

February 2010 Newsletter Article

## Is the Credit Reporting System Flawless?

What we know today and what we have learned from several sources is that the “big three” credit bureaus (Experian, Equifax, and TransUnion) have been able to sway the marketability of their reports through the use of many devices and effective tools. Unfortunately, this produces flaws in our credit reporting system and consumers often pay dearly.

You might ask, what is the purpose behind the credit bureaus doing this and also what are these devices and how do they work? Well, here are a few secrets the credit bureaus do not want the public to know but only a few of us have learned.

First, some of the devices the credit bureaus rely heavily upon are: (1) Internal security systems, (2) Optical Character Recognition (OCR) Computers; the credit bureaus are using super-computers to speed up the dispute process... OCR devices can read individual dispute letters and respond accordingly to a pre-determined set of circumstances, (3) Subscriber software to enhance the verification methods, (4) FACS (File Address Check Service) and, (5) Checkpoint-messages. Checkpoint-messages appear on more than 90% of credit reports reviewed by consumer-relation departments. Checkpoint-messages are often generated as a result of an operator input error. Yes, you read that right...**operator input error**. It is not uncommon for a clerk, data processor, or even a supervisor for a large merchant or subscriber, to make a goof when entering data onto your credit report.

Why do you need to know these things? Although the Fair Credit Reporting Act (FCRA) deals specifically with the reporting of adverse information, it does not properly address the reporting of positive information. Negative information is collected by five distinct methods; computerized, manual forms, instant update, inquires, and public records. Positive information is generally obtained by only one method; computerized.

Negative information is placed on a credit report for a period of seven to 10 years and longer if the negative information contains unpaid tax liens. Positive paid accounts can be deleted from credit reports in as little as 5 years. For inquires, there is no law in effect with the FCRA however the Credit Bureaus have decided inquires remain on credit reports for up to 2 years.

According to the Consumer Credit Commission at one time, the credit bureaus had as many as 60 categories of reporting credit history of which only three were of a positive nature. And the credit bureaus are highly selective in their acceptance of positive information.

Experian, Equifax, and TransUnion are extremely competitive amongst one another, and while their true customers (Merchants, Creditors, Subscribers, or Furnishers) may choose to report to only one credit bureau, chances are the same subscriber will not report to all 3 credit bureaus. Hence, you may have a different range of scores as well as different grading scenarios on your credit report.

The credit bureaus have developed an elaborate system to identify the character of a consumer and this system looks at the consumer's ability to pay and their many habits. At one time the credit bureau TRW, now Experian, had determined that 70% of credit report information contained negative information compared to only 10% just 30 years ago (this can also be viewed as negative information being a viable product to the marketer).

Trade secrets and proprietary information with regard to credit reporting is safeguarded within the credit bureaus on a need to know basis. In fact, credit bureaus have compartmentalized each of their operations and marketing functions so their individual employees know only small specific aspects of the business. Moreover, this specific structure of power and influence within each department further promotes an environment of secrecy.

Take for example an inquiry placed on your personal credit file remains on the file for 2 years. The credit bureaus state that inquiries placed on your credit file from the auto and mortgage industry, if placed within 15 to 45 days of one another, only count as one inquiry. The credit bureaus have taught subscribers through workshops and publications (media) to view too many inquiries as a danger sign, i.e., a credit risk. As a result, having more than 2 inquiries is often cause for an application for credit to be rejected based on a point score system.

Are you beginning to understand the flaws with credit reporting?

Additionally, many consumers have complained that their specific authorization was not given to a creditor to generate multiple inquiries into their credit records. And credit bureaus have, in many cases, declined to remove inquiries through the dispute process described in section 611 of the FCRA.

For example, the Consumer Credit Commission has numerous cases relating to consumers applying for credit with a major oil company. After evaluating consumer credit reports, the oil company later generated multiple inquiries to prevent competitors from supplying those same consumers with a line of credit.

The consumers then complained to the credit bureaus and were given a response indicating that inquiries must remain in their files for 2 years by law and nothing could be done to remove this requirement. This is a typical example of bureau/creditor abuse.

In conclusion, Credit One is very interested to hear stories of creditor abuse. If you, or someone you know, has a story to share relating to creditor abuse or the release of credit information without authorization by a Subscriber, Merchant, Auto Dealer, or Mortgage Company, please send us an email with the complete details. Send your story to [CustomerService@Credit1Solutions.com](mailto:CustomerService@Credit1Solutions.com).