information from your report only if it is over 7 years old. Bankruptcy information can be reported for 10 years. You have a right to obtain a copy of your credit report from a credit bureau. You may be charged a reasonable fee. There is no fee, however, if you have been turned down for credit, employment, insurance, or a rental dwelling because of information in your credit report within the preceding 60 days. The credit bureau must provide someone to help you interpret the information in your credit file. You are entitled to receive a free copy of your credit report if you are unemployed and intend to apply for employment in the next 60 days, if you are a recipient of public welfare assistance, or if you have reason to believe that there is inaccurate information in your credit report due to fraud. You have a right to sue a credit repair organization that violates the Credit Repair Organization Act. This law prohibits deceptive practices by credit repair organizations. You have the right to cancel your contract with any credit repair organization for any reason within 3 business days from the date you signed it. Credit bureaus are required to follow reasonable procedures to ensure that the information they report is accurate. However, mistakes may occur. You may, on your own, notify a credit bureau in writing that you dispute the accuracy of information in your credit file. The credit bureau must then reinvestigate and modify or remove inaccurate or incomplete information. The credit bureau may not charge any fee for this service. Any pertinent information and copies of all documents you have concerning an error should be given to the credit bureau. If the credit bureau's reinvestigation does not resolve the dispute to your satisfaction, you may send a brief statement to the credit bureau, to be kept in your file, explaining why you think the record is inaccurate. The credit bureau must include a summary of your statement about disputed information with any report it issues about you. The Federal Trade Commission regulates credit bureaus and credit repair organizations. For more information contact: The Public Reference Branch "Federal Trade Commission "Washington, D.C. 20580.*

Consumer Survey Data

Experian Consumer Services conducted a series of surveys of consumers who visited the Credit Advisor website, but who did not place an order for the product. Questions on the survey probed for reasons for not purchasing, as well as the consumer's view on potential improvements in the product information, pricing or purchase process that would increase the likelihood of a future purchase.

The five most-cited reasons for not purchasing during the period of the redesigned website are displayed in Figure 2.

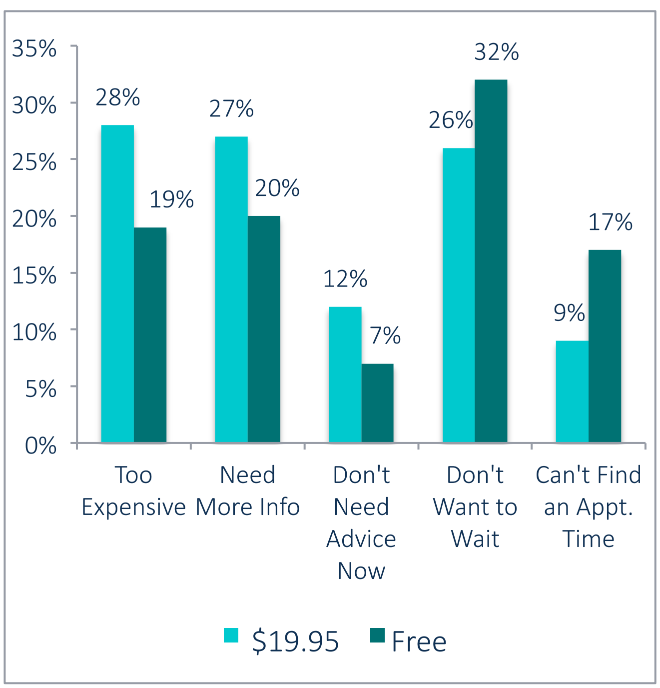
Figure 2 clearly shows that cost is a factor. Combining the two price levels we see that the most-cited factor (between one-in-four and one-in-three) is that consumers do not want to wait. They prefer to have the service when they are seeking it out, and if they can not receive it then, they choose not to have the credit education. Related to this is the response that they can not find a workable appointment time. A little over one in three responses were that either they did not want to wait or could not find an appointment time in the $19.95 price case. When the service was free this rose to half.

And as speculated previously, some consumers also note that they do need the service as described on the landing page. And roughly of the same magnitude as consumers mentioning the cost factor, roughly one-in-four or one-in five need more information.

Figure 3 summarizes the last two categories in Figure 2 and shows what share of consumers who did not purchase the Credit Advisor said that would have if the service would "Allow me to talk to a credit advisor right now, rather than waiting several business days." Some 37% of the non-purchase consumers in the $19.95 price group said they would have completed the Credit Advisor service if they did not need to wait several business days. In the Free group this share was 46%.

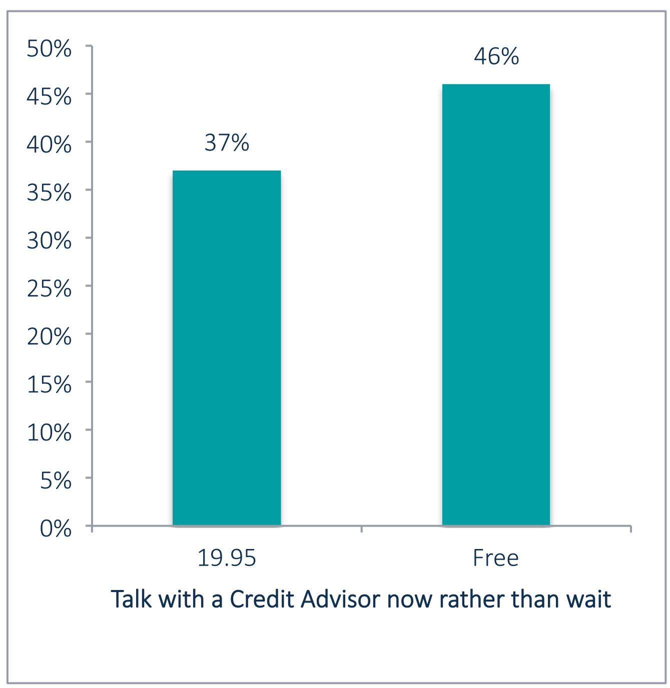
The impact of requiring a waiting period before credit education begins appears to greatly reduce the use of such services.

Figure 2: Top Five Reasons for Not Purchasing



N=1,296

Figure 3: "What would have made a difference in your decision to place an order today?"



3.4 Consumer and Economic Impacts of More Widely Used Credit Education

In the previous sections we reviewed evidence that suggests that Credit Advisor-like services appear to benefit consumers (in terms of credit score changes) and that CROA-imposed restrictions likely reduce the uptake of such services offered by nationwide CRAs. In this section we translate these findings via a few hypothetical scenarios with various degrees of consumer engagement to gauge the potential magnitude of CROA's impact on consumers. The scenarios will use a much larger consumer outreach than is currently the case since it is reasonable to assume that the impact of CROA has had such an impact on consumer uptake and the business case for these services that the nationwide CRAs are investing relatively little in service development and consumer engagement. The period assumed could be over a period of a year or two. The increased consumer engagement can also be via multiple products/services delivered across several CRAs. Again it seems reasonable that revising CROA would foster increased development and marketing of services similar to the Credit Advisor throughout the industry. That is, while data from the previous section came from a single product from a single nationwide CRA, this paper is focused on overall consumer impacts. Nonetheless, we will use data gleaned from the Experian product to help us understand the potential impact of CROA.

We proceed with this exercise for a very practical purpose. The effort needed to modify CROA may not be worthwhile given competing issues, if, for instance, only a few hundred people would benefit marginally from such efforts.

First, four scenarios are created to compare the uptake in the consumer credit education with and without CROA revisions for different consumer engagement efforts. These scenarios are shown in Table A1 in the Appendix. The revisions essentially are a modified CROA that would not cover nationwide CRAs, types of firms that could offer Credit Advisor-like services. It should be pointed out that without revisions to CROA, there would be much less of a business case for expanded outreach and development of services like Credit Advisor. In this case the reader may want to view the Modified CROA rows as the approximate impact of CROA, and not the rows marked Difference.

Three industry-wide consumer engagement efforts are simulated, one would have 50 million consumers call or visit a webpage to learn more about a service, one would have 100 million, and one would have 220 million (nearly all adult consumers with a credit file). We think these simulated levels of outreach are reasonable since (1) these are not purchases but just inquiries to learn more, (2) this would be the total across several companies and services, and (3) this would be over the period of a year or two.

We also think these magnitudes are reasonable to consider since the lower figure of fifty million is of the same order of magnitude as the actual membership of Credit Karma, which passed the 35 million membership mark earlier this year.[50] And even in the highest case, the number of education sessions actually purchased across the industry is at most around only 40% of the early January 2015 Credit Karma numbers.

The Scenarios of Table A1 in the Appendix use the observed consumer actions from column (3) of Table 5. This is the column corresponding

50. Credit Karma. "New Year, New Milestone: Credit Karma Membership Hits 35 Million." Blog. January 20, 2015. Available at: https://blog.creditkarma.com/credit-karma/new-year-new-milestone-credit-karma-membership-hits-35-million/

Table 6: Impacts on Consumers' Credit Scores with CROA Reform

Scenario	Net Increase in Credit Education	Net Score Rises	Net 25+ Point Score Rises	Net Score Band Rises
(1)	2,541,488	457,468	381,223	311,332
(2)	5,082,976	914,936	762,446	622,665
(3)	11,182,546	2,012,858	1,677,382	1,369,862
(3b)	20,141,072	3,625,393	3,021,161	2,467,281
Credit Karma (Jan 2015)	*35,000,000*	*6,300,000*	*5,250,000*	*4,287,500*
1 in 3 Consumers	*75,000,000*	*13,500,000*	*11,250,000*	*9,187,500*
2 in 3 Consumers	*150,000,000*	*27,000,000*	*22,500,000*	*18,375,000*

to the redesigned website and a price of $19.95. Scenarios 1-3 only modify the share of consumers who drop off once they hit the scheduling page. Since Figure 3 shows that 37% of consumers who did not purchase say they would have purchased the education session if there was no wait, we assume that the share that would purchase with no wait is 5.9% + (94.1% x 37%) = 5.9% + 34.8% = 40.7%. Hence we compare consumers advancing at a rate of 5.9% with CROA to a rate of 40.7% without CROA.

For Scenario 3b, an additional, much more hypothetical, change is added. In table 5, the redesign of the Experian Credit Advisor website was associated with a 13 percentage point increase in consumers advancing from the landing page. A modified CROA that excludes nationwide CRAs would result in fewer needed disclosures and a website that would be easier to advance for consumers. In addition to this, it may also be the case that not needing to schedule three business days in advance might translate to higher advances from a landing page (a provider may be able to highlight that one could get the review "now."). So, for Scenario 3b we increase consumer advances ten percentage points from 14.6% to 24.6%. This rate seems plausible as it is still under the 31.1% rate found when the service was free. Again it should be noted that there is no direct evidence gathered from Credit Advisor that the disclosures themselves dissuade consumers (unlike with the required wait time). This is just to illustrate how such an impact could alter purchases.

As would be expected, Scenario 3b shows larger impacts (see table A1). The benefit of not losing as many consumers early in the process due to the hypothetical reduced hassles (not needing to go through the CROA required gauntlet) could have a big impact.

Table 6 summarizes the potential credit score impacts of such increases in consumer education resulting from CROA reform with the assumed expanded industry outreach.

Table 6 leverages the actual score and score band changes seen with Credit Advisor and shown in Tables 2 and 4. For net credit score rise, the first column is multiplied by 18%, which is the corresponding figure from Table 2. For 25+ score increases, 15% from Table 2 is used. For Net Score Credit Band Rise we see that for VantageScore 10.4% net rises occurred with CA group versus the non-CA group. For the PLUS score this was 14.1%. The two rates are averaged and a 12.25% rate is used for the last column. It is this column, relating to score band rises, that best estimates material impacts.

What Table 6 shows is that the CROA reform and expanded industry outreach could translate to half a million to several million consumers having credit score rises. And for those scenarios between three hundred thousand to two-and-a-half million would materially benefit (witness score band rises).

The last two rows shift away the previously discussed scenarios and consider the potential consumer impacts if industry consumer education efforts scaled up to a higher level (perhaps with intensified competition and ensuing greater innovation and product development). The first of these rows contemplates these services reaching as many consumers as were members of Credit Karma in January 2015. This 35 million figure represents 16% of the credit bureau population. This is still half or less of the population likely most in need on such education services, considering that, perhaps, a third of consumers are subprime and from the consumer surveys over the years, between a third and two-thirds of consumers have a very limited understanding of credit scores and credit reports. For this reason, the next rows looks at 75 million consumers and 150 million consumers or about 1-in-3 and 2-in-3 consumers with a credit report. The remaining 1-in-3 consumers in the nationwide CRAs have sufficiently high credit scores that either the education would not help or that the education is not needed (as their habits from their credit history suggests).

While the first four scenarios are a good way to ground the examination of the issue in as much data as possible from actual experience, the last three rows are a good way to go beyond this "static" analysis based on past efforts and look at the potential and maximum possible impacts. A more robust and innovative market supplying credit education service could develop with CROA reform making such levels of education services possible

Obtaining a market share the size of Credit Karma for industry-wide credit education services seems entirely plausible. This would mean 35 million consumers receiving credit education that otherwise would not and with a little over four million consumers materially benefiting with access to lower cost credit (as measured by credit score band rises).

Obtaining a share the size of all of the core or most in need 1-in-3 consumers, seems *possible* (in reality, some would be most in need, some would be less so). This would mean 75 million consumers receiving credit education that otherwise would not and with a little over nine million consumers materially benefiting with access to lower cost credit (as measured by credit score band rises). While obtaining a market share the size equal to *all* consumers that would benefit (150 million consumers) seems unrealistic and should only be thought of as the (unachievable) upper most possible end.

When policymakers consider reforming CROA they should not only consider how that would impact *current* services but how more robust and dynamic education efforts industry-wide potentially unleashed by the reforms might grow to serve consumer needs.

Financial Implications of Credit Score Improvements

Table 7 uses an example of mortgage interest rates to demonstrate that the relationship between credit score and the price of loans.

Table 8 then shows the costs of a typical $185,000 mortgage loan for various interest rates. For example, for consumers in the 660-679 band, the savings associated with a 25-point credit score rise would be substantial. These consumers would save $115 a month if they just moved up one band. This is over $40,000 over the life of the loan. This is savings from a single loan and a single score band rise. Savings from multiple score band rises over multiple loans (autos, credit cards, retail, etc.)

could save a household much more. Such savings could enable a household to make ends meet or begin saving and investing where otherwise they could not. As such, a credit score band rise or, typically, a score rise of 25 points+ seen previously in this section in the credit education group could certainly materially benefit consumers.

Table 7: Interest Rates Based on Mortgage Finance Company

VantageScore 3	Base Mortgage Interest Rate	Risk Premium	Estimated Interest Rate
740-850	3.50%	0.25%	3.75%
720-739	3.50%	0.50%	4.00%
700-719	3.50%	1.00%	4.50%
680-699	3.50%	1.25%	4.75%
660-679	3.50%	2.25%	5.75%
640-659	3.50%	2.75%	6.25%
620-639	3.50%	3.25%	6.75%
300-619	NA	NA	NA

Source: Experian. VantageScore 3 and FICO are on similar scales.

Table 8: Cost of a $185,000 Mortgage Loan for Various Score Bands / Interest Rates

		Based on a $185,000 Mortgage Loan			
VantageScore 3	Interest Rate	Monthly Payments	Difference from Min	30 Years of Payments	Difference from Min
740-850	3.75%	$857	$-	$308,435	$-
720-739	4.00%	$883	$26	$317,959	$9,439
700-719	4.50%	$937	$80	$337,452	$28,932
680-699	4.75%	$965	$108	$347,417	$38,897
660-679	5.75%	$1,080	$223	$388,660	$80,140
640-659	6.25%	$1,139	$282	$410,068	$101,548
620-639	6.75%	$1,200	$343	$431,966	$123,446

3.5 Data and Analysis Limitations…And What Can We Conclude?

The data presented in this section does not come from perfectly designed experiments such as randomized control trials, in which the only difference between the Credit Advisor (CA) group and the non-CA group was the credit education treatment. As such we cannot say that the score rises in the CA group relative to the non-CA were due solely to the credit education. It could be that those who were seeking out credit education were on an upward score path at that point in their lives anyway. Perhaps, this was one part of getting their financial house in order and their scores would have risen in any event. Or even if the score rise in the CA group was due to the education, it may be that that would only be the case for the group of consumers that were served by Experian during the post-recession period between 2011 and 2014. That is, an expanded program reaching out and educating many more consumers might enlist a broader set of consumers that are different in some respect than the initial smaller group. In this case, extrapolating findings from the smaller group to a larger group may be inappropriate.

How revising CROA would actually impact consumer uptake in Credit Advisor like services is also not perfectly clear. While consumers surveyed may say that they would have signed up for the credit education but for the three business-day wait, this does not mean with certainty that without the wait they really would have. But barring a CROA exemption for research purposes, this survey data appear the best information for such a paid service from a CRA. And the same could be said for the other provisions of CROA.

The comparison group (non-CA group) is useful in that efforts were made to make that group similar in terms of credit score and time period. In particular, the non-CA group also was engaging Experian for other credit score/report information, so that "engaged consumers" comprised both groups. What is less clear is whether this comparison group was made up of consumers that were long-term users of such services and may have already, previously, raised their scores. However, if comparisons were made to consumers in general, one would also expect see the pattern in which there were little systemic changes in scores.

The magnitude of score changes seen with the CA group is what one would expect with a very successful credit education effort. Having 10% - 18% net rises in scores or large score rises, or elevation into higher credit bands is very good. It is not possible to have anywhere near all participating consumers seeing large credit score rises in a four-month period. First, some consumers who participate may have high scores and see little impact from the education (zero balances, high credit limits, all on time payments, etc.). Some consumers may be reaching out for help because of sinking finances that the education may do little to help. Some may be unable to make any changes. And some may use the education and make changes that will only show up longer-term. However, there is surely a segment of consumers that are unnecessarily acting in ways that make them appear higher risk than they may be (too many inquires, high revolving balances, low credit limits). In addition, some consumers may have inaccurate, negative information that they should dispute. So, the fact that *only* 1 in 5 or 1 in 10 appear to benefit is actually impressive. Credit education is not a magic wand lowering the true credit risk level of all consumers who receive it. This being said, for some, longer-term efforts in terms of paying down balances and prioritizing on time payments will, in fact, make them lower credit risks. Unfortunately the data here only look at short-term impact, as such it is not really clear if net benefits rise over time or dissipate. If it rose over time, that would only strengthen the benefits of the service. However if it dissipated (consumers forget the importance of lower balances) there would still remain value with the service. In this case consumers would benefit from the education prior to taking out large loans (mortgages, autos, etc.). And so, consumers might need refreshers over their life.

Nonetheless, data from the Experian Credit Advisor service does suggest that such services could be meaningfully impactful for a non-negligible segment of consumers. With so many Americans with low credit score and credit report literacy and low to moderate credit scores this could translate to millions of Americans being better off financially with such services.

It also appears to be the case that CROA is acting as an obstacle to consumer uptake of for-pay credit education services offered by the nationwide CRAs. Using consumer survey data, it appears to be a very big obstacle.

4. The Need for CROA Reform

4.1 Does it make sense for CROA to cover the nationwide CRAs?

When considering the evidence, one is hard pressed to understand which specific actual consumer harm or harms are being prevented by the recent court rulings on CROA, some of which were discussed in Section 2. On the other hand, website click-through data from Experian's Credit Advisor and the associated survey data from consumers as to why they did not purchase the credit education service indicates that the CROA requirements are likely inhibiting the uptake of such services. This is particularly important given the great need for such education and the preliminary evidence that it may materially benefit consumers.

The intent of CROA was to help consumers seeking to improve the credit profiles, in part as presented in the credit reports, to make informed decisions and to protect them from fraudulent schemes and sham firms offering services of no value (or offer no actual services) in exchange for fees.

The direct consequence of recent expansive court interpretations of CROA appears to have distorted the market for credit counseling, credit education, and credit information—none of which is "credit repair" in the true (negative) sense —thereby potentially harming the public's critical interest in these services while offering no commensurate consumer protections or benefits in many cases.

Since the passage of the original Fair Credit Reporting Act (FCRA) in 1971, and continuing through the Fair and Accurate Credit Transactions Act (FACTA) in 2003, the intent of Congress has consistently been to encourage individuals to engage their personal credit reports, and to build a relationship with the nationwide credit reporting agencies for purposes of better understanding their credit report, credit scores, to ensure credit report accuracy, and to report credit fraud or ID theft. Congress clearly envisioned that nationwide CRAs would play an important, even critical role in consumer financial education.

Consider the following evidence, specifically that Congress requires that:

- The three nationwide CRAs provide free annual disclosures to requesting persons;
- Beyond the free annual disclosure, consumers will have access to their credit reports either for a fee or free (such as following a dispute or being denied credit) and can ask questions about the content of their credit report;
- A credit score disclosure includes a section explaining to people why they have the credit score/credit standing they have; and
- The three nationwide CRAs permit and provide costless means for people to directly dispute perceived inaccuracies with them, and that the three nationwide CRAs resolve the disputes in a timely manner and report the results back to the data subject.

In short, Congress clearly intended for there to be an interactive and ongoing relationship between the three nationwide CRAs and consumers, and required the creation of a communications and service architecture to facilitate this relationship. Congress saw a clear and vital interest being served through these policy requirements and has periodically and consistently reaffirmed this over the past 45 years. Regulators have also supported this and are supporting greater and improved consumer-CRA interaction.[51]

Arguably, any one of these activities required of the nationwide CRAs by Congress could have the effect of improving one's credit standing. And when the nationwide CRAs go beyond the minimum services required, for instance offering consumers credit scores, multiple credit disclosures, credit monitoring, or in-depth education, they may charge a fee. Given recent expansive interpretations of CROA by some courts, a few of these activities (credit monitoring, credit education) already have been classified as being covered by CROA.[52] As such, consumers could call a nationwide CRA seeking in-depth credit education, or wanting to know how their credit score could be improved only to have the required provisions of CROA act to dissuade them. Moreover, given recent expansive interpretations by the court, the nationwide CRAs face a real prospect that many if not all of their core lines of business that directly interact with consumers could be reclassified by the courts as credit repair services and therefore be subject to CROA.

Classifying any of these individual activities by nationwide CRAs as "credit repair" puts CROA at odds with the clear intent of Congress in both the FCRA and the FACT Act that national credit bureaus be a significant resource available to the general public for purposes of financial information and education. The situation can be remedied if Congress amends CROA by exempting the nationwide consumer reporting agencies from CROA.

The expansive view of CROA taken by some courts and its coverage of the nationwide CRAs has acted to distort the marketplace for credit counseling, credit monitoring, credit education and credit repair (as understood by the courts) in ways that harm the interests of consumers in understanding, protecting, and improving their credit standing while affording no commensurate and demonstrable protections or benefits.

The first two activities prohibited by CROA, arguably the heart of CROA, are (1) making false statements regarding a consumer's credit standing to CRAs or credit grantors and (2) enabling the misrepresentation of a consumer's identity to CRAs or credit grantors. Of course, these restrictions were aimed at the illegitimate credit repair organizations that would use deceptive tactics to alter credit records. It seems odd that these restrictions would apply *to* CRAs. The nationwide CRAs have no incentive to make such misrepresentations. Moreover, they are the entities *to whom* statements and representations are made. Their role in the credit-granting eco-system is to maintain accurate information to sell to creditors. Inaccuracy in consumer credit reports undermines their core business. Intentional

51. FTC. "Statement of Commissioner Brill on the Federal Trade Commission's Sixth and Final Report to Congress Under Section 319 of the Fair and Accurate Credit Transactions Act of 2003" January 21st, 2015. In this statement Commissioner Brill states, "I recommend that the credit reporting industry provide consumers with more meaningful information to help them understand the effects of correcting disputed items. For example, consumer reporting agencies could provide interactive disclosure mechanisms, such as an immersive online dashboard, that would allow consumers to see how correcting a disputed piece of information would change their credit score and, in turn, the cost of credit and insurance. Regulators could also consider whether to require credit reporting agencies to provide such interactive disclosure mechanisms."
52. They are covered by CROA only if they are provided for the express or implied purpose of improving credit record/history/rating.

inaccuracy would also violate key FCRA provisions regarding "maximum possible accuracy." The remaining activities CROA prohibits are untrue or misleading representation of the services of the credit repair organization and fraud or deception, generally. But these are very general prohibitions that are covered by other federal rules and regulations (for instance "UDAAP") that cover the nationwide CRAs. As such, one is hard pressed to find any utility in CROA covering the nationwide CRAs.

CROA currently excludes non-profit organizations, certain creditors, depository institution, and credit unions. It would seem logical to also extend this exemption to the nationwide CRAs, which are also importantly different from targeted credit repair organizations in that they have no incentive to use deceptive tactics to alter credit records. To reiterate, as the storehouses of the credit data the nationwide CRAs have unique and Congressionally mandated roles that require interacting with and educating consumers.

4.2 What are the Harms if the Nationwide CRAs are Exempted from CROA?

To help us to identify and examine the potential harms from exempting the nationwide CRAs from CROA, this section will use specific concerns offered by opponents of H.R. 5446, proposed legislation that would have revised CROA.[53]

Opponents of the CROA reform were concerned that exempting some organizations would disrupt the current level "playing field."[54] This argument incorrectly assumes the existence of a level playing field. In fact the playing field is skewed in favor of non-profits, depository institutions, and other organizations that are currently exempted. And for-profit services (like Credit Karma) may be seen as similarly exempted if the business model is one that does not *directly* obtain fees from consumers, although these sites obtain fees from companies that use the sites to market their credit products to consumers.

Opponents of the CROA reform are also concerned that "The FTC imposed a fine and consent decree against Consumerinfo.com d/b/a Experian Consumer Direct for deceptive practices in its promotion of credit monitoring products."[55] And that "Congress was so concerned about the credit bureaus aggressive and deceptive promotion of credit monitoring products… that it included a requirement in the Credit CARD Act that any advertisement of a "free credit report" include a special disclosure referring consumers to www.AnnualCreditReport.com."

However, we interpret these points quite differently. The first point appears to be a generic case against deceptive advertising practices by the three nationwide CRAs. For such cases, however, CROA is neither needed nor especially useful. Both the Federal Trade Commission (FTC acting under the FTC Act) and the Consumer Financial Protection Bureau (CFPB, empowered by the Dodd-Frank Wall Street Reform Act with far reaching powers—both rulemaking and enforcement) effectively regulate the three nationwide credit reporting

53. Letter to The Honorable Jeb Hensarling and The Honorable Maxine Waters in opposition to H.R. 5446 can be found on the website of the Consumer Federation of America: http://www.consumerfed.org/pdfs/Oppose-CROA-exemption-bill-%28HR5446%29.pdf
54. In the previously cited letter it is noted, "When subsidiaries of credit bureaus offer to improve credit scores, just like credit repair services do, CROA provides a level playing field and equal protection against deception."
55. Letter to The Honorable Jeb Hensarling and The Honorable Maxine Waters in opposition to H.R. 5446 can be found on the website of the Consumer Federation of America: http://www.consumerfed.org/pdfs/Oppose-CROA-exemption-bill-%28HR5446%29.pdf

agencies in the area of unfair, deceptive, abusive acts or practices or "UDAAP." And State AGs would also retain authority to take "UDAAP" enforcement actions. Given these protections against unfair and deceptive practices, CROA would only be meaningful if it filled some sort of regulatory gap, the existence of which would pose a risk to consumers.

The second point put forth by opponents of H.R. 5446 implicitly notes that CROA was insufficient or of no use, and that new rules were implemented via the Credit CARD Act.

As such, no specific instances of holes filled by CROA with regard to the nationwide CRAs are offered.

The opponents state"… There is absolutely no reason to exempt the credit bureaus from CROA so they can aggressively offer even more paid products similar to credit monitoring without the protections and disclosures required by the Act"[56]

The point that the nationwide CRAs should be prevented from "aggressively offer[ing] even more paid products" carries the implicit judgment by opponents of H.R. 5446 that these products are of no value, and that CROA protects consumers by inhibiting their ability to purchase those services. As we saw from the Credit Advisor data, CROA does appear to inhibit the uptake of the product. But, those consumers who did manage to clear the disclosure gauntlet and the waiting period appear to have benefited significantly from their experience with the product.

Another concern is that the nationwide CRAs offer services using in-house credit scores.[57] It is unclear what this has to do with CROA. Since there is no single credit score used universally in all credit decisions, the nationwide CRA educational score services use one of many scores available. Since there is a very high correlation among the generic scores (CFBP found it to be about 90%), educational messages based on one will likely be equally applicable regardless of the particular score disclosed. As was shown with Credit Advisor, benefits of the service occurred with the credit score *not* included in the service too. It should also be noted that Credit Advisor pointed out very clearly that it was using one score and that it may not be the actual score used by any particular lender.

This being said, it is unclear what is expected of providers of credit score disclosure and education services. Multiple versions of credit scores, based on each of the nationwide CRA's credit file databases, can be obtained from multiple providers. Surely we do not want to legislatively mandate the use of a single score (e.g. FICO 9), at the expense of all other score competitors in the market. What if a lender uses FICO 7 from TransUnion data and a consumer received a service using FICO 9 based on Experian data? Or what if a lender used VantageScore 2 based on Equifax data? Or what if it used its own in-house score? Moreover, scores vary by loan product type: lenders utilize auto scores, mortgage scores, bankruptcy scores, etc. from the same scoring vendor.

For purposes of reducing consumer confusion, it should be sufficient to have a best practice that a service provider state that the score

56. Letter to The Honorable Jeb Hensarling and The Honorable Maxine Waters in opposition to H.R. 5446 can be found on the website of the Consumer Federation of America: http://www.consumerfed.org/pdfs/Oppose-CROA-exemption-bill-%28HR5446%29.pdf
57. The letter notes, "Another problem with the credit bureaus' credit monitoring products is that, instead of providing a score that is actually used by lenders, such as FICO (which constitutes 90% of the scores sold to lenders), the credit bureaus usually sell their own proprietary, in-house scores. These scores are essentially useless to consumers, because they do not tell consumers what they really need to know: the FICO score on which their credit decisions will likely be based."

used in a service is one of many scores in use in the marketplace, and that lenders may use one or more of the different scores. Indeed, this point is an essential part of the needed consumer education. It is somewhat backwards (or Procrustean) to expect all services to use the same credit score because consumers may not realize that that there are multiple scores. Why not just tell them?

Finally, there is concern that CROA exemptions would preempt state law and "would leave the sale of credit monitoring completely unregulated." This does not appear to be the case for the nationwide CRAs. As pointed out above, nationwide CRAs with or without CROA are far from "completely unregulated." In fact, their activities, including interactions with consumers, are covered by a wide array of regulations and proactively monitored by a number of agencies. And all the usual remedies against deceptive practices would still be available with a nationwide CRA exemption in CROA. And this includes State AGs who would retain authority to take UDAAP enforcement actions for credit education and other such products.

Given the above, there appears to be little risk or harm from exempting the nationwide CRAs from CROA. In considering the evidence, it is the position of this paper that the three nationwide CRAs be exempted from CROA. The only real impact from an exemption, it would seem, would be that the nationwide CRAs would be able to offer more services to consumers who desperately need them. This should be seen as an opportunity in which best practices and useful advocate feedback could help guide this potential expansion in ways that would be most beneficial to consumers. Simply opposing greater nationwide CRA-consumer interactions in an attempt to minimize putative harms is pessimistic and cynical and does nothing to advance either the integrity of the credit reporting system or the goal of consumer credit report/score education.

5. Conclusions

The evidence detailed in the preceding sections makes abundantly clear the following points:

- **Importance of Credit Reports and Scores to Individual Borrowers:** Over the past 20 years, credit reports and credit scores have increasingly become the gateway to economic opportunity for tens of millions of American consumers;
- **Importance of Credit Reports and Scores to Small Business Owners:** What is true for individuals is equally true for small business owners. Lenders rely on business profile data and the consumer credit report of the small business owner to make lending decisions. Thus, anything that can positively impact individual credit scores will result in broader extension of affordable commercial credit extended to small businesses;
- **Demand for Credit Education Largely Unmet:** As consumer awareness of the importance of credit reports, credit scores, and maintaining a good credit profile have increased—in large measure owing to free report and score disclosures by the nationwide CRAs and others—a growing consumer appetite for advice and counsel on how to improve credit standing has emerged. Evidence of this comes from the continued growth and prosperity of credit clinics that operate at the fringes of the law despite CROA. In fact, very few parties have come forward with legal, sophisticated, customized products that would meet this demand. In large part, such services are costly and would require charging a fee. Doing so would put the product under CROA. The "CROA gauntlet," in turn, would deter consumer uptake and make such products economically non-viable. Consequently, firms under-invest in such products and consumers in need are left with few legitimate options, with most seemingly turning to the fringe credit clinics for help.
- **CRA Credit Education Services Appear Useful to Consumers:** Relative to a comparison group, net score rises was higher by 18 percentage points and net credit score band rises was higher by 12 percentage points following credit education (Experian's Credit Advisor).
- **Exempting Nationwide CRAs Could Materially Benefit Millions:** The combination of increased investment and lower barriers to service use from CROA reforms could result in millions materially benefiting. For instance, using the credit score impacts seen with Credit Advisor, industry-wide credit education services that were able to serve as many consumers as there were members of Credit Karma in January 2015 (35 million) would mean over four million Americans migrating to a higher credit score band. For consumers needing mortgage, auto, credit card, and other loans the annual savings from this could easily range from several hundred to thousands of dollars.
- **No Gap Means No Risk:** Clearly consumers need to be protected from sham credit clinics that persist despite 20 years of CROA. This does not apply to the nationwide CRAs. First, they are obligated in the FCRA to maintain data in their repositories that achieves maximum possible accuracy. Second, they compete with one another in data quality and data coverage. That means they have compelling legal and market reasons to never provide misleading information in a credit repair context (the concern of the first two prohibitions of CROA). Third, the FTC Act and the UDAAP powers wielded by the CFPB already prohibit unfair, deceptive, and abusive practices by the nationwide CRAs. As applied to the nationwide CRAs, the consumer protections in CROA are either unwarranted or redundant. Consequently, exempting the nationwide CRAs from CROA bears no risk to consumers. They are already comprehensively covered.

It appears to be the case that CROA and expansive interpretations of it are inhibiting the uptake of informative and materially beneficial consumer credit education offered by the nationwide CRAs. But when considering the evidence, one is hard pressed to understand which specific actual consumer harm or harms are being prevented by the recent court rulings on CROA as applied to the nationwide CRAs.

It is baffling that the nationwide CRAs that house consumer credit data, create credit scores, and have strong incentives (legal and market) to maintain accurate data would have barriers to educating consumers about their data and scores. This is particularly the case since the nationwide CRAs are already heavily regulated, such as via the FCRA (general rules, consumer interactions, etc.) and by the FTC Act (deceptive practices), and remain very much under regulatory scrutiny by the CFPB, the FTC, and state regulators.

Given their unique legal and market incentives on data accuracy, their unique role as credit information repositories, their expertise in developing credit scores, and the unique relationship they have with consumers on matters pertaining to credit reports and credit scores—the three nationwide CRAs are among the most logical choices for consumers to turn to when seeking guidance on how they can improve their credit standing. They are among the best positioned to offer a full range of demonstrably valuable products and have the greatest incentive to be honest brokers. More generally, organizations (1) for which CROA coverage is unnecessary and (2) are in good position to provide credit educational services that consumers need should be exempted from CROA.

Congress must recognize that the status quo is harming millions of Americans, and distorting the credit repair and credit education market in ways that are socially and economically suboptimal. Exempting the nationwide CRAs from CROA would enable more Americans to enjoy the benefits of legitimate credit education products, and carries no risk of consumer harm. In economics, this is called a Pareto superior move—as benefits are achieved with no cost to any party. The proposed exemption offers Congress a rare chance to achieve such an outcome.

About The Authors

Dr. Michael A. Turner currently serves as President of the Policy and Economic Research Council (PERC). Dr. Turner is a prominent expert on credit access, credit reporting and scoring, information policy, and economic development. He has testified before Congress and numerous state legislatures, and presented studies to numerous government agencies including the FTC, the FCC, the FDIC, the Federal Reserve Board of Governors, the Council of Economic Advisors and the White House. He has worked on projects in over 25 countries on six continents, including projects for the OECD, the Inter-American Development Bank (BID), the International Finance Corporation (IFC), the Consultative Group to Assist the Poor (CGAP), and US AID among others. He also launched the Asia-Pacific Credit Coalition and has collaborated with the APEC Business Advisory Council (ABAC) to establish the Asia Pacific Financial Forum (APFF) to promote financial inclusion among the 21 member economies of the Asia Pacific Economic Cooperation. Dr. Turner received his Ph.D. from Columbia University in International Political Economy and his B.A. from Miami University in Economics. He was awarded a Yeck Fellowship from Harvard Business School, and was awarded the Ashoka Foundation Fellowship in 2009.

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Appendix: Additional Details

Table A1: Impacts on Education Services Enrollment with CROA Reform

Scenarios		Consumers Engaged (Landing Page)	% who advance	Schedule Session	% who advance	Education
	CROA	50,000,000	14.6%	7,300,000	5.9%	431,114
(1)	Modified CROA	50,000,000	14.6%	7,300,000	40.7%	2,972,602
	Difference					2,541,488
	CROA	100,000,000	14.6%	14,600,000	5.9%	862,228
(2)	Modified CROA	100,000,000	14.6%	14,600,000	40.7%	5,945,204
	Difference					5,082,976
	CROA	220,000,000	14.6%	32,120,000	5.9%	1,896,902
(3)	Modified CROA	220,000,000	14.6%	32,120,000	40.7%	13,079,448
	Difference					11,182,546
	CROA	220,000,000	14.6%	32,120,000	5.9%	1,896,902
(3b)	Modified CROA	220,000,000	24.6%	54,120,000	40.7%	22,037,974
	Difference					20,141,072

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