

HEARING BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON FINANCIAL SERVICES

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS

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Testimony of John Danaher

TransUnion

Chairman Green, Ranking Member Barr, and Members of the Committee, thank you for your invitation to be a witness at today's hearing.

My name is John Danaher, and I am Executive Vice President, Strategic Advisor for TransUnion's Consumer Interactive business.

TransUnion is a global information and insights company headquartered in Chicago, Illinois, with more than 4,000 employees in the United States and 8,200 worldwide. Consistent with our mission, we seek to help people around the world – through the power of information – identify and access opportunities that bring a higher quality of life. We strive to ensure fairness for consumers in the marketplace, through access to information, education and empowerment, and precision in the products and services we provide.

The Consumer Interactive segment provides solutions that help consumers manage their personal finances and take precautions against identity theft. Services in this segment include providing credit reports and scores, credit monitoring, fraud prevention and support, and financial management tools for consumers. We also provide credit monitoring solutions that help businesses respond in the event they have a data breach. Our products are provided through user-friendly online and mobile interfaces, accompanied by educational content and customer support. We are proud of our direct-to-consumer products and believe they truly help consumers achieve financial freedom and elevate their lives.

TransUnion also helps businesses identify underserved markets, extend opportunities for credit and employment, and mitigate business risks. We process more than 2 billion credit updates to our database every month, and match these to more than 236 million credit active Americans. At our core, TransUnion is a data technology company and a record keeper of financial information supporting the relationships between financial services companies and the consumers they serve. Supporting consumers – particularly the most historically disadvantaged groups of consumers – requires the entirety of the consumer credit ecosystem to work together. There are four core components of this ecosystem: the first and most crucial, of course, are consumers themselves, joined by; those who offer financial products to consumers and report related consumer payment information; the companies that develop and offer credit scores; and the consumer reporting agencies, who are tasked with maintaining the payment records and providing data and analytical tools to offerors of financial products. The tools

we provide allow lenders and others to expand financial access and provide financial products to the greatest number of consumers possible while also accurately pricing risk in support of overall financial stability.

As a global information and insights company, we recognize our central role in the various markets in which we operate and we take seriously the accompanying responsibilities to accurately and fairly represent consumers. Reliable data stewardship – and the overall quality and integrity of our solutions – is a necessary precondition to carrying out our mission of using Information for Good. We are striving to address matters of racial equity and want to be at the vanguard of defining consumer-focused principles for the next generation of data use.

To that end, last year we launched TransUnion’s Task Force on Racial Equity, one component of which is a review of our algorithmic tools and solutions designed to ensure they operate as intended. As the executive sponsor for the Task Force, I am responsible for overseeing this effort to ensure that all uses of TransUnion’s products and solutions are consistent with our values and the goal of financial inclusion in the economies that we serve.

We appreciate the Committee’s leadership in developing public policy to foster greater economic opportunity, racial equity, and consumer protection. It is undeniable that the COVID-19 pandemic is exacerbating pre-existing structural inequalities, with underrepresented Americans facing unique and significant challenges. TransUnion is committed to being part of the solution to these problems and we look forward to engaging with you, your Committee colleagues, and other stakeholders to develop solutions that support the most vulnerable among us.

How TransUnion is Working to Help Consumers During the Pandemic

Since the beginning of the pandemic, we have prioritized helping affected consumers secure the financial protection they need. Our position is clear: we believe every stakeholder in the consumer credit system – consumer reporting agencies, lenders, data furnishers, scoring companies, and policymakers – must come together to support consumers in a united manner. TransUnion has proactively adjusted our operations to do just that, and we are proud of our employees for rising to the occasion during this difficult time to continue providing essential services to consumers throughout the pandemic.

We are regularly communicating with lenders, property management firms, and data furnishers on how they can provide relief to customers through established hardship programs. We recognize it is incumbent on our industry to support the policy objectives of the bipartisan CARES Act and we are pleased that the accommodations provisions at the core of that law are working to protect consumers. We have also added resources online that directly inform consumers of how to work with their lenders if they are experiencing financial challenges. Importantly, TransUnion provides free credit monitoring, identity protection tools, and credit reports so Americans can monitor their financial health in real time. At the onset of the pandemic, TransUnion led the effort to expand the availability of free credit reports

to all consumers on a weekly basis. We are proud to report that more than 166 million consumers have used our services to access their credit data.

TransUnion remains committed to working with federal and state governments, financial institutions, lenders, and fellow consumer reporting agencies to help consumers navigate adverse economic and credit circumstances resulting from the COVID-19 crisis. Underpinning this commitment is our belief that the continued integrity and viability of consumer credit markets will be critical to helping Americans weather the negative economic impacts of this crisis. During and after the pandemic, the ability to access credit products will be a critical financial lifeline for consumers.

How to Improve Credit Reporting and Credit Inclusion

Expanding credit access for consumers, with a particular focus on the most disadvantaged among us, is a core priority for TransUnion. It is a prerequisite that our processes ensure data integrity, information security, and adherence to FCRA requirements. But we are committed to far more than that and we aspire to bring the power of broadly available credit to all consumers. There are many ways that all stakeholders can partner to improve outcomes for consumers and benefit our economy. Collectively, we can empower consumers through more complete information that is updated in a timelier manner and resolve issues before consumers ever need to dispute them. During the pandemic, TransUnion partnered with consumer groups, racial justice organizations, and the Office of the Comptroller of the Currency on Project REACH, which sought to bring to market data assets that would support financial inclusion and expanded credit access. It would be a privilege to partner with this Committee on similar work and we have several recommendations to improve our industry and the consumer credit market more generally.

- **Alternative Data is Critical for Credit Inclusion:** Expanding the availability and use of alternative data would do more to broaden credit availability and benefit consumers than any other policy initiative. Incorporating more alternative data, particularly rental data, into our consumer credit system not only promotes financial inclusion, it is also a matter of fundamental economic justice. Monthly rent payments are the most significant payment that many consumers make – yet renters rarely receive credit for these payments because few property managers report payment data. California recently enacted innovative legislation to support the reporting of public housing payments, which will benefit renters most in need. Other consumer-empowering data sources that are currently outside the scope of traditional reporting operations are utility, mobile phone, and cable payments. TransUnion estimates that Congress enacting legislation to facilitate greater use of alternative data would improve credit scores and credit files for more than 40 million Americans.
- **Improving the Dispute Process:** The consumer dispute process is critical to our efforts to achieve maximum data accuracy. However, some bad actors in the credit repair space prey on credit vulnerable populations and significantly distort the dispute process, drawing resources away from consumers that need real help. To improve the consumer dispute process, the FTC

and CFPB should increase oversight of the credit repair industry to ensure consumers are not taken advantage of in their efforts to improve their credit. We also recommend that the CFPB reinstate the policies of the Obama-era CFPB requiring lenders to be the initial recipient of disputes before they are escalated to the agency and requiring third-party complaint filers to attest that they are not credit repair organizations.

- **Student Loan Reporting:** Student loans are often a consumer's first credit obligation and an important way for many consumers to begin establishing a credit history. Consistent payment for student loans often sets borrowers up for a lifetime of credit success, as lenders tend to extend other types of credit on better terms to young consumers who have shown an ability to manage their student loans. Consumer reporting agencies frequently provide guidance directing student lenders to report all loan data regarding a borrower as one account. Nevertheless, some student loan servicers continue to report each disbursement as a separate account, which, if a payment is missed, results in a disproportionate negative impact. TransUnion recommends policymakers encourage reporting standards for student loans to better support for our nation's student borrowers.
- **Timelier Reporting of Consumer Credit Events:** Timelier reporting of positive consumer payment events, particularly of critical credit events such as loan payoffs, would be beneficial to consumers. Since debt balances are updated on a monthly basis, this delay can result in disputes being initiated, or worse, a consumer being denied credit entirely or not getting the best rate for a financial product because their payoff has not yet been reflected in their credit report. TransUnion recommends timelier reporting of key credit events, such as loan payoffs, whenever feasible. This would enhance credit report accuracy and resolve issues before consumers dispute them.
- **Seeing Beyond the Score:** Finally, innovations such as trended data help consumers re-establish and improve their credit. TransUnion pioneered the development of trended data through our CreditVision suite of solutions to broaden the aperture on the factors that go into credit underwriting decisions. Instead of a traditional credit score, which provides a score representing a moment in time, our trended data tools consider a 30-month trajectory of a consumer to help lenders understand where they are coming from, and more importantly, where they are going. These new data approaches blend traditional credit reporting information with alternative credit data – such as deposit account history, short-term lending, and address stability – to help lenders extend credit at more favorable rates to more consumers. We've used trended data to help over 35 million previously credit invisible or disadvantaged consumers gain greater access to credit (many for the first time) and on better terms, and have the ability to score over 60 million more people versus traditional credit score models. Policymakers should support the expansion of these sorts of innovations and broaden their use in credit underwriting.

We commend this Committee and Congress for taking strong action to provide consumers and businesses economic relief by passing the CARES Act. TransUnion is committed to helping Americans protect their financial health during and after the pandemic. We look forward to working with Congress on balanced proposals that would increase transparency, foster financial inclusion, and empower consumers to better understand how their actions affect their ability to receive credit products and services.

I appreciate the opportunity to be with you today, and look forward to answering your questions.