

May 12, 2020

The Honorable Michael Crapo
Chairman, Committee on Banking
United States Senate
Washington, D.C. 20515

The Honorable Sherrod Brown
Ranking Member, Committee on Banking
United States Senate
Washington, D.C. 20515

The Honorable Maxine Waters
Chairwoman, Committee on Financial Services
United States House of Representatives
Washington, D.C. 20510

The Honorable Patrick McHenry
Ranking Member, Committee on Financial Services
United States House of Representatives
Washington, D.C. 20510

Dear Chairman Crapo, Ranking Member Brown, Chairwoman Waters, and Ranking Member McHenry:

On behalf of the undersigned organizations, representing a diverse coalition of taxpayer, consumer, and free-market advocates, we write to express our strong objection to the inclusion of provisions that threaten the accuracy and predictability of credit reporting in the next COVID-19 relief package. During this period of extreme economic uncertainty, we believe it's important that any federal response be targeted, temporary, provide immediate relief, and adhere to free market principles.

The use of credit reports is far-reaching and is the foundation of this country's robust and competitive consumer credit market. Most, if not all, lenders rely upon credit history data found in credit reports to identify and evaluate potential risks a consumer may pose before entering into a financial relationship with that consumer. That information is critical for lenders to evaluate the applicant's ability to repay and to make fair and appropriate credit decisions.

Credit reports are also a key component for the creation of credit scores. These scores are a useful metric to determine the likelihood that prospective borrowers will repay their loans. Now more than ever, it's important for lawmakers to be cautious in their approach to amending credit reporting laws due to the unforeseen impacts it could have on consumers and government balance sheets.

We are therefore strongly opposed to virtually all credit reporting language contained in the House Democrats alternative Phase 3 bill, the "Take Responsibility for Workers and Families Act." The proposal included a series of dubious provisions, such as a moratorium on furnishing adverse information, prohibiting medical debt from being included in an individual's credit file, and costly new private sector mandates.

Imposing new government requirements on the credit reporting process has the potential to muddy the predictability of which borrowers are creditworthy. By proposing to suppress or remove accurate but negative information associated with credit obligations, credit reports will be incomplete and ultimately reduce the predictiveness of the credit scores. With less accurate consumer reports and scores, creditors will be inevitably forced to reduce the amount of credit extended and/or raise prices to cover for the additional risk. Ultimately, and ironically, many consumers could find themselves with higher borrowing costs. Furthermore, this will lead to a weaker financial system, undermining a great deal of safety and soundness that we have built up over decades.

Worse yet, it could lead to more credit unworthy borrowers to be eligible for a taxpayer-backed mortgage. Under such a scenario, new risks to the housing system could arise and default rates could further jump - thereby increasing the risk of another taxpayer-funded draw by Fannie Mae and Freddie Mac. Other federal programs, ranging from the Veterans Administration to the Federal Housing Administration, also incorporate credit scoring data in their processes.

The current crisis presents significant challenges. Nonetheless, Congress shouldn't pass legislation - no matter how well-intended - that will make credit reports less predictable. The result will undoubtedly weaken the underwriting process, increase borrower's costs, endanger taxpayers, and reduce access to credit.

Sincerely,



National
Taxpayers Union



American Consumer
Institute



Americans for
Prosperity



Americans for Tax
Reform



Campaign for
Liberty



Center for a Free
Economy



Council for Citizens
Against Government
Waste



Center for Freedom and
Prosperity



FreedomWorks



Less Government



R Street Institute