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September 13, 2004

C/o Mr. Ky Tran-Trong, Senior Attorney  
Federal Reserve Board

Response to Study on Consumer Credit Reporting OP-1209

To Whom It May Concern:

I am a highly-educated, professional woman, age 35. I have over 15 years of good credit history. I earn a six-figure salary and own my home. Although I have been extremely diligent in paying all bills on time in order to maintain an excellent credit rating, unbeknownst to me my credit became tarnished this past year. The process to correct the inaccurate information on my credit record has been tedious and I have not been successful to date. I urge you to recommend major credit reporting reform when the results of this study are reported to the US Congress. The current system is confusing for the consumer and does not provide the means for effective consumer advocacy.

I will summarize the two issues that continue to plague my credit report and how I have attempted to clear them. Although simply anecdotal, I hope this information will be helpful in your report. I will also provide some suggestions at the end of these comments.

Issue One: Inaccurate collection reported. During a home refinance I discovered a collection on my credit report. Please note that I never received any communication directly regarding the debt in question. Upon following up with Asset Acceptance collection agency of Warren, Michigan I was urged by the representative to pay the collection at a slightly reduced rate so that it would be removed from my credit report. Due to past experience with customer service departments, I envisioned spending hundreds of hours with automated telephone services and unhelpful customer service reps to track down the source of this debt. Instead, I thought paying the debt \$300 would be a "cheaper" and faster way of clearing my credit than investigating the source of the debt which was unfamiliar to me at the time. Later I found out that the debt was now reported on my credit report as a paid collection, which is just as bad.

I discovered this paid collection was still negatively impacting my credit report because American Express Company used this information to raise the interest rate on an Amex credit card account. I have since been trying to clear this from my record. (Since approximately March of 2004)

The collection account is reported as originating at Wells Fargo Bank, even though I have never held an account with Wells Fargo. The collection agency told me to get further information I had to follow up with the original creditor. I have since investigated this with 4 divisions within Wells Fargo by telephone (7 hours spent), and have been told that they have no record with my name or social security number.

The CRA, Equifax has been responsive, but has not provided any useful information or assistance. When I requested investigation into this collection account, Equifax reported back to me to say the collection company provided information from the original creditor supporting the claim that the debt was mine. They sent me a form response written on another copy of the credit report. Because the credit report is about 15 pages, it is very hard to understand exactly where the Equifax response is. On the new credit report, I found 2 or 3 form-letter sentences to say that further information had been provided to them and that the dispute stood as before. The

CRA did not clarify what information had been provided. Equifax told me verbally that they would not provide the additional information directly to me, only the collection agency could do that.

I have written three letters to the Legal Department of the collection agency at the corporate address over a four-month period but I have never received a response from them. I have just now sent a copy of the third letter to the Attorney General in the State of Michigan and the Federal Trade Commission. I have also written letters to Wells Fargo Corporation and the American Express Company. Meanwhile, I have been paying a higher interest rate to American Express and have not been able to apply for home loans or other credit instruments I would otherwise be eligible for. The number of hours spent fighting this is well over 50 in the past 6 months.

Issue 2: Outdated and inaccurate collection: The other negative factor I discovered on my credit report is a collection in the amount of \$130 reported as placed 11/2003 with SBC as the original creditor. This amount that is claimed as a collection account originated from fraudulent use of my telephone calling card number in 1997. I disputed the amount as fraud with Pacific Bell at the time. When I moved I closed the telephone account with the dispute in Pacific Bell's fraud department's hands in 1997. I next heard of the amount owed in 2000 when I opened a new telephone account with Pacific Bell. When I was told of the amount owed, I explained to the Pacific Bell Representative that it was a case of fraud. The Supervisor of the Representative told me she would waive the amount owed, and I was given a new account. I was always a customer in good standing and I closed the account with a zero balance in 2001 when I moved out of state. I never heard of the collection amount until last October when I was refinancing my house. Note: It was not on my credit report when I took the original mortgage 18 months earlier. At that time I reported it to the CRA, and the collection agency. I received no response from the collection agency.

Again, I received a dispute follow up reply from the CRA that was hard to decipher and incorporated into a copy of the credit report. At that time, I misread it to say that it was taken off the report. I learned of it again this year when Bank of America closed a zero balance account I had with them due to my "poor credit rating".

Currently this is reported as an open collection account placed 11/2003, the collection agency listing this account is different from the one listing it last October, (2003). I have just begun to fight this by writing letters to the CRA, SBC and the new collection agency. I have decided not to pay this small amount for three reasons: it was the result of fraud, I was told it was waived from my account and I have discovered that paying it will not improve my credit rating. I am hoping it will be removed if for no other reason than on the basis of being outdated information having occurred in 1997.

The task of fighting these credit inaccuracies is an incredibly time-consuming experience. I have been focused on the first collection and am only now starting to focus on the second. The collection agencies I have encountered do not respond to requests for information even when put in writing. The burden of proof is on the consumer not on the collection agency and the relationship between the CRA and the collections organization is completely obscured to the consumer.

My take-away from this process is when it comes to fighting credit disputes the consumer is guilty until proven innocent. It is a challenging process and one in which I feel I have no advocate. I wonder about the system: if someone who has the educational and economic advantages that I do cannot make any headway, what happens to innocent people with significantly fewer resources? I have protested these claims via the FTC's website only to receive a canned response saying they do not investigate individual claims, they just collect the information to look for a trend. I do not know who will assist me as an individual consumer. I often wonder whether I will eventually need to spend thousands to hire a lawyer to dispute these collections which total less than \$500.

In terms of suggestions for improving the current consumer credit system, a few things come to mind:

Best Efforts to notify a consumer of a delinquency should be mandatory. In both cases above I never received a late notice or a copy of an invoice or a final notice before a collection account was placed on my record. Congress should require the original creditor and the collection agency to make Best-Efforts to notify the consumer and give them a chance to pay the debt prior to placing a delinquency on the credit report. I know the current system is designed to address this issue, but it is not working. A very basic reform should require that furnishers' notices be sent to the current address of the consumer. The CRA has my current address, I feel notification should at a minimum be sent to the current address prior to a collection account being listed by a CRA. In the case of the Pacific Bell fraud amount, I opened a new account, so they could clearly have collected from me had they tried.

Expiration of credit cards and standing monthly charges. In cases where a monthly charge is being placed on a credit card, when the physical card expires, 07/07 for example, the monthly bill can fall into collections. This is another case where innocent consumer can unknowingly fall into arrears. The credit card company should remind consumers to renew any standing charges prior to the card expiring. Further, the monthly charge should automatically be transferred to the account with the new expiration date since the account number is the same.

Predatory credit checks leading to raising rates, and canceling accounts. The common practice of credit card companies arbitrarily checking a consumer's credit and changing agreed upon rates based on an unrelated credit issue is predatory and unfair. Companies should be able to issue credit based on the consumers credit rating, and change the terms based only on delinquency within the account held with their company.

Collection accounts placed years after a debt is incurred. CRA's should report only when a debt is incurred with the original creditor, not when it is sold or transferred to a collection agency. Out of date information should be removed from a credit report based on the original date. I believe this is the intention of the FACT and the FRCA, but it is not being followed as the law prescribes.

Address provided vs. other address. In responding to this request for information, I read the law to say that the furnisher must provide an address for consumer to use for correspondence in the dispute process. In the cases described above, I have used an alternate address given to me over the phone by the agency in question. (A street address vs. the P.O. Box provided.) I am concerned that the law could be interpreted to exclude correspondence sent to another address or to the company by other means such as fax or email. This could be a loop-hole in the law favoring the furnisher against the consumer.

I welcome the opportunity to provide further information on anything written in these comments, I have provided my email address above.

Sincerely,

Cecilia Streit