Comment #: 2

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FACTA Scores Study

FEDERAL TRADE COMMISSION RECEIVED DOCUMENTS SECRETARY

Mike Snyder

From: "Mike Snyder"
To: <FACTAScoringstudy@ftc.gov>
Sent: Thursday, June 17, 2004 9:46 AM
Subject: FACTA Scores Study - comments

My background: I'm a 32 year old male, married for 2 years, bought a home last year. I use credit cards, have had student loans, department store cards, etc. I've had disputes with credit reporting agencies and with creditors in the past, over inaccurate and even totally bogus data appearing in my credit reports. I am a computer programming in Wichita, Kansas.

My first complaint is with how "inquiries" are used in factoring my credit score. As far as I've been able to tell, each inquiry dips a score by roughly 5 points (depending on the scoring entity, I think). "Excessive" inquiries (which, from what I've seen, can be as few as 4) are a reason for credit denial. Shopping for an auto or home loan is supposed to count as "one" inquiry for scoring purposes, but these are almost never marked as such, and are always considered multiple inquiries by creditors. This has happened to me several times, especially when shopping for auto rates. In addition, all three major credit bureaus are unwilling to remove bogus inquiries. Although the FCRA seems to make all information fair game for accuracy disputes, the "big three" consider inquiries a "statement of fact" even when told in writing that the inquiry was not initiated by me and is not a company I do business with. The bureaus should be explicitly required to follow up and obtain proof from the "requesting" agency that authorization to pull my report was really given by me. In the past, I have been stuck with bogus inquiries -- which do impact my credit score -- with no way to resolve it other than to wait two years. At the very least, and for the purposes of maintaining a "record" of fact, these inquires should be moved into the so-called "soft" section, which is not shown to creditors and does not impact my score.

Second, I see a bad trend in that insurance agencies are now pulling credit reports. These are also reported as "hard" inquiries, impacting consumer credit scores. This makes it financially damaging to look around for the best insurance rates, because it seems impossible to get a rate quote without agreeing to a credit pull. Also, my credit report has been pulled (resulting in a score-hitting inquiry) by insurance companies who did not even tell me that my credit report would be used, nor was my permission requested. In fact, in shopping for home insurance during our home purchase last year, my credit report was pulled even though the agent assured my wife that it wouldn't be. I have nothing to hide in my credit, however (and this leads into my next complaint) when inquiries are used to judge me "credit hungry" then I'm very particular about giving permission to obtain my credit at all.

Third, there seems to be a general lack of regulation when it comes to credit card companies and their policies/practices. These kinds of things used to be pretty subdued, but today, card agreements (take FUSA, or maybe Fleet for instance) specifically say "we reserve the right to change the terms of this agreement in any way at any time for any reason." That's absurd. At the very least, as consumers we should get some assurance that the deal we agreed to is the deal we'll keep. This is no longer the case, and this has already happened to my wife. Creditors are using information contained in credit reports as justification to cry "risk" and raise rates or make other questionable changes. In my wife's case, it wasn't even due to a late payment or an over the limit or anything like that. MBNA opted to raise her 7.9% APR to 18.9% simply because for the past few months we had been paying the minimum or maybe a little more, and because her balance on the card was high. Her other cards carried $0 balances, and we were focusing on other savings. Regulations should be in place to prevent this kind of thing from happening. She is neither a credit risk nor a "deadbeat" customer. If they wanted $300 per month payments, the minimum due should have been $300. They do it in the name of competition - they want 18.9% interest but can only entice customers with 7.9%, so policies seem to be in place to use anything that could remotely be considered "negative" -- even if in regards to an account with a completely different lender -- to change the "agreement" in unexpected ways. They also do something called "information float" where your statement is mailed closer to your due date. It used to be a full month. Then 25 days became the norm. Now it's about 20 from what I see in new card offers. This makes it likely that every once in a while, if a bill is running late and even if you pay it immediately upon arrival, it could still arrive "late" to the creditor. Worse, I spoke with a gentleman at one post office here, and he is positive that some banks (MBNA, for instance) will purposely delay posting payments for one or two weeks in order to claim it was late when it really wasn't, then blame it on slow mail delivery. To sum it up, banks are free to bait-and-switch on customers. I would love to see more regulation in regards to these policies.

My fourth complaint is just a general dislike of credit reporting practices in general. Getting inaccurate information removed or corrected on credit reports is a painstaking, hair-pulling nightmare much of the time. I also find that credit reports and credit scoring isn't used to determine credit worthiness except by, perhaps, mortgage lenders. These tools are used to determine risk. It isn't usually a matter of being extended credit and being denied credit (although low scores will certainly result in denial), it's a matter or ranking one individual above another purely based on what appears in a credit report – accurate or not. In fact, to obtain a good deal from most lenders, immaculate credit is required, a squeeky-clean report on file for 40 years, basically. Anything less will worsen the deal. Creditors no longer view just delinquencies as negative information (and even then, one single late pay is enough to classify a customer, to many creditors, as a high risk). Things like "too many" inquiries are a "risk." Things like high card balances are a "risk." Credit reporting is used merely as justification to extend credit at higher interest rates.

It's no surprise though that dealing with the reporting bureaus is a difficult process (Trans Union now requires a big mail-order form to be sent in just to get a copy of a report after being denied credit, which was previously available online and was a simple process). They are in business with creditors, not consumers. It's not in their interest to ensure that reports are complete and accurate based on consumer disputes, except to the extent that would clearly land them in legal trouble based on FCRA violations (and often, not even then). I, and others I know have gone so far as to include proof that information was wrong -- cancelled checks clearly showing payment days, or mail return receipts, or copies of statements showing actual balances, and these things are routinely ignored. The one source of verification is the creditor who supplied the information. However, I have sometimes had to dispute an inaccuracy as many as three or four times before action was taken. A "verified as accurate" reply could not possibly have been right, because I know for a fact that the information was wrong. Meanwhile, any credit a consumer may need is contingent upon mistakes in a credit report. Only mortgage lenders are willing to accept the facts above the report. Auto lenders, credit card companies, and department stores rely strictly on what appears in the report.

I was even denied credit once based on "too many delinquencies." With none at all, I called the company to get clarification (this was "PeopleFirst" if I recall correctly, an auto lending affiliate of Capital 1). The real reason, as it turns out, was that a statement "information disputed by consumer" appeared next to one item on my credit report, and their belief is that if this statement appears, it must mean the consumer is having credit problems. This was totally unjustified, as the statement was placed by the credit reporting agency (not me) and was in regards to a dispute on the credit limit appearing on the account -- nothing else -- the account was neither over the limit nor delinquent.

My fifth complaint is on the usage of "blacklists." I was also recently denied credit by capital one, on the basis of "too few mortgage accounts" and "requirement for a longer credit history." My credit history is about 12 or 13 years, and how many consumers really own more than one home? I have had Capital One cards in the past, but I closed them because the rates and limits weren't competitive (this, one would think, is a smart credit decision). I have inquired of other consumers who visit credit discussion forums, and some replies I received indicated that others have received the same card (the same offer, same deal) owning neither a single home nor having a credit history as long. It was suggested that I am probably on Cap1's blacklist, because I previously closed cards which weren't "as good" as the only I was applying for. I sent one letter certified, with a return receipt (postal "green card") asking for clarification as to what these two requirements mean, and in what way I didn't qualify. No response, even though I have proof they recieved the latter. A few weeks later, I sent another, again with a return receipt indicating they received the letter, and they have chosen not to respond to my request for clarification. I have no proof I'm on a blacklist. However, my scores at the time were in the mid 700's -- excellent by any standard -- and I have applied for similar offers with other banks and have been approved without a problem. This, coupled with the fact others have received the same Cap1 card with "lesser" stats, coupled with the fact that they won't even respond to tell me otherwise, makes me believe their policy is to not extend credit, regardless of creditworthiness, to consumers who have previously closed lesser Capital 1 cards.

Thank you for making it possible to voice my opinions, and my appologies for the lengthiness of this letter. I am going to email as well as print and mail this to you, just to be sure it arrives.

Sincerely,

Mike P. Snyder