A CREDIT TRAP FOR CONSUMERS

THE BILLION-DOLLAR CREDIT REPORTING INDUSTRY ROUTINELY PROVIDES INCORRECT INFORMATION ON THE NATION'S BORROWERS, AND THE COMPANIES KNOW IT. IT'S ALL PART OF THE SYSTEM.

By KENNETH R. GOSSELIN
And MATTHEW KAUFFMAN
Courant Staff Writers

Susan Crandall thought she had stellar credit, until computers at one of the nation's powerful credit reporting agencies decided she had serious money troubles.

Crandall lived 50 miles from a woman who had filed for bankruptcy. They had similar names. Their street addresses were nearly identical. But they lived in different towns, with different birth dates, different middle names and different Social Security numbers.

For the credit reporting agency, however, it was close enough for a match. The agency's computers took the two women for the same person, combined their credit histories and falsely branded Crandall a deadbeat and a terrible credit risk -- just as she was trying to buy a house.

And every step of the way, the system worked exactly as it was designed to.

A four-month investigation by The Courant has found that the nation's credit reporting business is built on a system so seriously flawed that costly errors are inevitable. A much-heralded congressional reform effort seven years ago has done little to repair the broken system or to hold credit bureaus accountable, the investigation found.

It is a system that forces hundreds of thousands of consumers to overpay for mortgages, credit cards and even car and property insurance. And it rewards the industry for its own mistakes, delivering millions in profits from selling credit reports to nervous consumers.

Errors seep into the system at every level.

Banks, credit card companies and department stores might send incorrect or outdated account information to the massive credit bureaus. When bureaus assemble credit reports, they rely on inexact computer matches that can easily mix consumers' records.

``Too many credit reports are a ticking time bomb of inaccurate information," said Ed Mierzwinski, consumer program director at the U.S. Public Interest Research Group in Washington, D.C. ``Consumers pay the price for the mistakes of the credit bureaus."

That price can be high. Beyond the thousands who are cut off from credit completely, millions more risk drastically overpaying for loans without knowing it.

A borrower wrongly saddled with a blemished credit report could be forced to pay a mortgage nearly 3 percentage points higher than a borrower with a clean credit record. Over the life of a 30-year, $150,000 mortgage, that would grow to a $100,000 mistake.

And attempting to correct those mistakes can put consumers in a frustrating maze of telephone call centers, where they are at the mercy of low-paid clerks, some burdened by a quota system that requires them to handle a grueling 10 complaints every hour.

The credit reporting industry is dominated by three behemoths -- Equifax, Experian and TransUnion -- which churn out 2 million credit reports a day.

The industry has been under assault from legislators and consumer advocates for years. But the credit bureaus say their systems are the envy of the world, saving American consumers billions of dollars in interest charges every year by allowing lenders to better evaluate risk.

They acknowledge that their matching system isn't perfect, but say it reflects a balance between providing a complete picture of a consumer's payment history and avoiding a credit report that merges the histories of two consumers.

The bureaus also argue that they have spent millions to refine their computer programs and that they remain committed to eliminating errors. Anything else, they say, would cost them the confidence of the credit industry -- and ultimately, sales.

``This is our lifeblood, this is our business, this is what we do, and this is what we've been doing for 104 years," said John Ford, chief privacy officer at Atlanta-based Equifax. ``We're very, very concerned about the accuracy and reliability of our database."

Massive Databases

Don't tell that to Melinda Hightower.

Hightower, of Greenwich, was cut off from her student loans last year and had to abandon graduate school after a credit bureau mistakenly reported she was delinquent on her car payments.

But that was only the beginning.

When Hightower requested her TransUnion credit report, she found her file contaminated by credit information from a shocking collection of strangers, with a variety of birth dates and addresses.

``Someone was born in 1919," said Hightower, 23. ``There were addresses from Colorado, Minnesota, all up and down the West Coast, and I've only resided on the East Coast. And even accounts that weren't mine."

What went wrong?

To understand, throw away the image of credit reports on paper neatly tucked away in filing cabinets or even stored in electronic computer files at the credit bureaus.

Instead, imagine billions of bits of bill-paying history -- both good and bad -- warehoused in massive electronic databases.

Each piece of the puzzle -- the Visa account, the mortgage on a house -- has some combination of personal information attached to it: name, address, date of birth, Social Security number.

When a consumer applies for a loan, the lender requests a report by submitting a variety of identifying information. High-speed computer search programs troll the databases, looking for accounts and loans with the same information.

The programs, however, don't require an exact match. So, if two people have

similar names and Social Security numbers that differ by a few digits, that can be considered a match, even if other personal information is completely different.

The credit bureaus' rationale is that consumers are inconsistent in the names they use when applying for credit -- using married and maiden names or adding and dropping the ``Jr.'' and ``Sr.'' generation titles.

And errors made by clerks may explain a slight variation in Social Security number or birth date.

Make the matches too exact, the bureaus say, and computer programs might miss accounts with damaging information about a borrower's finances, putting lenders in a potentially risky position.

But with 200 million Americans in the database, the surprisingly loose matching system can spell big trouble for a consumer's credit report.

That's what happened when computers compiled a report on Crandall, who now owns a bed and breakfast in Coventry. In 1999, Crandall, whose married name was Susan Martin -- lived in Westfield, Mass., at 43 Mountain View St.

An hour's drive away, at 43 Mountainview Drive in Pittsfield, Mass., lived another Susan Martin, who had gone bankrupt.

To the computers, the two women were the same Susan Martin.

One of the most frequent mistakes in credit reporting is mixing up a father and son with the same name.

``If anyone is not certain whether to name their son after them, this is the reason not to do that,'' said Daniel S. Blinn, a consumer lawyer in Rocky Hill who handles credit report cases.

But under the bureaus' matching systems, the names don't have to be close at all.

Myra S. Coleman, a Mississippi woman, sued after TransUnion confused her with a California woman named Maria Gaitan, whose name became associated with Coleman's Social Security number.

At the trial, an official with the credit bureau said that people change their last name through marriage or divorce and that the sequence of letters in ``Myra'' was similar to ``Maria.''

``That's really kind of absurd,'' said Coleman's attorney, Sylvia A. Goldsmith of Sandusky, Ohio. ``Social Security numbers get stolen. Social Security numbers get typed in wrong. If you're going on just a Social Security number and a partial match on the first name, you can really wreak havoc on someone.''

How close is close enough when computers are looking for a match? The agencies won't say, explaining that they have spent millions on their programs to give them a competitive edge.

``The specific details of this matching system, therefore, are part of Experian's `Crown Jewels' and are not disclosed in lawsuits or to any government agency,'' wrote David A. Browne, a compliance manager for Experian, in a 2001 federal lawsuit in Hartford.

Experian officials declined to be interviewed for this story.

The credit bureaus are only part of the problem, critics say.

Banks, credit card companies and department stores sometimes supply inaccurate information to the credit bureaus, painting a false picture of a consumer's bill-paying history.

One common error involves the duplication of the same debt, which can leave the false perception that the borrower owes too much money. This often occurs with the sale or transfer of a mortgage.

Ruth Koontz, a former credit official at the now-defunct Montgomery Ward department store, said that once a mortgage is sold, the balance on the original loan should go to zero.

``The problem is that the balance stays there,'' said Koontz, who now helps consumers fix errors on their credit reports. ``You can end up with multiple references [for the same loan] that still have balances.''

A Frustrating Fight

For many consumers, losing out on the best rates or being cut off from credit is just the beginning of their troubles with the credit reporting system.

What follows is often a frustrating -- and sometimes fruitless -- fight with the bureaus and creditors to make corrections.

John Cook has been wrangling for two years to get an error corrected on his credit report so he could refinance his house in Windsor. Cook's file was combined with another John Cook who had defaulted on a loan.

``It's an amazing finger-pointing game,'' said Cook, who could have saved more than $5,000 in mortgage interest by refinancing. ``And there's nothing the average Joe can do about it.''

Neil F. Quinlan Sr. of Niantic learned that the hard way, after his credit file was mixed in with that of his son, Neil Jr. Fixing it, he said, was a nightmare.

``My son's got a different Social Security number. That should be a no-brainer. It should take 15 minutes to fix.'' Instead, he said, it required months of frustrating calls and letters to the credit bureaus.

When consumers telephone the credit bureaus, some step into a pressure-cooker environment.

Clerks at TransUnion earning as little as $9.60 an hour are expected to handle 10 consumer complaints an hour, according to an October 2001 court deposition obtained by The Courant.

And consumers, on average, complain about three accounts, leaving the clerks just two minutes to understand each dispute and send a request to the creditor for an investigation.

At that pace, critics say, the bureaus routinely violate the federal law requiring a thorough investigation when consumers complain about their credit reports.

By law, credit bureaus must verify disputed items with the original creditor, forwarding ``all relevant information'' they receive from the consumer. Instead, detailed letters from consumers are reduced to numerical codes that translate to one- or two-word explanations.

``What they do is they just punch a number on their computer, because that's a code number,'' said Mike Baxter, a Portland, Ore., lawyer who specializes in credit cases. ``Maybe push 5, which happens to be `not mine' or something. And it's quick and dirty and easy. But it does not adequately relay the dispute to the creditor.''

The credit industry argues that the codes are sufficient to illuminate even the most complex complaints.

``We can do a very, very, very good job of capturing what the consumer's disputing and convey these kinds of subtleties,'' said Stuart Pratt, president of the Credit Data Industry Association, a trade group. ``So the lender really does have in front of itself, the right, relevant information upon which it must conduct its reinvestigation.''

Sometimes, that reinvestigation is done entirely by computers.

When Luis Jaramillo of Philadelphia

reviewed his TransUnion credit report a few years ago, he found several accounts that weren't his, including a credit card from National City Bank that was issued when he was 11 years old, according to court records.

Jaramillo complained to TransUnion, which sent National City a computerized request to investigate. A computer at National City scanned the bank's records, matched Jaramillo's name, and told the computer at TransUnion to keep the obviously erroneous account on Jaramillo's report.

Officials at TransUnion refused repeated requests to be interviewed for this story.

Even when computers aren't handling complaints, critics say creditors don't get much higher marks for dealing with customer disputes.

When the bureau sends a complaint to the creditor, the creditor typically compares it with customer account records.

The problem, critics say, is that creditors don't investigate to see if their own information is correct.

``They say, 'Yep. Everything verifies,'" Baxter said. ``We sent in accurate information, so we verify it."

Fleet Bank -- one of the nation's 10 largest banks and the biggest in Connecticut -- said its credit card unit assigns a staff member to research each dispute that comes from the bureaus. But Fleet acknowledges it does not contact the consumer as part of the process.

``When the complaint comes from the credit bureau, the dispute is between the consumer and the credit bureau," said Deborah Pulver, a spokeswoman for Fleet's credit card unit.

Fleet does work with the consumer when the customer contacts Fleet directly, Pulver said.

But Crandall, the Coventry woman who had another woman's bankruptcy filing wrongly listed in her credit report, said she had a tough time finding someone at Fleet to help her.

In 1999, Crandall tried to get letters from the other woman's creditors, after the bureaus said that was the only way she could prove that the bankruptcy wasn't hers.

Crandall said she was bounced around Fleet. She visited or called several local offices in Massachusetts. Then, she sent letters and documents to a Fleet office in South Carolina.

``But no one wanted to listen to me," Crandall said.

She called the president's office in Boston and laced into a secretary. Finally, Crandall reached a customer service center in Rhode Island and got her problem resolved.

Fleet said Crandall should have been directed to the service center right away, but couldn't explain why that didn't happen.

More Is Better

In a marketplace shared by three massive credit bureaus, critics argue the bureaus have a financial incentive to include more in a credit report, even at the expense of accuracy, to stand out from their competitors.

``There are three credit reporting companies. If you've got one that's got 10 credit items, one that's got 15 and one that's got 20, which one are you going to go with?" asks Baxter. ``People say, `Well, we better go with the one with 20, because they do a more thorough job.'"

Critics say the bureaus would rather have more information than risk even one damaging account left off.

The approach helps credit bureaus to cover themselves with lenders, said Evan Hendrickson, editor of the Privacy Times newsletter in Washington, D.C., and a frequent expert witness for those suing the bureaus over credit report errors.

Lenders might stop buying reports if the credit bureaus miss negative information about a potential borrower, he said.

Ironically, consumers are becoming profit centers as the agencies push sales of individual credit reports to consumers.

``The companies encourage people to see what is exactly included in their credit report," said Scott H. Kessler, an analyst at Standard & Poor's in New York. ``And knowing about what is in your credit report can be extremely important for your life, and what you can do."

Last year, Equifax collected $39 million in fees from consumers, nearly double the amount from a year earlier, although still less than 4 percent of total revenue.

``By doing a bad job, they have created a whole new market," said Quinlan, of Niantic, who said he had so much trouble dealing with credit bureaus that he no longer uses credit.

Equifax's Ford argues that consumer interest in credit reports is linked more to worries about identity theft, rather than a concern about errors.

``We are not in the business of exploiting consumers," Ford said.

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ROBERT SATTIN: BANKRUPTCY TABLES TURNED

By **KENNETH R. GOSSELIN**
Courant Staff Writer

Hartford attorney Robert Sattin is used to dealing with bankruptcy filings by his business clients.

Just not when they end up on his credit report.

Sattin never had a problem getting credit, so when he and his wife responded to a credit card offer last year, he didn't think twice about it.

That is, until his wife was approved for the card and he wasn't.

All the credit card company would say was that there was ``adverse public information'' on his credit report. It took an unusually long six weeks to get a copy of his credit report from Experian.

``That's the period where the anxiety starts, where you don't know what it's about, and what's been said, and how adverse,'' Sattin said.

When he did get the report, he was disturbed by what he found. A bankruptcy case on which he had been the lawyer had turned up on his personal credit report.

Anyone looking at the report would have thought Sattin had filed for bankruptcy.

``I had the same inappropriate reaction that clients normally have, you know: `Those miserable SOBs, sue the bastards,' rather than going through channels,'' Sattin said.

There were some real worries, too.

``Certainly, at a professional level, I don't think it would be a good thing for me, dealing with banks and bankers, who all have access to this kind of thing,'' Sattin said.

Most credit data is collected electronically, but public records are still sifted by hand. Mistakes involving bankruptcies and liens are among the most devastating, experts say.

It took weeks to clear up the mistake. There was a trip to the courthouse to get the full docket to prove he was simply the lawyer on the case. Then there were letters to Experian. And follow-up telephone calls.

``My assumption is now that it's off,'' Sattin said. ``But we'll see.''

And even if it is off, Sattin wonders if it could happen again.

``My professional life involves my hopefully staying busy, involved in Chapter 11 cases,'' Sattin said.

Ironically, a few months after his last telephone call to Experian, the same credit card company that rejected him made another offer to ``Mr. Sattin, our favorite, potential customer.''

``And I said, `No. Too late. Too late. Sorry,'" Sattin said.

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RAY DECCY: WE'RE SORRY, BUT YOU'RE DEAD

By MATTHEW KAUFFMAN
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It was, as these things often are, a lifelong dream: a little cottage near the water where Ray and Lisa Deccy could while away summer weekends with their children.

They found the perfect property. They got together the down payment. And they paid a visit to Webster Bank, which holds the mortgage on the Deccys' year-round home in Burlington.

All was well, until Webster pulled Ray Deccy's credit reports.

``We met with the loan officer," Deccy recalled, ``and he said, `You only have one little problem: One of your reports came back that you were dead.'"

Deccy found the news amusing. But not for long.

He figured he could resolve the error with a certified letter. No such luck.

``I said, `Look. Who do you think's been making these mortgage payments for the last 12 years?'" Deccy said. ``But they said they couldn't do anything until it got cleared up. Couldn't do a thing."

After ordering copies of his credit report from all three credit bureaus, Deccy discovered he was the victim of one of the most common snafus in credit reporting: merging files between fathers and sons with the same name. Deccy's father, Raymond P. Deccy Sr., died in 1994, and Deccy Sr.'s wife closed his credit card accounts, including one with Sears, in order to establish credit in her own name.

But by the time the Sears information made it into the computers at Equifax, it was Raymond P. Deccy Jr. who was deceased.

The Sears card obviously wasn't his -- he was 1 year old when the account was opened. But it took weeks of phone calls to resolve.

``It's not like you're talking to people now. You go through the automated thing. And there's nothing that said `If you're no longer alive, hit No. 4,'" Deccy said.

``Anybody who's ever gone through a closing, it's stressful enough," he said. ``Now you throw that into it, and you're so freaking frustrated, it's incredible."

Deccy began to lose his cool, so he turned the task of resurrecting his life over to his wife. Lisa Deccy tried e-mailing Equifax, but said she got no response. Calling didn't get her anywhere, either. Finally, she sent an e-mail to Equifax's fraud division, figuring they would take notice. It worked.

``You're probably not supposed to do that, but, oh well. I mean, we really wanted to get this loan closed," she said. ``I was getting nervous. You don't know what's going to happen and there's other people that want this house because it's right on the beach."

In the end, the seller was flexible, the mistake was corrected and the loan came through. Now, the Deccys are looking forward to summer, and Ray Deccy is keeping his fingers crossed that his credit file is accurate.

Deccy said he had never checked his credit report before. But now, he's a convert. ``People always say check your credit rating before you do anything," he said. ``I would do it months before. Even before you start looking."

He thinks the confusion with his father's accounts is over. But he wonders how many other people are in for the same trouble.

``What happens," he said, ``when John Smith dies?"

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IN DISPUTE: HOW MANY ARE WRONG?

By **MATTHEW KAUFFMAN**
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Serious errors plague one out of three credit files in America.

Or maybe it's one out of 500.

That's how far apart the industry and its critics are in answering a key question: How accurate are the nation's credit reports?

``Riddled with errors," says the U.S. Public Interest Research Group, which in 1997 asked staff members around the country to order their credit reports and look for mistakes. The group reviewed 133 files and said 29 percent contained serious errors, such as delinquencies and credit accounts that didn't belong to the consumer.

Years earlier, a survey of 161 reports by Consumers Union found serious mistakes in 19 percent of credit reports and at least a minor error in a whopping 48 percent of files.

But the credit bureaus say that those surveys are far too small to be reliable and that the findings are absurd.

``If that's true, if they're saying half of all credit reports have errors, then jeez, these banks are awful lucky. Because there's no way that they can make money on files where half of them are wrong," said Norm Magnuson, vice president of public affairs for the Credit Data Industry Association, the leading trade group.

The industry instead clings to a 1991 study of more than 15,000 loans that concluded a mere 0.2 percent of credit files had errors serious enough to result in a denial of credit.

``It's the only scientifically based, empirical study out there," Magnuson said.

It was also performed by Arthur Andersen, the now-disgraced and defunct consulting firm. And, every step of the way, the study is tilted in favor of the bureaus.

The report considered a credit file inaccurate only if the consumer requested a copy of his or her credit report (92 percent never did), the consumer subsequently filed a written dispute, the dispute was resolved by the time the study was completed, the bureau found in favor of the consumer and a lender said the change would have been great enough to overturn the decision to deny credit.

Moreover, the study -- now 12 years old -- was performed before federal law permitted lenders to charge different rates to consumers with better or worse credit. The question is no longer just whether consumers would be turned down for loans, but is instead: How many would be charged unfairly high rates?

The industry can't say. And while the question is central to the reliability of the nation's credit system, it's not clear that the bureaus are particularly interested in knowing the answer.

Although none of the bureaus will give detailed information on their complaint volume, a TransUnion official acknowledged in a deposition in late 2001 that her company receives 4,000 written disputes a day in its East Coast office, plus thousands more by phone or in the West Coast office. But she said the company maintains no record of how many of those disputes ultimately reveal errors in credit reports.

``They don't measure that," said Eileen Little, a group manager in charge of TransUnion consumer-relations department in Crum Lynne, Pa. Little said that because all disputes must be reinvestigated, ``it doesn't make a difference" whether the dispute is accurate or not, so the company has no reason to track it.

Christopher Kittell, a lawyer in Clarksdale, Miss., isn't surprised the bureaus haven't tried to measure their own accuracy.

``They don't want to do a report that I can get, or another plaintiff's lawyer like me can get," he said. ``They just do not want to do that."

Several years ago, TransUnion looked at how many repeat complaints it gets from consumers -- which might offer a window on the accuracy of the company's initial investigation process. Little said about 10 percent to 15 percent of all disputes were repeat disputes, but she couldn't give details of the study.

And she couldn't produce the report.

``I don't know that I would still have that," she testified. ``When we were moving, I got rid of a lot of stuff. I don't know if I kept that or not."

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CREDIT LAWS IGNITE A NEW BATTLE

AS A FLAWED SYSTEM CONTINUES TO CHURN OUT INACCURATE REPORTS, CONSUMER ADVOCATES HOPE THIS YEAR TO WIN TRUE REFORM, AND A POWERFUL INDUSTRY DIGS IN TO FEND OFF THE EFFORT.

By MATTHEW KAUFFMAN
And KENNETH R. GOSSELIN
Courant Staff Writers

With a brand-new ad campaign and a beefed-up stable of lobbyists, America's credit industry is gearing up for a major political battle this year over the fate of the nation's credit reporting laws.

Consumer advocates are getting ready, too, reaching out to key lawmakers as they capitalize on what might be their best shot in years at reforming the system.

It's American civics in action.

But it wasn't supposed to be this way.

Congress already ``fixed'' the Fair Credit Reporting Act, passing sweeping reforms just seven years ago that were expected to end frustrating mistakes on credit reports.

Consumer advocates cheered the law, envisioning a new day in which chastened lenders would be doubly careful to report accurate information on their customers, and credit agencies would rush to correct what few mistakes crept in. And if either side messed up, they'd feel the swift wrath of government agencies and the legal system.

``This new law will go a long way toward ending the nightmare that many consumers have faced when they just can't get credit bureaus to delete mistakes from their files,'' crowed Michelle Meier of Consumers Union, echoing the predictions of lawmakers and consumer groups.

They were sorely mistaken. What was heralded in the late '90s as a breakthrough victory for consumers is now seen by some advocates as a cleverly veiled defeat, a law that greatly expanded the trade in private financial data, while putting little pressure on the industry to improve the accuracy of its reports.

And years later, as cracks in the system continue to put millions at risk, critics say the agencies and institutions in a position to improve America's credit reporting system lack either the ability or the will to bring about change. States are virtually powerless to act, and neither Congress, nor federal agencies -- nor the industry itself -- has shown much interest in changing the status quo.

``It astounds me that the whole country relies on a broken system,'' said Mike Baxter, a Portland, Ore., lawyer who specializes in credit cases. ``It's broke. And I don't see it getting corrected.''

Terry Cousin knows firsthand the limits of the Fair Credit Reporting Act. Cousin spent four years trying to get TransUnion, one of the Big 3 credit reporting agencies, to remove incorrect information from his credit file after his identity was stolen. Sometimes, his complaints went nowhere. Other times, mistakes were corrected, only to reappear months, weeks or days later.

Finally, he went to court.

``I had told them over and over again, but they didn't listen to me,'' Cousin said at the 1998 trial. ``If you know anything about a maze, it's like being trapped inside of something that you can't get out of.''

The jury sympathized, returning a record $4.7 million verdict against the credit reporting agency. The judge who heard the case upheld the award, writing, ``There has never been a reported case involving a credit reporting company that acted with such callous indifference toward a consumer and whose conduct was so reprehensible.''

But a federal appeals court, insulated from the emotion of the trial, later ruled that under the law Congress passed, Cousin wasn't entitled to a dime for his years of frustration. Nothing for compensatory damages. Nothing for punitive damages.

``It's toothless. It's powerless,'' Cousin's lawyer, Michael T. Lewis, said of the law. ``They may as well have ripped it from the U.S. Code.''

A Watered-Down Law

Legislators had been trying since 1990 to reform the secretive credit reporting system, which had become the No. 1 source of complaints to the Federal Trade Commission. But before Congress ever got a chance to vote, years of industry lobbying succeeded in stripping many of the pro-consumer provisions from the bill.

``There were a hell of a lot of lobbyists involved,'' recalled former U.S. Sen. Richard Bryan, D-Nev., a key architect of the legislation.

The ability to sue over errors was watered down. Free credit reports were nixed. Stronger state laws were overridden. At the same time, companies gained the lucrative ability to share credit report information with affiliated companies.

One critic called an early version ``an industry wish list masquerading as consumer protection.''

``The industry was extremely powerful,'' said Ed Mierzwinski, consumer program director for the U.S. Public Interest Research Group. ``If it had been us against the credit bureaus, we would have won. But because the banks were involved as well, and the department stores, it means every financial interest is aligned against us.''

Under the law that ultimately passed in 1996, credit reporting agencies are required to adopt ``reasonable procedures to assure maximum possible accuracy.'' And if a consumer disputes an item on a credit report, the agency has to verify the information within 30 days by checking with the original creditor.

Lenders that decline an application for credit on the basis of a poor credit report are also required to notify consumers of that decision, and the credit bureau that issued the report must provide a free report if the consumer asks for one.

In addition, those who grant credit -- such as banks, stores and credit card companies -- are forbidden from sending information to credit agencies if they know the information is wrong. They also are required to cooperate

with credit agencies investigating a consumer's dispute.

The industry strongly defends the Fair Credit Reporting Act, saying it protects consumers by demanding accurate information and requiring a prompt resolution of disputes.

``There's a standard of accuracy for lenders and for credit bureaus in the law," said Stuart Pratt, president of the Credit Data Industry Association, the leading industry trade group. ``The '96 amendments set up a national standard by which we must resolve a dispute that the consumer submits to us. And in all of that, the '96 amendments said the state and the federal government and the consumers individually can sue to enforce the law."

But while the law set reasonable standards for lenders and credit reporting agencies, it also made it difficult for consumers to collect significant damages when the agencies fail to meet those standards. The law also forbids states from passing laws that provide broader consumer protection.

Esteban Torres, a former California congressman who helped write the original legislation, threatened to vote against his own bill after industry forces insisted on the provision overriding tougher state laws. Bryan, the Nevada senator, eventually forged a compromise: The 1996 legislation pre-empts state laws, but that provision will ``sunset" on Jan. 1, 2004 -- unless Congress reauthorizes it. That is the battle now brewing in Washington.

The changes approved in 1996 might seem modest -- in fact, the industry had already adopted many of them by the time the law passed. But until that law, lenders had no legal obligation to report accurate information to credit agencies and the agencies were required to resolve disputes only in a ``reasonable" amount of time, which often dragged on for months.

So after seven years, getting something on the lawbooks was cause for celebration.

``Tuesday will be a big day for consumers as they gain important new powers to fix errors found on their credit reports," U.S. Sen. Christopher Bond, R-Mo., said the day before the law went into effect. ``Any consumer who has gone through the process of getting errors on their reports fixed knows how helpful these new rights will be."

But the celebration didn't last.

Battle Begins Again

From day one, consumers complained that phone lines at the credit bureaus were routinely busy. And a few months after the law was enacted, the U.S. Public Interest Research Group asked staff members to order and examine their own credit reports. Their conclusion: Despite the new law, serious errors still found their way into too many credit files.

So the battle began anew, with advocates and legislators back on Capitol Hill, again looking for ways to make the nation's credit laws more consumer-friendly.

They haven't had much success.

Several bills over the past six years would have required credit agencies to provide one free credit report each year. Others would have mandated that bureaus spell out how a credit score is derived; required agencies to immediately block disputed information once a consumer submitted a police report alleging identity theft; directed the Federal Reserve to monitor the credit bureaus' compliance with the law; and required bureaus to disclose credit scores in connection with mortgage applications.

Every one was referred to a congressional committee. And that is where every one of them died.

``The industry influence over Washington is immense," said Mierzwinski. ``No matter whether the Democrats or the `R's are in charge, the banking committee is always stacked with industry partisans."

Pratt, the president of the Credit Data Industry Association, says the current laws on accuracy need no updating. ``We have a responsibility and an accountability under the law to reinvestigate and maintain data that's complete and accurate," he said. ``If we don't do that, the FTC, the state attorneys general and other parties can sue us."

They can -- under limited situations -- but they don't.

In the early 1990s, inaccuracies on credit reports were the No. 1 consumer complaint to the FTC. But that was before the explosion of identity theft, online fraud and the annoyance of e-mail spam. Today, that's where the greatest number of complaints are, and that's where the FTC has its resources.

Joel Winston, associate director for financial practices at the FTC, said the agency gets a couple thousand complaints a month about the Big 3 credit bureaus, although the vast majority of consumers who file disputes with the bureaus never contact the commission.

Still, Winston said the number of complaints to the FTC is a small fraction of the credit reports issued each year and is too few to justify bringing a case against the bureaus over credit report accuracy.

The FTC did move against TransUnion, Experian and Equifax for failing to answer their phones, which led to a $2.5 million settlement in January 2000. The commission also brought an action against TransUnion for improperly selling information to target marketers.

But when consumers complain about accuracy, most are simply sent information on how they can try to correct errors on their own.

``We don't really have the ability to intervene in individual cases for consumers. That's not really our function and we don't have the resources for that," Winston said, adding that ``so much of the statute is about self-help."

Greg Fisher of Dayton, Ohio, who runs a one-man crusade against the credit agencies at his website, creditaccuracy.com, recently complained to the FTC about problems with his credit report. The commission responded with a four-page form letter that summarized the Fair Credit Reporting Act and ended with this advice: ``If you believe that the FCRA has been violated, we suggest that you consult a private attorney or a local legal services organization."

But getting a lawyer might not be much help, either.

Only state and federal agencies -- not consumers -- can sue lenders for failing to submit accurate information to credit agencies. Individual consumers can sue credit reporting agencies, but the law allows punitive damages only for willful violations of the law -- and courts have generally defined that narrowly -- so many lawyers shy away from the cases.

Still, lawyers took notice last year when a jury in Oregon awarded $5.3 million in a case against TransUnion. Although a judge later slashed the punitive damages, the high-profile case may still prod more attorneys to take on the bureaus.

But when lawsuits are filed, the credit bureaus fight back.

``Most consumer attorneys are sole practitioners," said Baxter, the

Portland, Ore., lawyer. ``And these are tough cases for sole practitioners."

They can be even tougher for consumers who try to go without a lawyer. After errors on her credit report allegedly kept Melinda Hightower of Greenwich from getting a student loan, she filed suit against TransUnion in small-claims court, where the maximum award is $3,500.

TransUnion promptly retained a Philadelphia lawyer, who had the case transferred to federal court in Hartford and who filed paperwork saying there was nothing wrong with Hightower's credit file -- and that if there was, it was Hightower's fault.

``They're paying more in attorneys' fees than anything else," said Hightower, whose case is pending. ``It's weird."

Falling On Deaf Ears

The credit reporting agencies say the federal law -- coupled with competitive pressure -- is enough to keep them focused on serving consumers.

But critics say complaints to bureaus often fall on deaf ears because consumers are not the agencies' primary customers. The vast majority of the agencies' money comes from companies that pay to access consumers' credit reports or to obtain large lists of creditworthy consumers for preapproved credit card offers.

``Fixing problems doesn't make them more money," said Neil F. Quinlan Sr. of Niantic, whose credit history was merged with that of his son. ``It's overhead. It costs them money. Where do you think they are going to allocate resources?"

So what will bring change?

Consumer advocates believe legislative reforms have a better chance of passing this year, with the battle over extending the ban on tougher state laws. The Senate banking committee holds its first hearing on that issue Wednesday.

Sen. Christopher Dodd, D-Conn., a member of the committee, said he would work to make credit reports more accurate and give consumers more control over their private information.

``Far too many consumers are victims of inaccurate information on their credit report, identity theft and other problems that are not their fault," Dodd said.

With so much at stake, many believe the credit industry will bargain away modest changes in order to preserve the state preemption. But with the national concern about identity theft, those reforms are more likely to involve security and privacy -- not accuracy.

Pratt, from the Credit Data Industry Association, said it's too early to talk about legislative compromises. But he acknowledged that extending the state preemption is considered critical to the industry.

``From our perspective, this is a must-do in this Congress," he said. ``It's our No. 1 priority."

Pratt said losing that battle could result in a patchwork of inconsistent state laws regarding what information credit bureaus can collect and report. That, he said, would weaken the reliability of credit data and make credit lending confusing and more expensive. And allowing a state to impose stricter standards on accuracy could lead lenders to refuse to report credit information -- good or bad -- on that state's consumers, for fear of being sued.

``If states start to pass laws that are different, it's like having different railroad tracks in every state," said Nessa Feddis, senior federal counsel for the American Bankers Association. ``Yeah, you can do it, but it probably is going to cost a lot."

To prevent that, the credit industry recently created the Partnership to Protect Consumer Credit, which has launched an advertising campaign in Washington, D.C., subway stations and on local radio programs. ``If Congress fails to renew the Fair Credit Reporting Act (FCRA), it could mean a bureaucratic nightmare of red tape that would make things like obtaining a mortgage, financing a new car or paying for a big ticket item such as an engagement ring an even bigger hassle," one ad reads.

Political action committees run by the credit industry have also contributed more than $100,000 to members of Congress and other political interests over the last two years.

Equifax, TransUnion and the Credit Data Industry Association also have lobbyists on Capitol Hill, and last September, two additional lobbying firms registered on behalf of Equifax, which spent $120,000 on lobbying in 2000, the last year for which figures are available.

But those figures are minuscule compared with the political clout of retailers, credit companies and banks, who collectively contributed $25 million during the 2002 congressional elections and spent more than twice that on lobbying in 2000.

If Congress doesn't rewrite the credit laws, change might come from the courts, led improbably by a 58-year-old real estate agent from Klamath Falls, Ore.

Judy C. Thomas spent six years battling TransUnion after the agency merged her file with that of a woman named Judith L. Upton who was born the same year and whose Social Security number varied from Thomas' by only one digit.

A jury awarded Thomas $300,000. And tacked on $5 million in punitive damages to send a message to the industry.

James B. Fishman, a prominent consumer lawyer in New York City, believes change ultimately will come through litigation, just as it did with the tobacco industry.

``It's really the possibility of punitive damages that would keep these companies in line," Fishman said, adding it won't take many multimillion-dollar judgments to spark reform.

``There are going to be more verdicts like that," he said. ``And it's that kind of result that is going to change this industry."

But months later, a judge lopped $4 million off the jury's award, and now, consumer lawyers see the case as a mixed bag.

Lewis, the lawyer who watched his multimillion-dollar verdict vanish in the Cousin case, sees it as another step backward in the frustrating battle to improve credit report accuracy.

Lewis, who practiced law with his wife, is in semi-retirement now, and he counts only a few lingering disappointments from his years as a consumer lawyer.

At the top of the list is the Fair Credit Reporting Act.

``My wife and I, we retired with a great sense of satisfaction, for the most part," Lewis said. ``But we look back at the FCRA as some work left undone, and as a mountain unclimbed. And, not as a failure, but as an enemy who really prevailed over us, and unjustly so."

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