

**TESTIMONY OF DAN SMITH
PRESIDENT AND CHIEF EXECUTIVE OFFICER
CONSUMER DATA INDUSTRY ASSOCIATION**

**BEFORE THE
HOUSE FINANCIAL SERVICES SUBCOMMITTEE ON FINANCIAL INSTITUTIONS**

PROMOTING ACCESS TO CREDIT FOR EVERYDAY AMERICANS

APRIL 16, 2026

Chairman Barr, Ranking Member Foster, and distinguished members of the Subcommittee, thank you for the opportunity to appear before you today. My name is Dan Smith, and I serve as President and Chief Executive Officer of the Consumer Data Industry Association (CDIA). CDIA is the voice of the consumer reporting industry, representing consumer reporting agencies including family-owned and nationwide consumer reporting agencies, regional and specialty credit bureaus, resellers of consumer reports, background check companies, volunteer screeners, and others. Founded in 1906, CDIA promotes the responsible use of consumer data to help consumers achieve their financial goals, and to help businesses, governments, and nonprofit organizations avoid fraud and manage risk. Through data and analytics, CDIA members empower economic opportunity by helping ensure fair and safe transactions for consumers, facilitating competition, and expanding consumers' access to financial and other products suited to their unique needs.

CDIA members work every day to ensure accurate, complete consumer data reporting and to uphold consumer protections so consumers have every opportunity to represent themselves in the marketplace. We develop consistent, responsible data access and reporting practices and advance sensible policies that encourage innovation while making the consumer reporting system easier to understand and navigate for consumers, lenders, and other end users alike. CDIA members work to protect consumers' privacy, minimize errors, reduce fraud, and promote the responsible use of information that enables trusted, unbiased decision making — the foundation for the opportunity for growth and prosperity that every American deserves.

We welcome this opportunity to share with the Subcommittee how the Fair Credit Reporting Act (FCRA) works, what it does for consumers, and why preserving and strengthening this framework matters for every American.

ACCESS TO CREDIT IS ACCESS TO OPPORTUNITY

Before discussing the law itself, it is worth pausing to consider what is at stake. Every American deserves fair, transparent, and affordable access to credit. That access is not simply a financial convenience. It is the foundation upon which people build their lives. It is how a family finances a home or qualifies to rent an apartment, how a young person pays for college, how an entrepreneur launches a small business and hires

qualified employees, and how organizations protect their customers and the public through the responsible use of background screening and tools to help prevent fraud. A well-functioning consumer reporting system makes all of that possible, and the FCRA is the legal framework that keeps that system fair, accurate, and trustworthy and protects consumers' financial privacy.

A BRIEF HISTORY OF THE FCRA

In 1970, Congress enacted the Fair Credit Reporting Act to ensure consumers have meaningful protections over how their personal information is collected and used — giving them the right to dispute errors and receive notice if adverse decisions have been made. Congress created a law that balanced consumer protections with the free flow of information that helps consumers every day, making it possible for a family to finance a car even when their local bank is closed.

Prior to the modern-day credit reporting system, access to credit could be influenced by one's station in life. Sex, religion, and race all had the potential to impact creditworthiness decisions. If you needed a loan, you went to your local bank or merchant and hoped for the best. Whether you received credit often depended on whether the banker knew your family, whether the lender called his/her friends around town to ask about you, or simply on his/her own individual judgment — a judgment that could easily be shaped by personal biases that had nothing to do with your actual creditworthiness. It was often subjective.

Over the years, Congress has periodically amended the FCRA to improve the functioning of the credit reporting system. In particular, Congress recognized the need for uniformity in national credit markets and enacted a broad preemption provision that supplanted state-by-state regulation of the content of consumer reports.

This national framework for consumer reporting helped create a national economy that opened the door to a wide range of lenders well beyond a consumer's local community. That competition drove down the cost of credit and supported fair, data-driven lending decisions that apply equally regardless of who you know or where you live.

In many ways, the FCRA was also one of the nation's first consumer privacy laws. It restricts who can access certain consumer databases and for what purposes, and it requires that any entity using that data maintain reasonable procedures to ensure maximum possible accuracy and protect consumer rights. The law recognized, long before the age of the internet and big data, that personal information requires legal guardrails, and that consumers have a fundamental right to know what information is being used to make decisions about them and to dispute any errors they find.

HOW THE SYSTEM WORKS

One aspect of the consumer reporting system that is frequently misunderstood, is that it is entirely voluntary. No one is required to furnish consumer data to a consumer reporting agency. Entities that choose to participate in the consumer reporting system, often referred to as furnishers (including lenders and collections agencies), voluntarily take on the legal and regulatory obligations embedded in the FCRA, and in return they

use the information to make sound, data-driven decisions. The more furnishers that choose to report their data, the more accurate and useful the picture of a consumer's creditworthiness becomes, and the better the system serves the consumers who depend on it.

The voluntary nature of the consumer reporting system is also a driving competitive force among consumer reporting agencies. The agency with more comprehensive and accurate data is more attractive to lenders and other users that rely on consumer reports. At the same time, the system is a delicate balancing act for data furnishers. Too much regulatory and legal risk may outweigh the value of contributing data to the system which is why CDIA supports FCRA liability reform. The current result is an unfair legal framework that disadvantages small businesses and represents a major barrier to entry for new data sources, such as rent reporting.

WHAT THE FCRA DOES FOR CONSUMERS

At its core, the FCRA is built around the principles of privacy, transparency, and fairness. Consumer reporting agencies must have procedures to protect the security of consumer information and to issue consumer reports only for the permissible purposes listed in the law and no other purpose. Those permissible purposes include any purpose that the consumer has expressly authorized in writing, using a report in connection with credit transactions, insurance underwriting, determining child support obligations or eligibility for certain government licenses or benefits, and other narrow business purposes enumerated in the law. Knowingly issuing or obtaining a consumer report outside of these purposes carries significant criminal and civil penalties under the FCRA.

Consumers also have a right to know what is in their credit file and who has seen it, as well as the right to notice when an adverse action is taken based on their report. The law contains a robust framework outlining what data may or may not be included in a consumer report to ensure fairness and gives consumers a right to dispute information they believe to be incorrect or incomplete. Consumers also have extensive rights to prevent and remediate identity theft, including the right to place a credit freeze on their file to prevent their report from being used to open new accounts, which is one of the most powerful tools available against identity theft.

The law also provides specific protections for servicemembers. When someone is deployed overseas, they are often unable to monitor their own financial lives, making them uniquely vulnerable to identity theft and fraud. The FCRA's protections for active-duty military reflect a recognition that those who are serving their country should not have to worry about safeguarding their financial security.

The Fair Credit Reporting Act is enforced through private lawsuits, federal agency enforcement, and state attorneys general.

WHAT THE INDUSTRY DOES EVERY DAY

The legal protections the FCRA provides are meaningful, but they are only as strong as the practices of the companies operating within them. CDIA members take that responsibility seriously.

Consumer reporting agencies have demonstrated a commitment to transparency and supporting the financial health of American consumers. The tools provided to consumers, many of which are free, help them build stronger financial literacy, assess their financial health, and craft a path toward a better credit profile.

The national credit reporting agencies offer free weekly credit reports to all consumers through AnnualCreditReport.com, a service that began during the COVID-19 pandemic and has continued because it serves a genuine consumer need. Member companies have consumer-friendly online, telephone, and mail channels that make it easy for consumers to obtain and understand their consumer reports, and to take steps to protect against fraud and identity theft and improve their financial health. Consumers can use those same channels to submit a dispute and provide documents and other information that must be used to investigate that dispute. Through the e-OSCAR system, the industry has built a secure and standardized platform for processing credit report disputes quickly and consistently.

THE BROADER VALUE OF CONSUMER REPORTING

The crucial role played by consumer reporting is evident when consumers make their largest financial transaction: buying a home. Obtaining a mortgage requires a thorough underwriting process that relies on consumer reports to assess creditworthiness, manage risk, and ensure borrowers can responsibly sustain long-term repayment obligations.

But the value of the FCRA framework extends well beyond credit markets. Consumer reporting underpins a variety of identity verification tools that help protect consumers from being victimized by identity theft and other types of fraud. The FCRA also enables the use of consumer reports for background screening across a wide range of industries and settings. For example, consumer reports are often used to confirm an individual's identity in such instances as loan applications and accessing vital private records. Employment background checks are essential for verifying more than just an applicant's education, professional licenses, and job history. For example, a school bus company screens drivers for prior DUI convictions to protect children, while a scout troop or after-school program checks adults for offenses against minors to ensure child safety. Hospitals review nursing aides for histories of patient abuse, banks screen tellers for fraud convictions to safeguard deposits, and trucking firms examine drivers' records for serious traffic violations to meet federal safety standards. These routine practices help to minimize risks and serve as a critical consumer protection function.

Many community organizations who rely on background screening are small and carry no insurance. A single incident resulting from a failure to screen could put them out

of existence entirely, and more importantly, could cause serious harm to the people who trusted them.

Tenant screening using consumer reports helps landlords verify a prospective renter's credit history, eviction records, criminal background, and income stability to make informed leasing decisions. For instance, a property manager might identify patterns of late payments or prior evictions to avoid financial losses, and checking for violent offenses protects families and communities from potential threats. This process reduces the risk of property damage, unpaid rent, or unsafe living conditions for other tenants.

ALTERNATIVE DATA AND EXPANDING ACCESS

One of the most promising developments in consumer reporting is the growing use of alternative data, including rental payment history, utility payments, and other transactional data, to build a more complete picture of a consumer's financial behavior. Millions of Americans who have thin credit files or no credit history at all, but who pay their rent and utilities on time every month, should get credit for their responsible financial behavior. Incorporating that data into credit decisions can open the door to credit access for consumers who have historically been left out of the mainstream financial system. This is both an innovation story and a consumer equity story, and it is one that CDIA members are actively advancing. We have developed Metro 2 guidelines that allow accurate and complete reporting of new data sources and encourage Congress to support these efforts that drive innovation and eliminate barriers to credit access for underserved communities. We believe the leading barrier to entry for nontraditional furnishers, such as landlords or local utility companies, is the risks associated with the current private right of action provisions in the FCRA.

ACCURACY AND COMPLETE DATA

Regarding accuracy, our members maintain robust data quality programs and compliance systems. Member companies consistently report very high credit report accuracy rates, and dispute-related corrections are processed in a timely manner. These are not simply compliance metrics. They reflect a genuine commitment to the principle that the system only works when the data is right, and that consumers deserve nothing less.

Everything we have described depends on one thing above all others, and that is the quality of the data. The FCRA's standard of reasonable procedures to ensure maximum possible accuracy is not aspirational language; it reflects a fundamental truth about how the system works. Inaccurate data hurts consumers by producing decisions that do not reflect their true history, and it undermines the value of the system for everyone who relies on it. There is no incentive for anyone in this ecosystem to tolerate bad data. The better the data, the better the system serves everyone.

CDIA members work continuously to improve data quality through established reporting formats like the Metro 2 guidelines, ongoing furnisher auditing, and sustained investments in information security, technology, data infrastructure, and compliance

programs. The goal is always to ensure that the information in a consumer's file is complete and accurate.

CDIA's commitment to accuracy also drives its support for modernizing the CFPB complaint portal and making it a more practical and effective tool for consumers.

H.R. 7588, the Eliminating Fraud in the CFPB's Complaint Database Act, would strengthen the system by focusing on genuine, verified disputes rather than fraudulent or duplicative submissions. It also protects consumers from bad actors who file false complaints, safeguards personal information from public disclosure, and allows the CFPB to publish anonymized trend data that better informs policy.

Although H.R. 7588 addresses CFPB complaint processes rather than directly amending the FCRA, it complements our obligations under §§1681e(b) and 1681i by filtering out unverified claims, allowing credit bureaus to focus resources on legitimate disputes, deliver faster resolutions, and curb unnecessary litigation that distracts from accurate credit reporting.

Another threat to the quality of data in the credit reporting system is the behavior of unscrupulous credit repair companies. These companies flood the system with frivolous and duplicative disputes and complaints in an attempt to remove accurate and timely information from consumers' credit reports. They also frequently deceive consumers about the ability to remove information from credit reports, charge unlawful advance fees, and encourage consumers to make false statements to CRAs about their credit records.

A NOTE ON OVERSIGHT AND REGULATION

CDIA members are subject to stringent FCRA requirements designed to ensure accuracy, fairness, and consumer protections. They must maintain reasonable procedures to maximize the accuracy of information in consumer reports, conduct reinvestigations of disputes within 30 days and delete unverified or outdated data—such as most negative items after seven years—and provide free annual file disclosures upon request. Access to reports is strictly limited to permissible purposes, like credit or employment decisions with consent, while consumers receive notices for adverse actions or risk-based pricing. These comprehensive mandates, enforced by the Consumer Financial Protection Bureau and FTC through examinations and penalties, demonstrate the robust regulatory framework governing credit bureaus under the FCRA.

As Congress considers legislation addressing artificial intelligence and consumer privacy, we respectfully ask the Subcommittee to be mindful that the FCRA already imposes comprehensive privacy and accuracy obligations and express consumer protections. These requirements are technology-neutral and adaptable to new situations. For example, the FCRA's adverse action requirements ensure that when consumer-report information is used to deny or negatively affect applications for credit, employment, insurance, or housing, consumers receive notice of that action, the key factors contributing to the decision, the identity of the consumer reporting agency involved, and a clear explanation of their right to obtain a free copy of their report and dispute inaccurate information. These protections apply regardless of whether AI systems are used in these

decisions. Inadvertently sweeping FCRA activities into new regulatory frameworks could create redundancy, conflict, complexity, and consumer confusion without producing greater protections. Not every consumer reporting agency is a large corporation with hundreds of employees and dedicated compliance departments.

CDIA's membership includes small, specialized companies that serve niche markets, from background screening firms serving local employers to specialty bureaus focused on specific industries like tenant screening or employment. These are often small businesses, in some cases family-owned, that are already navigating a robust and demanding regulatory framework. When Congress considers new obligations under the FCRA or broader data privacy legislation, the compliance burden on smaller companies can be disproportionate, and the unintended consequence can be market consolidation rather than consumer protection.

FCRA LIABILITY REFORM

The consumer protections in the FCRA remain critical. But today, the FCRA's liability framework has drifted far from the law's original intent – fueling excessive, costly litigation that does little to improve consumer outcomes and serves as a clear barrier to entry for new data furnishers. The FCRA imposes civil liability on not only consumer reporting agencies, but also users of consumer reports and furnishers of data. This means employers, background and tenant screeners, community banks and credit unions and small businesses like independent auto dealerships that use consumer reports or furnish data are all exposed to unlimited liability. Unlike other consumer financial protection statutes, the FCRA fails to limit punitive damages or provide clarity on class action standards. Today, the FCRA is out of alignment with other consumer protections, like the Equal Credit Opportunity Act (ECOA) or Truth In Lending Act (TILA), which have reasonable limitations on class action lawsuits.

This oversight has fueled a surge in opportunistic lawsuits, often alleging technical violations and brought on behalf of consumers who have suffered no actual harm. The result is a system that unfairly enriches overreaching attorneys and imposes disproportionate costs on businesses, rather than enhancing consumer protections or ensuring that consumers are made whole. In many cases, class members receive only pennies on the dollar, while plaintiffs' attorneys walk away with the vast majority of the award.

Modernizing the FCRA's liability provisions through the FCRA Liability Harmonization Act (H.R. 5775) would not weaken consumer protections or impede a consumer's ability to bring lawsuits and be made whole. Instead, these targeted reforms would strengthen protections by focusing enforcement on genuine misconduct, while ensuring businesses can continue investing in accuracy, innovation, and consumer service without facing limitless or arbitrary legal exposure. This reform seeks to ensure that FCRA's liability provisions fulfill their original goal of protecting consumers seeking redress, not lawyers seeking to enrich only themselves.

We encourage Congress to pass legislation to harmonize limitations on FCRA class action litigation and put FCRA on par with other consumer financial protection statutes.

CONCLUSION

The Fair Credit Reporting Act has been a cornerstone of consumer protection in this country for more than 50 years. It helped develop a national, data-driven credit economy that gives every American access to a competitive marketplace of financial products and services. It established the principle that consumers have rights with respect to their own information — rights that were forward-thinking in 1970 and remain essential today.

CDIA and its members are committed to defending the integrity, accuracy, and completeness of consumer data, protecting consumer privacy, fighting fraud and abuse, and advancing the kind of responsible innovation that makes the credit system more accessible and easier to navigate for all Americans. We look forward to working with this Subcommittee to ensure the FCRA continues to serve consumers well.

Thank you for this opportunity to testify.