

September 17, 2004

Board of Governors of the Federal Reserve System
Ms. Jennifer J. Johnson, Secretary
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Request for Information for Study on Investigations of Disputed Consumer Information Reported to Consumer Reporting Agencies; Docket No. OP-1209

Dear Sir or Madam:

On behalf of the more than 1 million members of the **National Association of Realtors®** (NAR), the Institute for Real Estate Management (IREM), and the Certified Commercial Investment Member (CCIM) Institute, I am pleased to offer comments on the disputed consumer information study under the Fair and Accurate Credit Transactions (FACT) Act of 2003. The **National Association of Realtors®**, "The Voice for Real Estate," is America's largest trade association, representing more than 1 million members, including NAR's five commercial real estate institutes, its societies, and its councils. REALTORS® are involved in all aspects of the residential and commercial real estate industries. NAR members belong to one or more of some 1,700 local associations or boards and 54 state and territory associations of REALTORS®.

IREM, an NAR affiliate, is an association of professional property and asset managers who meet strict criteria in the areas of education, experience, and ethics. The 16,000 IREM members manage all types of investment real estate. The Institute educates real estate managers, certifies the competence and professionalism of individuals and organizations engaged in real estate management, advocates on issues affecting the real estate management industry, and enhances its members' professional competence to better meet the needs of their clients.

The CCIM Institute is also an NAR affiliate. The CCIM Institute confers the CCIM designation. The Institute stresses education, networking, and ethical practice. Over 7,500 commercial real estate professionals currently hold the CCIM designation and work in 1,000 markets.

Study

Section 313(b) of the FACT Act requires the Federal Reserve Board (FRB) and the Federal Trade Commission (FTC) to conduct a joint study on compliance by consumer reporting agencies and furnishers of consumer information to those agencies with procedures, timelines, and other requirements under the Fair Credit Reporting Act (FCRA) for (1) the prompt investigation of disputed consumer information, (2) the completeness of information provided to the agencies, and (3) the prompt correction or deletion of incorrect information or information that cannot be verified.

The FACT Act requires the FRB and FTC to submit a progress report to Congress by December 4, 2004, with any recommendations for appropriate legislative or administrative actions.

REALTOR® Concerns

REALTORS® support ongoing efforts to improve the credit reporting system. It is important that the requirements designed to assure accuracy of consumer information are strong and effective. The availability of mortgage credit is central to the home purchase transaction that, in turn, is central to the businesses of REALTORS®. REALTORS® are also affected when they rely on credit reports in connection with managing, selling, buying, and leasing residential rental property and other commercial property, act as mortgage brokers, or are affiliated with a mortgage lender. When a consumer seeking to become a homeowner enters a home purchase contract but has problems obtaining a mortgage, the REALTOR® is often called upon to help resolve the problem. REALTORS® see first hand the negative impacts on consumers when flawed credit information makes it hard or impossible for their clients to purchase homes.

Comments

Congress enacted the FACT Act partially in response to critics of the existing system. One of the main problems is that credit files of consumers often contain significant errors. These errors can make it impossible, or at the very least more expensive, for affected consumers to obtain credit. In a survey conducted by U.S. PIRG last spring, 25 percent of the surveyed credit reports had serious errors that could result in denial of credit or other problems for the consumer.¹ While this was a relatively small survey (there were 197 responses from 154 adults in 30 states), other studies confirm there is a serious problem of inaccuracies in credit reports.

While the FACT Act improved procedures for correcting errors in consumer files, NAR supports several additional amendments to FCRA and administrative steps and recommends that you include them in your report to Congress.

Shorten Reinvestigation Period. Currently, consumer reporting agencies have 30 days to reinvestigate the accuracy of disputed information and record its “current status” or delete the disputed item from the consumer’s file. Considering the increased use of technology and consolidation of the credit reporting agencies, NAR believes that the parties should be able to reinvestigate any inaccuracies in less than 30 days. The existing 30-day period can unfairly deny affordable credit to a homebuyer and cause delays or cancellations of the purchase of the home. Shortening the reinvestigation period will force the consumer reporting agencies to complete their investigations faster, which will minimize adverse impacts on consumers victimized by having their credit history tainted by incorrect information.

Increase Penalties for Furnishers of Information that Repeatedly Report Inaccurate Information. The current penalties have apparently been insufficient to discourage firms that report information to consumer reporting agencies from continuing to report inaccurate information to the reporting agencies. It is particularly egregious for furnishers to re-report inaccurate information even after a consumer has disputed its accuracy. To improve enforcement, NAR recommends that the FTC spearhead improved consumer education, that the FTC and the federal banking agencies charged with enforcing FCRA make its enforcement a higher priority, and that Congress consider strengthening the statutory penalties.

Thank you for the opportunity to comment on the disputed consumer information study.

A handwritten signature in blue ink that reads "Joseph M. Ventrone". The signature is fluid and cursive, with a long horizontal stroke at the end.

Sincerely,

Joseph M. Ventrone
Managing Director, Regulatory and Industry Relations Department

1 Mistakes Do Happen: A Look at Errors in Consumer Credit Reports. U.S. PIRG Education Fund, June 2004.