



VIA ELECTRONIC MAIL

May 22, 2006

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Board of Governors of the Federal  
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Regulation Comments  
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Federal Trade Commission  
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Attention: Project No. R611017  
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ftc-FACTAfurnishers](https://secure.commentworks.com/ftc-FACTAfurnishers)

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**Re: Procedures to Enhance the Accuracy and Integrity of Information Furnished to Consumer Reporting Agencies Under Section 312 of the FACT Act**

Ladies and Gentlemen:

In response to the interagency advance notice of proposed rulemaking, HSBC Finance Corporation<sup>1</sup> ("HSBC") is pleased to offer comment on the procedures to enhance the accuracy and integrity of information furnished to Consumer Reporting Agencies ("CRAs") under section

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<sup>1</sup> Among other companies, HSBC Finance Corporation wholly owns HSBC Auto Finance Inc., HSBC Consumer Lending (USA) Inc., Beneficial Company LLC, HSBC Mortgage Services Inc., HSBC Card Services Inc., HSBC Bank Nevada, N.A., and HFC Company LLC.

312 of the Fair and Accurate Credit Transactions Act of 2003 (“FACT Act”). As part of the HSBC Group, which serves over 125 million customers worldwide, HSBC is one of the largest financial services organizations in the world. In the United States and Canada, HSBC businesses provide financial products to nearly 60 million customers. With such a broad and expansive customer base, HSBC is a significant furnisher of information to CRAs, providing information on roughly 45 million accounts monthly.

Section 312 of the FACT Act amends section 623 of the Fair Credit Reporting Act (“FCRA”). Section 623 of the FCRA currently describes many of the responsibilities of furnishers of information to CRAs. While there are a number of requirements on furnishers under section 623, those addressed by section 312 for which comment is sought are: (A) accuracy and integrity guidelines and regulations concerning information furnished, and (B) direct dispute regulations.

The request for comment issued by the Office of the Comptroller of the Currency, the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, and the Federal Trade Commission (collectively, the “Agencies”) outlines specific information desired by the Agencies. HSBC appreciates the opportunity to respond to the Agencies’ request and hopes the following information proves useful to the Agencies in their consideration of the proposed rule.

**A. Accuracy and Integrity Guidelines and Regulations.**

HSBC understands and acknowledges the necessity for accurate credit reports of the highest integrity, as HSBC is not only a furnisher of information but also an end user of the finished product, i.e. the credit report. Indeed, HSBC’s business of lending to consumers is built off of a credit adjudication system that allows for the authentic scoring of all applicants. Since multiple furnisher trade lines comprise a full and complete consumer credit report, HSBC has a vested interest in assuring that the information supplied by every lending institution to the CRAs is complete, correct and timely delivered. As the consumer benefits from an accurate credit report, so do all lenders. HSBC is acutely aware that a valid credit report is paramount in the economic success of the financial services industry.

- A1. Please describe, in detail, the types of errors, omissions, or other problems that may impair the accuracy and integrity of information furnished to consumer reporting agencies. Please specify whether any such problems result in credit file information that (1) is incorrect, including inaccurate account information, public record data, or collection account data; (2) is out of date or includes stale account information; (3) is associated with the wrong consumer; (4) omits potentially significant information about the consumer account or transaction, such as credit limits for or positive information about the account; (5) is duplicative; (6) may mislead users of consumer reports; or (7) otherwise adversely affects consumers, particular types of consumers, or the credit reporting system. Finally, please describe the significance of such problems for consumers, particular groups of consumers (e.g., borrowers**

**with poor or limited credit histories), users of consumer reports, and the credit reporting system.**

Furnishers endeavor to report accurate information to CRAs. At times, systemic limitations, manual errors, procedural/criteria errors may impact the accuracy and integrity of information. For example, data can be incomplete due to special circumstances, such as process changes due to external forces like Hurricane Katrina. In addition, large customer portfolio acquisitions may be prone to errors due to changing reporting needs, such as technical coding changes, legal entity name changes, and outdated use of reporting requirements.

In our experience, these errors are rare in occurrence. When inaccuracies do occur, they result in customer questions or inquiries being made to the CRAs and furnishers. Upon receipt of a question or inquiry, the CRAs and furnishers investigate these inquiries and correct any inaccurate data in a timely and efficient manner in accordance with the current requirements of FCRA.

- A2. Please describe, in detail, the patterns, practices, and specific forms of activity that can compromise the accuracy and integrity of information furnished to consumer reporting agencies. Relevant patterns, practices, and specific forms of activity may relate to any aspect of the information gathering and reporting process, such as the methods by which furnished information is collected, verified, edited, standardized, and transferred. They may be of general applicability or relate to specific types of furnishers, such as financial institutions, creditors, or collection agencies, or specific types of consumer reporting agencies, such as credit bureaus or tenant screening services. Examples of patterns, practices, and specific forms of activity that may cause these problems include, but are not limited to, the sale of consumer debts to and among collection agencies, the conversion or translation of furnished information into a standard form, and the frequency, timing, categories, and content of information that is furnished to consumer reporting agencies.**

Generally, furnishers that exercise repetitive processes do not have significant issues reporting incorrect data. Processes that are manual, however, do not benefit from a systemic approach and therefore may sometimes result in the inadvertent reporting of inaccurate data. A large furnisher will generally benefit from standardized reporting methods and media. Having a consistent schedule of reporting also helps to ensure data is posted in both a timely and correct manner. There are other factors, however, than can impact the accuracy of the information reported. For example, because most CRAs have proprietary algorithms regarding the acceptance and posting of customer data, customer data provided by furnishers may sometimes be adversely impacted during the conversion or translation process into the CRA data repository.

- A3. Please describe, in detail, any business, economic, or other reasons for the patterns, practices, and specific forms of activity described in item A2.**

Generally, economic issues have not been a source of reporting incorrect data. Recent events in the United States (such as natural disasters and calls to active duty) have demonstrated additional forms of activity that can impact a furnisher's ability to report timely and accurately.

- A4. Please describe, in detail, the policies and procedures that a furnisher should implement and maintain to identify, prevent, or mitigate those patterns, practices, and specific forms of activity that can compromise the accuracy and integrity of information furnished to a consumer reporting agency.**

We concur with the commentary from MasterCard International Incorporated ("MasterCard") that furnishers should have reasonable policies and procedures, commensurate with the size and scope of their activities, to control for the accuracy and integrity of the information they furnish to the CRAs. For example, furnishers should be encouraged to implement practices that include regular data audits of reported data and regular reconciliation of regulatory/CRA/CDIA data changes. In addition, a regular review of internal policies and criteria could be encouraged.

- A5. Please describe, in detail, the methods (including technological means) used to furnish consumer information to consumer reporting agencies. Please describe, in detail, how the use of these methods can either enhance or compromise the accuracy and integrity of consumer information that is furnished to consumer reporting agencies.**

Electronic submission is the best method for data submission by furnishers to CRAs. Via electronic submission, furnishers can provide information on a daily, weekly and/or monthly basis. Electronic submission mitigates the potential for lost data, as the human touch point is removed from the process. In addition, electronic submission generally implies that reported data will match a customer's billing statement, as it reflects the most recent cycle stamp for account activity. Submission of a cartridge (tape) by furnishers to CRAs is less common today, and most national furnishers no longer provide data via this method. For those that still do, cartridge submission at the end of the month can result in a misalignment of reported data as compared to the customer's billing statement data. While not incorrect, the customer may perceive that an error exists and may dispute the inconsistencies of data between cycle statements and credit bureau updates. This may result in unnecessary disputes.

- A6. Please describe, in detail, whether and to what extent furnishers maintain and enforce policies and procedures to ensure the accuracy and integrity of information furnished to consumer reporting agencies, including a description of any policies and procedures that are maintained and enforced, such as policies and procedures relating to data controls, points of failure, account termination, the re-reporting of deleted consumer information, the reporting of the deferral or suspension of payment obligations in unusual circumstances, such as natural disasters, or the frequency, timing, categories, and content of information furnished to consumer reporting agencies. Please assess the effectiveness of these policies and procedures**

**and provide suggestions on how their effectiveness might be improved or enhanced. Please describe whether particular policies or procedures are especially necessary or relevant to particular methods of furnishing information. Please also describe how such policies and procedures are monitored and evaluated to ensure their effectiveness.**

Large furnishers generally have identified and resourced dedicated staff who ensure data is reporting both timely and accurately. With identified resources in place, issues can be recognized and resolved prior to the release of data to the CRAs. In addition, as resources become more skilled and experienced, incremental tools that add value will begin to be developed and utilized. Statistical reports, audit improvements, and increased external communications all help to mitigate larger issues as portfolios grow and/or customers become alerted to general issues via the media.

- A7. Please describe, in detail, any methods (including any technological means) that a furnisher should use to ensure the accuracy and integrity of consumer information furnished to a consumer reporting agency.**

We concur with the commentary provided by MasterCard that although the mechanics of how data is furnished will differ from one lending institution to another, providing data via the approved CDIA Metro 2 standardized layout is a good approach to follow as this is accepted and preferred by the major CRAs. This ensures that appropriate data (including customer identification data) is sent to the CRAs and that they will have the ability to read and post the data.

- A8. Please describe, in detail, the policies, procedures, and processes used by furnishers to conduct reinvestigations and to correct inaccurate consumer information that has been furnished to consumer reporting agencies. Please include a description of the policies and procedures that furnishers use to comply with the requirement that they “review all relevant information provided by the consumer reporting agency” as stated in section 623(b)(1)(B) of the FCRA.**

Large furnishers generally have established separate functional teams that manage the daily flow of customer disputes. Corporate utilities such as E-OSCAR<sup>2</sup> are a simple and efficient tool that helps to move data through the environment in both a timely and disciplined manner.

- A9. Please describe, in detail, the policies, processes, and procedures that furnishers should use to conduct reinvestigations and to correct inaccurate consumer information that has been furnished to consumer reporting agencies.**

As noted in A8 above, large furnishers generally have established separate functional teams that manage the daily flow of customer disputes. Corporate utilities such as E-

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<sup>2</sup> E-OSCAR is a method of electronic communication between CRAs and furnishers. For more discussion on E-OSCAR, see the opening statement concerning direct dispute regulations and footnote 3 on page 7.

OSCAR are a simple and efficient tool that helps to move data through the environment in both a timely and disciplined manner.

- A10. Please describe in detail, the policies and procedures of consumer reporting agencies for ensuring the accuracy and integrity of information received from furnishers, including any policies, procedures, or other requirements imposed on furnishers (by contract or otherwise) to ensure the accuracy and integrity of information furnished to consumer reporting agencies. Please describe specifically whether and to what extent those policies, procedures, or other requirements address particular problems that may affect information accuracy and integrity such as the accuracy of consumer address and other identifying information, updating records to link the correct consumer(s) to account information, the impact of different reporting formats, and duplicate reporting by collection agencies. Please also describe whether particular policies or procedures are especially necessary or relevant to particular types of furnishers.**

Each external CRA (national repository) maintains its own internal rules and policies for the maintenance of customer data. Items that help to shape their methods include the FCRA requirements for data retention and identification of a consumer. While most data providers and CRAs work together to establish appropriate reporting protocols and summary reports, in effect, most CRAs are self-defining in how they actually post data. We concur with MasterCard's commentary that given the current methods used by financial institutions to furnish information to CRAs and reinvestigate alleged errors, we do not believe significant regulatory modifications to the processes are required. Because financial institutions are both furnishers as well as users of the customer information, every effort is made to ensure that the customer information provided is extremely accurate.

**B. Direct Dispute Regulations.**

As an opening and general comment concerning FACT Act direct dispute regulations, HSBC supports the notion that consumers ought to, and indeed must, be provided the right to dispute incorrect or inaccurate information reported to or by the CRAs. As an institution that relies on the accuracy and integrity of the credit reporting system, HSBC has a vested interest in receiving credit reports from CRAs that are true and correct. Consumers, acting as their own advocates, are the ones that police and monitor their credit files to ensure correct and accurate information is being reported. If information in a credit file is not accurate or correct, consumers must have the right to dispute that information.

Consumers are afforded the right today to dispute information reported by CRAs. Section 611 of the FCRA establishes clear rules on the handling of disputed information and correctly guides consumers to CRAs to begin the dispute process. As the CRAs act as the repositories of information and are the sources for reporting information, it is logical that consumers communicate directly with CRAs regarding the information being reported. Having this type of centralized dispute process under the FCRA follows the

overall structure of the consumer reporting system and promotes efficiency and effectiveness concerning consumer disputes.

Additionally, since a consumer report is actually a product offered by a CRA, it makes sense that a consumer with an issue concerning his or her consumer report would first go to the manufacturer of that product – i.e., the CRA reporting the information on the consumer. Naturally, the CRA would then go to the source of the information – i.e., the furnisher – to confirm the information being provided. Under section 611 of the FCRA, this is the typical procedure with respect to consumer disputes. Channeling disputes in this manner streamlines the dispute investigation and resolution process and avoids duplicate efforts that could otherwise result if consumers were to dispute directly with both CRAs and furnishers.

Recognizing the streamlined approach of dispute handling under the current requirements of the FCRA, the industry has developed and there currently exists a very efficient and effective method of receiving, investigating and responding to consumer disputes received by CRAs.<sup>3</sup> Having this efficient method of responding to disputes allows furnishers to reduce costs associated with extending credit and providing services to consumers. Additionally, having an already existing and effective method of responding to disputes encourages furnishers to continue to utilize the consumer reporting system and to rely upon the information being reported as up-to-date and accurate.

While HSBC encourages the Agencies to maintain the current practices established by way of the FCRA, we recognize the Agencies are tasked with the challenging duty of determining whether the credit reporting system could be improved by creating certain direct dispute regulations. As stated above, and as the information provided below suggests, HSBC is of the belief that direct dispute regulations would only hamper the effectiveness of the credit reporting system and result in unintended consequences such as increased costs associated with the extension and servicing of consumer credit and less use of and reliance on the credit reporting system by furnishers and users of the system. Nevertheless, as requested by the Agencies, HSBC offers the following information for consideration. We have provided responses to certain of the questions related to direct disputes, and hope the following information proves useful to the Agencies in their consideration of the proposed rule.

**B1. Please identify the circumstances under which a furnisher should (or alternatively, should not) be required to investigate a dispute concerning the accuracy of information furnished to a consumer reporting agency based upon a direct request from the consumer, and explain why.**

(a) Furnishers Should Only be Required to Investigate Direct Consumer Disputes in the Event a Dispute First Submitted to a CRA Does Not Resolve the Dispute.

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<sup>3</sup> The most common method of receiving disputes from CRAs is by way of an electronic transmission known as E-OSCAR. E-OSCAR facilitates communication between furnishers and CRAs concerning consumer disputes. Information concerning the dispute is well organized through E-OSCAR, which allows an effective means of investigating and responding to disputes in a timely manner.

As described in the opening comment above, the industry has a well established system of investigating and responding to consumer disputes received first by the CRA. A large portion of disputes are adequately resolved through this efficient and effective method. Any regulatory changes to this method should focus only on those disputes not resolved by current processes. If the consumer is unable to resolve his or her dispute directly with the CRA, and the dispute relates to information being provided by a furnisher, the consumer ought to have the right to dispute information directly with the furnisher of the information. To assist furnishers with direct consumer disputes, in addition to providing the information described in subsection B(1)(f) below, the consumer ought to provide a copy of the notice of results or determination of the investigation by the CRA to the furnisher when submitting the dispute.

(b) Furnishers Should Only be Required to Investigate Direct Consumer Disputes Pertaining to Information Provided to the CRA(s) by the Furnisher.

Obviously, furnishers only have control over that information they are providing to the CRA(s). Any direct dispute submitted by a consumer to a furnisher must pertain only to the information being provided by the furnisher and not the compilation and reporting of that information by the CRA. To the extent a consumer dispute relates to an error by a CRA in compiling and reporting information, furnishers have no ability to resolve the consumer's dispute.

(c) Furnishers Should Not be Required to Investigate Direct Disputes that Do Not Relate to the Accuracy of Information Provided by the Furnisher.

Consumers are increasingly attempting to handle disputes with merchants by disputing with furnishers information provided to the CRAs that relates to the merchant transaction. Be it buyer's remorse, claimed misrepresentation, or some other issue concerning the merchant transaction, consumers are submitting disputes concerning the information being provided by a furnisher to a CRA irrespective of whether or not the information being furnished is accurate. It should not be the intent nor effect of either the FCRA or FACT Act to include within their scope disputes between the consumer and merchant concerning the sale/purchase transaction. Unfair and deceptive trade practices laws, warranty laws, state consumer protection laws, and other similar laws already exist to offer rights and protections to consumers in this regard. Furnishers that are providing accurate and correct information to CRAs should not be required to investigate a consumer dispute that does not pertain to the accuracy of the information provided.

(d) Furnishers Should Not be Required to Investigate Direct Disputes that are Frivolous, Duplicate, or Repeat Disputes.



While many disputes are sincere, a growing population of consumers are using the dispute process in an effort to “clean up” their credit record. Knowing that information under dispute is either blocked from reporting or noted as “in dispute” on a credit report, consumers repeatedly dispute information, or file frivolous disputes, so as to keep that information from reflecting on their credit file. To compound matters, many credit repair organizations encourage this practice by advising consumers to dispute (and if required, repeatedly dispute) information furnished to CRAs. Significant resources and expenses are drained in responding to repeat and/or frivolous disputes. Unless a consumer provides new and credible information in connection with a repeated dispute, or substantiating documents that show the merit of a dispute, furnishers should not be required to re-investigate repeat disputes or investigate disputes the furnisher has reasonably determined to be frivolous.

Additionally, in the event consumers are permitted to dispute directly with the furnisher and/or through a CRA, thus potentially causing duplicate disputes, furnishers should only be required to investigate one dispute, regardless of the channel through which the furnisher received the dispute. Unless additional and credible information is provided by a consumer via a direct dispute, furnishers should be permitted to respond directly to the CRA in the event of a duplicate dispute, since the CRA channel is a more efficient and organized method of responding.

- (e) Furnishers Should Not be Required to Investigate Direct Disputes Submitted or Constructed by Third-Parties, Unless the Third-Party is the Consumer’s Lawyer or Legal Representative.

Credit repair organizations and other paid third-parties have attempted to use the rights extended under the FCRA to consumers in an effort to manipulate and abuse the credit reporting system. Congress intended to prohibit these credit repairs scams by promulgating section 623(a)(8)(G) of the FCRA. HSBC applauds Congress for recognizing the problems created by credit repair scams and encourages the Agencies to craft final rules that limit, if not eliminate, these problems. This will, no doubt, be a difficult task. Direct disputes from third-parties should be readily identifiable based on, among other things, letterhead or disclosure in the dispute. However, form disputes used by consumers, or disputes crafted by credit repair organizations that are delivered by consumers will be very difficult to identify. The ability of credit repair organizations to circumvent the prohibition created by Congress, coupled with potential new direct dispute requirements on furnishers, will no doubt prove costly and taxing on furnishers.

- (f) If Furnishers Are Required to Investigate Direct Consumer Disputes, Consumers Must Provide Required Information Concerning the Dispute in a Timely Manner.

Large information furnishers such as HSBC receive hundreds of thousands of disputes yearly. Under current practices, the overwhelming majority of disputes

are channeled through CRAs. HSBC does, however, receive a large number of disputes directly from consumers. The FCRA requires all furnishers to investigate and respond to disputes within a limited time period.<sup>4</sup> In some instances, this means an investigation and response could be required in as little as 15 to 20 days. To engage in an investigation and prepare a response to a dispute under such time constraints, particularly when responding to hundreds of thousands of disputes, requires an efficient process. Fortunately, the disputes channeled through the CRA(s) enjoy such an efficient process. Those received directly from the consumer, however, are much more labor intensive and time consuming. Direct consumer disputes come in many different forms. Some are well organized and clear; others are not. Furnishers often have to engage in thorough research and investigation just to learn what the dispute is, which account it pertains to, and which CRA is involved. Many times furnishers need additional information from the consumer to conduct an investigation of the dispute.

In the event furnishers are required to respond to direct consumer disputes within the limited time period required under the FCRA, information, other than that at the hands of the furnisher (e.g., account origination and performance information), must be provided by the consumer at the time of the dispute. Such information includes, but is not limited to, the following:

- The CRA(s) reporting the disputed information.
- The specific information in dispute.
- The account number or trade-line in dispute.
- If available, a copy of the credit report with the disputed information included.
- The nature or basis of the dispute.
- Documents that support the dispute (e.g., in the case of identity theft or fraud – a police report or affidavit of fraud/forgery).

Without this supporting information timely provided by the consumer, furnishers are under a constant tension of attempting to complete an investigation of a direct dispute without full information, all while attempting to respond within the timeframe required by the FCRA.

(g) Additional Time Should be Allowed to Conclude an Investigation and Respond to a Direct Consumer Dispute if Additional Information is Required.

If additional information is required from the consumer to complete the investigation, furnishers should be allowed more time to conclude the investigation and finalize the response to the dispute. Many times furnishers will request an affidavit of fraud or copy of a police report as supporting evidence concerning a dispute – especially those involving identity theft or fraud. Until the

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<sup>4</sup> 15 U.S.C. 1681s-2(b)(2).

furnisher receives this information from the consumer, the furnisher is unable to conclude its investigation. As the deadline for completing all investigations under the FCRA is direct and immediate, furnishers are at the mercy of the consumer to provide this supporting information quickly. It often takes time for consumers to provide the necessary information. As a result, a furnisher may not have all required information to conclude its investigation prior to the time the investigation is required to be completed. Additional time to complete the investigation, therefore, should be afforded furnishers that are waiting on information to be provided by the consumer.

To encourage consumers who have submitted direct disputes to promptly provide the information requested by the furnisher, a time period should be set for consumers to provide such information. This time period should coincide with the deadline placed on furnishers to conclude their investigation and respond to direct disputes. If consumers fail to provide reasonable information required to complete an investigation, furnishers should be excused from the obligation to complete the investigation.

**B2. Please describe any benefits or costs to consumers from having the right to dispute information directly with the furnisher, rather than through a consumer reporting agency, in some or all circumstances. Please address the circumstances under which direct disputes with furnishers would yield more, fewer, or the same benefits or costs for consumers as disputes that are first received and processed through the consumer reporting agencies and then routed to furnishers for investigation. Please quantify any benefits or costs, if possible.**

(a) Consumer Disputes Received Directly by Furnishers Will Take Longer to Investigate and Resolve.

Because there is no streamlined or centralized process concerning direct consumer disputes, and because direct consumer disputes are not as organized as disputes channeled through CRAs, it will take furnishers longer to investigate and respond to disputes received directly from consumers. HSBC currently receives a large number of disputes directly from consumers. As mentioned above, these disputes do not follow any uniform method of delivery. Tremendous resources are required to investigate and respond to these direct consumer disputes – much more than consumer disputes received through CRAs. HSBC is not aware of the percentage of adequate dispute resolution for disputes channeled through the CRAs versus disputes received directly from consumers. However, it is our belief that both channels enjoy similar adequate resolution. In fact, because HSBC does not receive a significant number of direct disputes that stem from earlier disputes submitted to CRA(s), we are of the opinion that most disputes submitted to CRA(s) result in acceptable resolution.

(b) The Expense of Responding to an Increased Number of Direct Consumer Disputes Will Likely Result in the Cost of Consumer Credit Going Up.

Since one piece of the cost of extending credit to consumers is the overhead associated with servicing the credit, any increase in the cost of servicing the credit will result in an increase in the cost of extending consumer credit. For the reasons explained in greater detail in subsection B(3)(a) below, increased levels of disputes received directly from consumers will require increased staffing to investigate and respond to those disputes. The increased costs associated with increased staffing will require furnishers to increase the cost of credit offered to consumers.

(c) Consumers May Get Confused and Frustrated if They Only Dispute Directly With Furnishers.

Consumers may get frustrated if they dispute information contained in their credit report directly with a furnisher, but the information provided by the furnisher to the CRA(s) is accurate and correct. Consumers may not understand that CRA(s) receive information from furnishers and compile that information to create a consumer's credit report. If a consumer's dispute relates to information in his or her credit report, a dispute directed at a furnisher may not resolve that dispute. Furnishers have no control over how information is reported by the CRA(s). Instead, furnishers can only control the content of the information provided to the CRA(s). If a consumer dispute does not relate to the content of information provided by the furnisher to the CRA, a dispute directed at the furnisher will offer the consumer no satisfaction.

(d) Consumers May Benefit From the Ability to Dispute Directly With a Furnisher Information Being Provided to a CRA by the Furnisher if Additional Information is Required by the Furnisher to Investigate the Dispute.

Disputes channeled through a CRA do not allow a furnisher to directly communicate with the consumer issuing the dispute. When additional information is required by the furnisher, that request has to be channeled back through the CRA to the consumer. If a consumer disputes directly with a furnisher, information or supporting documents required by the furnisher can be directly requested from the consumer. Although in this respect, the direct dispute channel seems to offer a benefit to the consumer, in practice rarely is additional information required through the CRA channel. Because the CRA channel is so well organized, the vast majority of disputes received through this channel do not require additional information. When and if additional information is required by the furnisher, perhaps the best regulatory solution would be to permit furnishers to deal directly with consumers in requesting that additional information. The same timing concerns discussed above in subsection B(1)(g) would apply to direct requests for additional information from furnishers to consumers. However, rather than radically change the current structure of the dispute handling process

by creating new direct dispute regulations, minor enhancements such as that suggested in this subsection may serve to better the process and yet maintain the current efficiencies and effectiveness as already exist today.

**B3. Please describe any benefits to furnishers, consumer reporting agencies, or the credit reporting system that may result if furnishers were required to investigate disputes based on direct requests from consumers in some or all circumstances. Please quantify any benefits, if possible.**

(a) There are Significant Increased Costs Associated with Direct Consumer Disputes.

As stated above, under the current FCRA structure, the vast majority of disputes are channeled through CRAs. Through this process, the CRA organizes the dispute and forwards the dispute to the appropriate furnisher for investigation and response. There are great efficiencies through this process as it is uniform and much of the required information to respond to the dispute is provided by the CRA. For example, the trade-line to which the dispute relates, the account number, the nature of the dispute and the specific information being disputed is provided by the CRA. Furnishers have well established procedures and operations to receive disputes channeled through the CRA and timely investigate and respond to such disputes.

Disputes received by furnishers directly from consumers do not share in the same uniform and organized process as those channeled through CRAs. As a result, much more staff, time and effort is required to investigate and respond to disputes received directly from consumers. Because disputes sent directly by consumers vary dramatically in their content, form, and the information and manner presented, furnishers struggle to determine, among other things, which CRA is involved, the trade-line at issue, the account at issue, how the CRA is reporting the information, the specific information at issue, the nature of the dispute, and other issues related to the dispute, all of which are typically provided with disputes channeled through CRAs. As a consequence of the additional time, staff and effort involved in responding to direct consumer disputes, significant increased costs are associated with direct consumer disputes.

(b) Furnishers May Find that the Costs and Resources to Respond to Direct Consumer Disputes are too Significant to Continue Furnishing Information to CRAs.

Although furnishers are typically also users of the consumer reporting system, if the burdens become too great on furnishers, less and less companies will continue to furnish information to CRAs. In the event companies stop providing information to CRAs, the consumer reporting system will become obsolete. Users of the consumer reporting system will no longer have confidence that information contained in a credit file is complete or current. The credit industry would be severely damaged if the consumer reporting system lost its significance. The industry would be left trying to establish other appropriate measures of risk,

which could prove detrimental to the economy and stifle advancement and progress in the market.

**Conclusion.**

HSBC appreciates the opportunity to comment on the proposed rule. HSBC supports the efforts of the Agencies to develop guidelines pertaining to the accuracy and integrity of information provided to the CRAs. We agree with MasterCard's comments that the guidelines should recognize that furnishers come in different sizes and with differing technological capabilities and that absolute accuracy is an unreasonable and unattainable goal. The guidelines should propose that furnishers establish reasonable policies and procedures commensurate with the size and scope of their activities as well as their technological capabilities, to control for the accuracy and integrity of the information they furnish.

With respect to direct dispute regulations, it is our belief that the current consumer dispute structure as established by the FCRA offers the most effective and efficient means of responding to consumer disputes. The nominal benefit, if any, of providing the right of consumers to dispute directly with furnishers in our opinion does not justify the significant costs associated with providing this right; nor does it outweigh the potential negative impact on the credit reporting system in general.

If there are any questions concerning this letter, or the Agencies require additional information, do not hesitate to contact Julie Davenport, General Counsel at 847-564-6324.

Very truly yours,

Julie A. Davenport  
General Counsel  
HSBC Retail Services