NATIONAL TAXPAYERS UNION

May 12, 2021

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National Taxpayers Union urges all Representatives to vote "NO" on H.R. 2547, the "Comprehensive Debt Collection Improvement Act." This legislation would alter consumer credit reporting laws by making credit reports less predictive and reliable. If enacted, H.R. 2547 would harm consumers, lenders, and expose taxpayer-backed housing programs to potential losses.

Accurate and complete credit reports are the bedrock of this country's robust and competitive consumer credit market. Most, if not all, lenders rely upon credit history data found in credit reports to identify and evaluate potential risks a consumer may pose before entering into a financial relationship with that consumer. That information is critical for lenders to evaluate the applicant's ability to repay and to establish interest rates and other loan terms. Since many home loan borrowers will have their mortgage guaranteed by the federal government, lawmakers must be cautious in their reforms to the Fair Credit Reporting Act to avoid adding undue credit risk onto the government-sponsored enterprises' balance sheets.

The most problematic provisions of H.R. 2547 can be found in Title IV, which would suppress important information from a credit report. By proposing to hide negative, but accurate, information associated with certain credit obligations, credit reports will be incomplete and ultimately less predictive of credit scores. With less accurate consumer reports and scores, creditors will be inevitably forced to reduce the amount of credit extended and/or raise prices to cover for the additional risk. This will lead to a weaker financial system, undermining a great deal of safety and soundness that we have built up over decades. This will, in essence, socialize credit scoring and, therefore, credit allocation.

While some reforms can and should be made to the reporting of certain medical debt, they must be implemented in a sound, data driven manner. There are some targeted reforms that could be considered when it comes to the furnishing of medical debt - both paid and unpaid - such as the substitute amendment from Rep. Patrick McHenry (R-NC) rejected during the markup of H.R. 2547. Simply passing a law pretending certain debt doesn't exist is an unworkable attempt at trying to solve a real problem many consumers face.

The current economic and health situation presents significant challenges. Nonetheless, Congress shouldn't pass legislation - no matter how well-intended - that will make credit reports less predictive. The result will undoubtedly weaken the underwriting process, increase borrower's costs, endanger taxpayers, and reduce access to credit.

Roll call votes on H.R. 2547 will be included in NTU's annual Rating of Congress and a "NO" vote will be considered the pro-taxpayer position.

If you have any questions, please contact NTU Director of Federal Affairs, Thomas Aiello at Thomas.Aiello@ntu.org

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