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HOUSE OF REPRESENTATIVES  
COMMONWEALTH OF PENNSYLVANIA

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House Bill 2114

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House Judiciary Subcommittee On Courts

Community College of Allegheny Campus  
Byers Hall, Room 107  
808 Ridge Avenue  
Pittsburgh, Pennsylvania

Wednesday, April 8, 1998 - 9:34 a.m.

--oOo--

BEFORE:

Honorable Daniel Clark, Majority Chairperson  
Frank Dermody, Minority Chairperson

IN ATTENDANCE:

Honorable Russell Robinson  
Honorable Mark Cohen

KEY REPORTERS  
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**ALSO PRESENT:**

**David L. Krantz**  
**Minority Executive Director**

**Art Nese**  
**Assistant to Representative Don Walco**

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1                   CHAIRPERSON CLARK: Good morning. I'd  
2 like to welcome everybody to the Judiciary  
3 Committee's Subcommittee on Courts hearing on  
4 House Bill 2114.

5                   As everyone knows, this is a bill that  
6 was introduced by Representative William Russell  
7 Robinson and provides for certain regulations of  
8 consumer credit reporting and providing for  
9 obligations of credit card reporting agencies, et  
10 cetera.

11                   I think at this time, why, we'll call on  
12 Representative Robinson to give us an opening  
13 statement and an overview of the report. And  
14 then, Mr. Robinson, you're certainly welcome to  
15 come up here and join me -- it's not that  
16 crowded -- and we can go on and hear testimony  
17 from the other people that are assembled.  
18 Representative Robinson.

19                   REPRESENTATIVE ROBINSON: Chairman  
20 Clark, Members of the Judiciary Subcommittee on  
21 Courts, staff, witnesses and observers, welcome  
22 to Pittsburgh and welcome to the 19th Legislative  
23 District.

24                   As a trustee of Community College of  
25 Allegheny County, I would like to thank the Board

1 of Trustees of Community College of Allegheny  
2 County, the President and Vice President, David  
3 Griffin, of this campus and his staff for  
4 accommodating this public hearing.

5 One of the most prominent and  
6 increasingly troublesome issues facing the people  
7 of Pennsylvania is that of identity theft:  
8 Someone or some organization actually acquired  
9 your personal background information or Social  
10 Security number or credit card number or uses the  
11 Internet to engage in activities, illegal  
12 activities that have devastated many folks in our  
13 Commonwealth by destroying their credit status,  
14 limiting their borrowing power, and raising many  
15 questions about how such things could happen.

16 Across America, the problems associated  
17 with identity theft are mounting. And estimates  
18 are that billions of dollars are being siphoned  
19 off into the possession of unscrupulous folks who  
20 prey upon banking institutions, credit card  
21 issuers, senior citizens, and just plain hard  
22 working people.

23 House Bill 2114 is an attempt to make  
24 credit issuers more accountable when they issue  
25 credit, allow the State Attorney General and

1 local district attorneys to work cooperatively in  
2 assisting Commonwealth citizens victimized by  
3 identity theft, ensure that those areas in  
4 existing law not covered by the federal Fair  
5 Credit Reporting Act are addressed by the  
6 Commonwealth of Pennsylvania, and to provide more  
7 penalties for those who would engage in fraud and  
8 the possession and use of someone's personal and  
9 private records without authorization.

10 This issue cannot be resolved without  
11 the cooperation of many parties who are directly  
12 or indirectly affected. The United States Senate  
13 is now considering a bill, Senate Bill 2  
14 sponsored by Senator John Cow (phonetic) of  
15 Arizona.

16 Both House Bill 2114 and Senate Bill 2  
17 attempt to address similar issues. My own  
18 identity theft story has been reported and well  
19 documented.

20 I was victimized over a five-year  
21 period. I was fortunate to identify the person  
22 who stole my identity and engaged in fraudulent  
23 activities.

24 The person who stole my identity was  
25 found guilty in a court law of and penalized.

1 Even after the court proceedings which included  
2 signed letters admitting guilt by the person who  
3 stole my identity and various attempts to secure  
4 the cooperation and assistance of credit granting  
5 agencies and credit reporting agencies, I was  
6 still unable to reestablish the good credit  
7 status I had prior to my identity being stolen.

8 I finally filed suit against several  
9 creditors who had provided inaccurate information  
10 to credit reporting agencies. I was still unable  
11 to obtain additional credit or reestablish my  
12 good credit status.

13 Can you believe I lost my case against  
14 the creditors? Good customers who have  
15 established a good credit history and status  
16 should be protected against identity theft and  
17 against the sometimes indifferent approach  
18 creditors and credit reporting agencies take  
19 towards assisting those who have been victimized  
20 by credit fraud.

21 Good customers are being treated badly.  
22 High school students and first-time college  
23 students are being issued credit in record  
24 numbers while many of their parents are being  
25 saddled with debt and bad credit not of their own

1 making.

2 Consumer organizations, government, and  
3 the business community can and must solve the  
4 problem. Again, I thank this Subcommittee for  
5 its timely attention to this issue.

6 CHAIRPERSON CLARK: We thank you very  
7 much, Representative Robinson. You certainly may  
8 come up here and join us for the rest of the  
9 testimony and ask questions of the witnesses and  
10 individuals who testify.

11 Everyone I think has an agenda or an  
12 itinerary of what we're going to do this morning  
13 and into this afternoon. One change on that is  
14 the 10:25 gentleman from the Attorney General's  
15 office, Barry Creany.

16 He is in Somerset County this morning in  
17 court. He may be coming late. So I think what  
18 we're going to do is we're going to be ahead of  
19 schedule and move along; but as long as  
20 individuals are here to testify, I think we'll  
21 move and try to accommodate that.

22 The next individual to provide testimony  
23 to the Committee is Harold G. Dix, Esquire. He  
24 is the Chairperson, the Legal Affairs Advisory  
25 Committee of the Pennsylvania Bankers



1 Association.

2 MR. DIX: Good morning. I am Harold  
3 Dix, Associate Counsel for Mellon Bank and Chair  
4 of the Pennsylvania Bankers Association Legal  
5 Affairs Advisory Committee.

6 PBA appreciates the opportunity to offer  
7 its initial reaction to House Bill 2114. The  
8 Pennsylvania Bankers Association is the Financial  
9 Services Trade Association representing  
10 approximately 226 national and state banks, bank  
11 and trust companies, savings bank, and savings  
12 associations in the Commonwealth.

13 Its membership constitutes over 99  
14 percent of the banking assets in the  
15 Commonwealth. In addition, over 80 percent of  
16 PBA's membership is comprised of financial  
17 institutions with assets of less than 500  
18 million.

19 I emphasize initial reaction as PBA has  
20 not had time to thoroughly review and consider  
21 the Bill. Rather, we have come to listen and  
22 learn the points of view of others and share our  
23 first impressions.

24 Upon completion of our review, our  
25 findings will be presented to the PBA Legal

1       Affairs Advisory Committee and ultimately the PBA  
2       State Government Relations Policy Committee.

3               PBA supports the concepts of fair credit  
4       reporting. Banks need accurate and reliable  
5       credit data on which to base their credit  
6       decisions. They also want their customers to  
7       have reasonable protections of their credit  
8       records.

9               It has been our experience that  
10       important issues are sometimes best addressed by  
11       uncomplicated laws unencumbered by extensive  
12       regulation.

13               We believe this is appropriately  
14       demonstrated by the way Fair Credit Reporting has  
15       been addressed since 1972 by the federal act  
16       named for that subject.

17               This law, illucidated by the Federal  
18       Trade Commission commentary, has provided  
19       consumer protection through requirements with  
20       which lenders and credit reporters have been able  
21       to comply.

22               The Pennsylvania Attorney General has  
23       access to this time-tested consumer protection  
24       law. PBA questions the complexities and  
25       potential inconsistencies that could arise from

1 House Bill 2114 creating a second path to the  
2 same desired result.

3 To begin with, the federal law and its  
4 FTC commentary would be joined by a state law  
5 which authorizes regulations yet to be written.  
6 The federal law and House Bill 2114 have apparent  
7 inconsistencies.

8 It is uncertain whether the state  
9 regulations and the FTC commentary would  
10 initially, later, or ever be essentially the same  
11 or even complimentary. These potential  
12 contradictions threaten simplicity in knowing and  
13 comply with the law.

14 Also, loss of simplicity frequently  
15 leads to increased expense. The increased  
16 complexity and cost of lender and credit reporter  
17 compliance could ultimately be reflected in  
18 increased pricing to be borne by the customer.

19 The lenders and credit reporters forced  
20 to comply with unlike federal and state  
21 requirements will likely be impacted by  
22 additional legal, compliance, operational, and  
23 auditing expense.

24 Legal compliance and regulatory experts  
25 could profit individually from debating the

1 inconsistencies of state and federal fair credit  
2 reporting requirements. PBA questions whether  
3 the increased complexity and the attendant cost  
4 would result in commensurate benefit to the  
5 consumer.

6 Again, PBA appreciates the opportunity  
7 to participate in this hearing and share our  
8 first impressions with the Committee. We will  
9 incorporate what we learned today in our expanded  
10 review of House Bill 2114.

11 CHAIRPERSON CLARK: We thank you very  
12 much. And I think you are correct, that we're  
13 all here to gain some input, ideas, when we  
14 consider this Bill and listen to other points of  
15 view.

16 And this is a very preliminary process  
17 to get individuals here, get their first  
18 impression or first reactions to the Bill, and  
19 then we can work from there.

20 On page 2 when you talked about the  
21 authorized regulations yet to be written, are  
22 those federal regulations that haven't been  
23 written to the federal law or are those  
24 regulations that will ultimately be drafted from  
25 this state law?

1 MR. DIX: The latter, Chairman.

2 CHAIRPERSON CLARK: The latter, okay.

3 REPRESENTATIVE ROBINSON: Thank you very  
4 much, Mr. Dix, for your attention to this matter.  
5 As I said in my testimony, it's going to take the  
6 cooperation and assistance of all affected  
7 parties. And certainly our banking institutions  
8 are affected.

9 Let me ask you some questions in light  
10 of your statement that at least you and your  
11 Committee have not thoroughly reviewed House Bill  
12 2114.

13 So if I ask you any questions which you  
14 don't have the answer to, I hope you will take  
15 them as advisory and as your Committee does  
16 peruse this Bill more completely that you may be  
17 able to develop an answer.

18 My first question relates to the  
19 relationship that, let's say, in this instance  
20 Mellon Bank or other states have to out-of-state  
21 banks. How do you work with these out-of-state  
22 banks and are there any state and federal  
23 regulations that govern what you can or cannot do  
24 in the Commonwealth of Pennsylvania?

25 MR. DIX: I want to make sure that I

1 understand your question, Representative. The  
2 Fair Credit Reporting Act -- the Federal Fair  
3 Credit Reporting Act would cover the operations  
4 of banks in all states. And that is the law to  
5 which I think the industry is now looking as I  
6 indicated earlier as elucidated by the Federal  
7 Trade Commission commentary.

8 That would be the one law. I'm not  
9 aware -- there may be state laws in individual  
10 jurisdictions; but I couldn't speak to that now.

11 REPRESENTATIVE ROBINSON: The basis of  
12 my question is that this proposed bill would  
13 regulate banking in the Commonwealth of  
14 Pennsylvania.

15 Some banks that operate in the  
16 Commonwealth of Pennsylvania are not  
17 headquartered here. They're headquartered  
18 elsewhere. They are governed by some federal  
19 regulations.

20 One of the questions that's been raised  
21 with me is how can we regulate banks outside the  
22 Commonwealth that issue credit cards; for  
23 example, a Chase Manhattan Bank or a City Corp  
24 that are not headquartered here in Pennsylvania but  
25 do banking business here?

1           Some of that business they may do with a  
2 Mellon Bank or other banks for convenience or  
3 business reasons. So I'm looking at that kind of  
4 arrangement and what laws generally govern that.

5           MR. DIX: I think I'd better understand  
6 your question -- I apologize for not being  
7 quicker to the issue. It seems to me that the  
8 basic law would still be the Federal Fair Credit  
9 Reporting Act.

10           Now how the Attorney General's Office  
11 here would access that and how they would work in  
12 perhaps in combination with the attorney generals  
13 of other states I think would be a question that  
14 perhaps would be best addressed to the Attorney  
15 General's office when they are here.

16           But I think clearly that there would be  
17 a body of law to which the Attorney General could  
18 address the concerns for transactions that would  
19 take place in Pennsylvania by banks doing  
20 business in Pennsylvania.

21           REPRESENTATIVE ROBINSON: I want to ask  
22 just two other questions if I might. And let me  
23 presume -- and this is not a reflection on your  
24 expertise. Let me presume that you might not be  
25 the person who can answer these questions.

1           There may be others here who can or  
2 there may be someone who's actually involved in  
3 banking day to day who may be able to answer  
4 these two questions, but I need to put these two  
5 to you in light of your testimony.

6           One is, Are there established standards  
7 that banks in Pennsylvania use when issuing  
8 credit, either credit cards or credit  
9 opportunity? And if there are standards, are  
10 these standards used by all banks and are they  
11 used by them in the same fashion? Are they  
12 applied in the same fashion?

13           MR. DIX: I will attempt as best I can  
14 to respond to the question, Representative. I  
15 cannot speak for all banks. I will presume that  
16 all banks will have approximately the same desire  
17 and effort, which will be to comply with the laws  
18 which impact the transaction that they govern.

19           These laws are generally reflected by  
20 documentation and by policies and procedures  
21 which each financial institution promulgates to  
22 reasonably ensure that compliance with the  
23 applicable law follows.

24           Beyond that, you have quality control  
25 operations and auditors which are generally



1 making sure that the operational aspects or the  
2 procedures are followed. I think that the  
3 procedures are the key in most cases to effective  
4 compliance with these laws and regulations.

5 REPRESENTATIVE ROBINSON: Okay. Let me  
6 ask you my final question, and I appreciate your  
7 patience.

8 When banks in Pennsylvania assume or  
9 acquire bad debt -- people simply don't pay their  
10 bills -- and the banking institution has this on  
11 their books and their auditors say you've got  
12 some folks here who didn't pay you, what are you  
13 planning on doing about this, how do these  
14 banking institutions address this issue of a bad  
15 debt that's on their books? What do they do with  
16 the bad debt?

17 MR. DIX: When you say assume the debt,  
18 Representative, do you mean debt that they have  
19 produced themselves?

20 REPRESENTATIVE ROBINSON: No --

21 MR. DIX: -- credits that they have  
22 produced themselves or buy from someone else?

23 REPRESENTATIVE ROBINSON: -- that is  
24 produced by way of customers who they are doing  
25 business with who don't pay.

1 MR. DIX: Then you don't mean  
2 obligations that have been originated by other  
3 creditors that have been purchased?

4 REPRESENTATIVE ROBINSON: No.

5 MR. DIX: Because I don't think that  
6 very many institutions are going to buy debt  
7 that's already bad.

8 CHAIRPERSON CLARK: Unless they get it  
9 at a big discount.

10 REPRESENTATIVE ROBINSON: A big  
11 discount. No. But debt that's generated by  
12 someone who's doing business with them, for  
13 example, a bank issues a credit card and for  
14 whatever reason a person does not pay that credit  
15 card debt to the bank. They simply don't pay.

16 The auditors come in at the end of the  
17 year or whenever they audit and say you have a  
18 debt here that has not been collected, that's not  
19 being paid -- and maybe you even have document  
20 they won't pay -- how does the bank address that  
21 debt?

22 MR. DIX: Depending on the size and the  
23 type of the obligation, whether it is secured,  
24 unsecured -- if it's a credit card, I think in  
25 most cases it's going to be unsecured debt,

1       Representative.

2               I think the major consideration is going  
3 to be whether after the first collection call or  
4 first series of calls and letters have either  
5 been effective or not effective, at some point,  
6 the account is going to the move to the status  
7 which is known as charge-off.

8               And depending on the likelihood of  
9 collecting the account -- again, regarding the  
10 size, it might be placed with a collection  
11 agency -- it is possible that it might actually  
12 at some point go to a representative law firm for  
13 a collection action.

14              But again, each one of these would  
15 involve a separate credit evaluation that the  
16 collection area of the bank would have to make.

17              REPRESENTATIVE ROBINSON: One quick  
18 follow-up to that. Is there a point at which the  
19 bank would have to make a decision as to whether  
20 or not to write off this debt and have it  
21 subtracted from any taxes that are due?

22              MR. DIX: I'll have to disqualify myself  
23 from making a comment regarding the taxation  
24 because I just would not know, Representative.  
25 But I would say that at some point you are going

1 to have to determine whether this debt is  
2 effectively collectible or uncollectible for the  
3 safety and soundness considerations of your  
4 portfolio.

5 REPRESENTATIVE ROBINSON: Okay. Thank  
6 you. Thank you, Mr. Chairman.

7 CHAIRPERSON CLARK: Thank you. I'd like  
8 to acknowledge that Representative Frank Dermody  
9 has joined the panel. Let me follow-up with two  
10 questions that came to my mind.

11 When we have a bank that deals in all 50  
12 states that might be headquartered in New York or  
13 Maryland, when they enter a state, do they need  
14 to know the laws of all 50 states as far as  
15 credit and credit reporting?

16 Or I think what Representative Robinson  
17 was getting at is there some kind of Interstate  
18 Commerce Clause that could preempt state laws or  
19 do you know how they mesh or work together?

20 Or once you enter a state, then you  
21 become responsible for their laws once you're  
22 doing business in that state?

23 MR. DIX: Mr. Chairman, I certainly  
24 don't want to oversimplify a very important and  
25 one of the most complex areas; but I think you

1 have a bit of both.

2 There are some considerations which may  
3 preempt state laws. For instance, there are  
4 certain issues of interest exportation which a  
5 national bank can export from its own state. But  
6 there are certain police power regulations which  
7 you generally presume that a state keeps to  
8 itself. And so I think you have a bit of both  
9 there.

10 And any state that deals in  
11 extraterritorial credit considerations I think  
12 would absolutely have to consider the many laws  
13 and regulations which could affect it in the  
14 other jurisdictions in which it is going to be  
15 lending.

16 CHAIRPERSON CLARK: And No. 2, is there  
17 a -- is debt for a bank that Representative  
18 Robinson was talking about, are those limits  
19 regulated that you can only have -- do auditors  
20 come in and say that you have 5 percent on  
21 debt of assets or is there a limit that you can  
22 run a follow-up?

23 MR. DIX: Again, I'm going to have to  
24 speak with, unfortunately, some lack of  
25 definition. But at some point, I would think

1       that whether your regulator is a state or a  
2       federal regulator the amount of aggregate bad  
3       debt that you have is going to be a consideration  
4       in their assessment of the safety and soundness  
5       of the institution and also potentially the  
6       effectiveness of the operations of the lending,  
7       the credit assessment that led to the loans, and  
8       also the effectiveness of the collection.

9               CHAIRPERSON CLARK: So when those debts  
10       get too high, I'm sure there's internal measures  
11       that they take; but I assume also that they need  
12       to satisfy the examiners that they have a process  
13       and policy to liquidate that.

14              MR. DIX: I think that's a reasonable  
15       statement, Mr. Chairman.

16              CHAIRPERSON CLARK: Representative  
17       Dermody?

18              REPRESENTATIVE DERMODY: No questions.

19              CHAIRPERSON CLARK: Thank you very much.  
20       As I indicated, the next individual to provide us  
21       testimony is the Senior Deputy to the Attorney  
22       General's office; and he has not arrived yet. So  
23       I think we'll jump down to Mr. Richard Boyd if  
24       he's here. Mr. Boyd.

25              MR. BOYD: Good morning, Mr. Chairman,

1 distinguished Representatives. Before I begin,  
2 I'd like to thank all of you for providing this  
3 forum that this story can be told and for your  
4 continuing work on this issue.

5 The injured party is actually my wife,  
6 Joanne Boyd, who had surgery on Monday and is not  
7 able to be here. So I'll be delivering her  
8 testimony. And when you see the first person  
9 used, its her and not I.

10 Until about ten years ago, the  
11 department store, oil company, and bank credit  
12 cards that I used were opened in joint names with  
13 my husband using his Social Security number.

14 In the late 1980's, I responded to one  
15 of the many and frequent mail offers for a credit  
16 card in my own name and Social Security number.  
17 During the next few years, I applied for and  
18 received several additional credit cards in my  
19 own name.

20 Since I was not employed and had limited  
21 income from baby-sitting, holiday gifts, and  
22 occasional garage sale income, my purchases were  
23 modest and it was my practice to pay the entire  
24 balance when the monthly bill was received.

25 I felt a small sense of independence.

1 Little did I know the perils that lay ahead. On  
2 my personal note, if there were major purchases  
3 that were required, they were put on our joint  
4 credit cards.

5 About a year ago, which would have been  
6 on or about April 1st, 1987, I wrote to one of  
7 my credit card accounts to have the credit limit  
8 increased from \$300 to \$800 for the purpose of  
9 buying a much needed kitchen range.

10 I expected prompt approval since I had  
11 always paid the full balance on time over the  
12 five to six years that I held the card. About  
13 ten days later, I received a letter from the card  
14 issuer advising me that they were sorry that they  
15 could not grant my request because of unfavorable  
16 information in my consumer credit file.

17 In the same letter, I was notified that  
18 I was entitled to receive a statement containing  
19 the principle reasons for the unfavorable  
20 decision by contacting the Credit Bureau, one of  
21 the credit agencies.

22 As directed, I contacted the Credit  
23 Bureau and requested a copy of my Consumer Credit  
24 Report. Approximately three weeks later, I  
25 received the Consumer Credit Report.



1           Incredibly, expecting a one-page  
2 document since I only held three or four cards  
3 under my name and Social Security number, I was  
4 astounded to find a 14-page report containing  
5 more than 60 total accounts.

6           After identifying my own valid accounts  
7 which were all current, I was left with more than  
8 50 bogus accounts, many of which were seriously  
9 delinquent. These accounts included real estate  
10 mortgages, bank cards, department store, and  
11 utility accounts.

12           Additionally, the report contained a  
13 listing of eight aliases and several employers  
14 that I had no knowledge of. The next day, I went  
15 to Credit Bureau office in Carnegie,  
16 Pennsylvania, with credit report in hand.

17           I provided the Credit Bureau with a copy  
18 of my credit report that had the bogus accounts  
19 noted. The Bureau representative advised me that  
20 this was not uncommon and promised a full audit  
21 and corrective action within six weeks.

22           They also provided me with a form to  
23 complete that would require future creditors to  
24 call me at my home phone if credit was being  
25 applied for with my Social Security number. It's

1 called a block. They also put a note in the file  
2 that there was suspected fraudulent activity.

3 Additionally, they advised me that there  
4 were two additional consumer credit agencies,  
5 Equifax and Trans Union, that I needed to contact.  
6 I wrote both those agencies.

7 And in about two weeks, I received their  
8 credit history reports. These reports contained  
9 another 12 to 15 bogus accounts and aliases  
10 similar to those previously identified.

11 I again noted the accounts that were not  
12 mine and returned the reports to the respective  
13 agency with a letter requesting corrective action  
14 and a fraud block.

15 Several weeks later, I received an  
16 undated report from the original contact, the  
17 Credit Bureau. All original bogus accounts were  
18 removed; but alas, three additional bogus  
19 accounts appeared.

20 It was determined later that these were  
21 actually in process between the time the original  
22 report was generated and my placing the block on  
23 the account.

24 Disturbingly, my account still displayed  
25 the original aliases. Once again, a letter was

1 prepared and a second credit report was returned  
2 to the Credit Bureau for audit and corrections.

3           Shortly thereafter, corrected reports  
4 were received from Trans Union and Equifax. They  
5 too contained several new bogus accounts that  
6 required additional correspondence and returned  
7 mailings.

8           Several weeks later, I received the  
9 second corrected credit history report back from  
10 the Credit Bureau. All the bogus accounts noted  
11 in my previous correspondence had been removed as  
12 were the aliases and the incorrect employers.

13           Alarming, however, the new report now  
14 included a new account from Allegheny County  
15 Civil Court on a civil claim judgement in the  
16 amount of \$4,300. This item was added to my  
17 record despite the fraudulent activity block that  
18 had been put on the account months before.

19           The next day I traveled to the Allegheny  
20 County Courthouse to find the source of this  
21 judgment. I was advised by the clerk of courts  
22 that the party whose name matched one of the  
23 aliases associated with my account removed her  
24 mother from a nursing home and did not pay the  
25 final bill.

1           The county clerk had no idea how the  
2 judgment got into my name except for the use of  
3 my Social Security number. They said they do not  
4 check Social Security numbers on judgments of  
5 this type. And I was told that it was again my  
6 responsibility to clear the record with the  
7 Credit Bureau.

8           An additional letter was written and  
9 forward to the Credit Bureau for correction. I'm  
10 happy to say that as of this day of my testimony  
11 my credit history with each of the three agencies  
12 is free of fraudulently-opened accounts.

13           Initially but not for long, we tried to  
14 imagine this situation was happening as a result  
15 of human error in transcribing numbers when  
16 accounts were opened. Soon it was obvious that  
17 this was a carefully calculated and executed over  
18 and over again.

19           It took nearly a year, considerable time  
20 and expense to pursue just the clearing of my  
21 credit history. We have gained a lot of  
22 experience and are definitely more aware of the  
23 devious ways members of society use to enhance  
24 their lives at others' expense.

25           This identity fraud action needs to be

1       stopped. I wrote to the Social Security  
2       Administration to advise them of the events and  
3       to solicit their help.

4               None was forthcoming, and all they did  
5       was send me a pamphlet that gave me guidelines on  
6       how to protect myself by securing my wallet and  
7       the tissues from credit card purchases.

8               In summary, I'd like to see the  
9       following minimum features of your legislation:  
10      Ability to bring punitive action to the  
11      perpetrators; education to the consumers and the  
12      need to receive regular issuance of credit  
13      history reports; notification of the consumer if  
14      aliases are received by the credit agency; and  
15      more responsible research by the credit issuers.

16              Thank you again, Representative, for  
17      your efforts in developing effective legislation  
18      so others do not have to experience what we did.

19              CHAIRPERSON CLARK: Thank you very much,  
20      Mr. Boyd. Did this occur because someone was  
21      using your wife's name or someone was using your  
22      wife's Social Security number or a combination  
23      of?

24              MR. BOYD: We believe it's the Social  
25      Security number exclusively because of all the

1 aliases that were used. Nothing ever showed up  
2 with my wife's name on it. It was her Social  
3 Security number.

4 CHAIRPERSON CLARK: However, the  
5 judgment in Allegheny Courthouse, there wouldn't  
6 have been a Social Security number attached to  
7 that.

8 MR. BOYD: Well, if there wasn't, we  
9 don't know how it got in our name. And we were  
10 not able to get any -- they would not show us the  
11 document that was the result of the judgment that  
12 put it into the Credit Bureau's hands.

13 CHAIRPERSON CLARK: It seemed to me that  
14 maybe they were doing it both ways. Everything  
15 that came in under your wife's Social Security  
16 number was listed by the computer and then  
17 everything that came in under the alias name --

18 MR. BOYD: We know from the judgment  
19 number that was shown on our credit report -- and  
20 my wife's name did not appear anywhere in that  
21 judgment. They told us that. They told us the  
22 name of the person whose name was on that  
23 judgment, and it was one of the aliases that we  
24 had previously seen on our credit report.

25 But we've not been able to find that

1 person. There's no address in this Pittsburgh  
2 area for that individual. And if you look --

3 CHAIRPERSON CLARK: Do you know how they  
4 initially, from the Credit Bureau, how they  
5 initially matched your wife's name with this  
6 alias or --

7 MR. BOYD: Social Security number.

8 CHAIRPERSON CLARK: Okay. I thank you  
9 very much.

10 MR. BOYD: You're welcome.

11 REPRESENTATIVE ROBINSON: Mr. Boyd, I  
12 appreciate you bringing to us one of those horror  
13 stories. As you know, there are many out there;  
14 maybe not enough for some people to feel that  
15 there's a serious problem that has to be  
16 addressed.

17 But I suspect there are a lot of persons  
18 like yourself and your wife who have had to try  
19 to go it alone. In your testimony, I didn't  
20 notice -- and correct me if I'm wrong -- any  
21 indication that you received any substantive help  
22 from the issuers of credit, credit reporting  
23 agencies, or any agencies representing persons  
24 who were doing business with as you tried to  
25 resolve this issue?

1 MR. BOYD: We received none. Actually  
2 in most cases in the few instances that we tried,  
3 we received nothing but a brick wall. One of the  
4 accounts, and if I may use an account name, was  
5 Duquesne Light.

6 And this particular individual had  
7 opened four accounts that were in arrears with  
8 Duquesne Light. And we visited Duquesne Light  
9 offices and we wanted to see the document that  
10 showed either a signature -- and they said they  
11 wouldn't give it to us; they couldn't provide  
12 that.

13 And it just up -- we had to write a  
14 letter to them and the Credit Bureau requesting  
15 that that be taken from our credit history. And  
16 after several letters, it was finally removed.

17 REPRESENTATIVE ROBINSON: You mentioned  
18 that your wife had opened up some accounts in her  
19 own name and that you also had some joint  
20 accounts.

21 Can you remember what standard you had  
22 to meet, what requirements you had to meet to  
23 open those accounts and whether or not you had to  
24 meet the same standard each time you opened an  
25 account?



1           MR. BOYD: In terms of the joint  
2 accounts?

3           REPRESENTATIVE ROBINSON: Joint account  
4 or the one that your wife opened.

5           MR. BOYD: On the joint accounts that I  
6 was directly involved with, I obviously had to  
7 state my employer's name, I had to state my  
8 income, income for the family in order to get the  
9 card.

10           That was typically the case with whether  
11 it was a utility or whether it was a gasoline  
12 credit card or even a bank card. In the case of  
13 my wife -- and we questioned this. We were kind  
14 of wary when she applied. She had no job. She  
15 put "no income, housewife," and received the card.

16           Now granted, the credit limit was low.  
17 \$300 I believe was the highest one. But I would  
18 say the standards weren't the same if you look at  
19 it that way.

20           REPRESENTATIVE ROBINSON: Were you ever  
21 contacted by anyone you used as a credit  
22 reference when you were establishing your credit  
23 that indicated to you or your wife that they had  
24 been contacted by a potential issuer of credit  
25 and that you were being contacted to verify the

1 information that you had provided to Duquesne  
2 Light or whomever else you might have gotten  
3 credit from?

4 MR. BOYD: No, I can't remember  
5 receiving.

6 REPRESENTATIVE ROBINSON: There was  
7 a -- Mr. Dix mentioned that the Federal Trade  
8 Commission and its procedures were available to  
9 consumers, certainly those dealing with banks, to  
10 resolve issues that are identified in House Bill  
11 2114.

12 In your attempt to reestablish your  
13 credit and your wife's attempt, were you ever  
14 informed of any procedures that were available to  
15 you through the Federal Trade Commission?

16 MR. BOYD: No, I was not.

17 REPRESENTATIVE ROBINSON: Are you aware  
18 of the Fair Credit Reporting Act and its  
19 relationship to the Federal Trade Commission?

20 MR. BOYD: I am now.

21 REPRESENTATIVE ROBINSON: There also was  
22 a suggestion that Pennsylvanians could access  
23 through the Attorney General the processes that  
24 were put in place by the Federal Trade Commission  
25 pursuant to the Federal Fair Credit Reporting

1 Act.

2 Are you aware of any authorization that  
3 the present Attorney General in Pennsylvania has  
4 to do that on behalf of citizens?

5 MR. BOYD: No, we're not.

6 REPRESENTATIVE ROBINSON: Did you have  
7 any contact, you or your wife, with the Attorney  
8 General's office?

9 MR. BOYD: We were not.

10 REPRESENTATIVE ROBINSON: Were you aware  
11 that there is within the Attorney General's  
12 office an advocate that addresses consumer  
13 problems such as yours?

14 MR. BOYD: No, sir.

15 REPRESENTATIVE ROBINSON: Were you aware  
16 that you could have gone to your local District  
17 Attorney and asked your District Attorney to take  
18 action against whomever had perpetrated this  
19 fraud against you and your wife?

20 MR. BOYD: No, sir.

21 REPRESENTATIVE ROBINSON: One last  
22 question. This relates to something that a lot  
23 of Pennsylvanians are unaware of. Are you aware  
24 that the Commonwealth of Pennsylvania is  
25 authorized to sell your Social Security number?

1 MR. BOYD: No, sir.

2 REPRESENTATIVE ROBINSON: You need to  
3 check on that. Many Pennsylvanians are unaware  
4 that their Social Security numbers are being sold  
5 by the Commonwealth of Pennsylvania. Contact the  
6 Department of Transportation and ask them have  
7 they sold your Social Security number lately. I  
8 think you'll be surprised.

9 That's why I said in my testimony the  
10 issue we're trying to address in 2114 will  
11 require the cooperation of a lot of people. This  
12 is not an attempt to pick on any one segment of  
13 the society.

14 Part of what happened to you is that you  
15 and your wife and everybody in this room is  
16 vulnerable to the same thing going on. I  
17 wouldn't doubt there's somebody in this room  
18 today whose Social Security number is being used  
19 by someone without authorization.

20 Probably the only reason you're not out  
21 of this room worrying about it is you don't know  
22 about it. It's like termites in your house. You  
23 will find out when you apply for credit.

24 Or if you don't have the savvy to find  
25 out how you correct bad credit that might be in

1       your name -- some people as I understand are  
2       savvy enough to get their situation corrected.  
3       I'd like to find those people, get that savvy,  
4       and put it in a bottle and use it for some of the  
5       poor souls out here who are being victimized.

6               MR. BOYD: Let me know when you do.

7               REPRESENTATIVE ROBINSON: I will do  
8       that. One last quick question if I might. Do  
9       you have any suggestions as to what issuers of  
10      credit can do when they are issuing credit that  
11      may help them to establish the validity and  
12      credibility of people that they're issuing credit  
13      to that perhaps they're not doing now?

14              MR. BOYD: The one thing that I've had  
15      experience in are the department stores that  
16      basically we will just sign you up and give you a  
17      credit card and let you make purchases on the  
18      spot with no background check at all.

19              I would think that they would want to do  
20      a little more detailed research up front and find  
21      out exactly who they're dealing with and what  
22      their ability to pay and if they are, in fact,  
23      that person.

24              What would be wrong with calling the  
25      number given or the name or -- I mean, are there

1 ways of associating a Social Security number on a  
2 data base to a name?

3 I mean, if those agencies that this  
4 person, this fraudulent person contacted and  
5 established credit, if they would have just taken  
6 the time to see, does this Social Security number  
7 match this person whose name I have on my  
8 application.

9 REPRESENTATIVE ROBINSON: I thank you  
10 for your testimony. Let me give you and  
11 everybody just one practical experience I had  
12 with this. And I use my situation because I know  
13 it best.

14 Again, as Chairman Clark said, we're  
15 just beginning this process; and so I think it is  
16 appropriate for us to get accurate information  
17 also real life situations: What is actually  
18 happening to people, not what we think, not what  
19 the law says; but what actually happens to  
20 people.

21 I went into a Lord and Taylor store in  
22 Philadelphia at their grand opening last summer.  
23 They were issuing credit cards on the spot. You  
24 signed up, they gave you a little travel bag, and  
25 they told you to go upstairs on the second floor

1 and they would verify whether or not you could  
2 immediately start purchasing.

3 So there was some process in place. I  
4 didn't know what that was. But I went upstairs  
5 to the second floor and there was a line of  
6 people. Some people were rejected; some were  
7 accepted.

8 Those that were rejected were told,  
9 We're unable to provide you with credit at this  
10 point. You won't be able to shop today. In my  
11 case, I wasn't but others were told, You're  
12 approved.

13 Now, there were two clerks behind the  
14 desk. They seemed to be working at some kind of  
15 computer. When I applied, they told me that I  
16 would be unable to secure credit at that point  
17 and that what I needed to do was wait until their  
18 central office contacted me.

19 Well, I found out I'd say may be two  
20 weeks later, Central Office in Cleveland, they  
21 sent me a letter indicating that the reason my  
22 credit with Lord and Taylor could not be approved  
23 on the spot or at any time was because -- and I  
24 believe it was TRW that they used as a reference  
25 point -- indicated that there was something in my

1 credit file that indicated that I was not a  
2 worthy applicant.

3 Now, it should be noted that during this  
4 period of time that I applied I was still in the  
5 process of trying to resolve the issue of my  
6 credit status. And so I wasn't surprised when I  
7 was turned down in the store.

8 I then became more concerned about what  
9 process they actually were using because there  
10 were some people with me, one of whom I know for  
11 a fact used information that was not accurate.  
12 They don't even live in this state.

13 They called me one day and said, Guess  
14 what? I got a credit card from Lord and Taylor.  
15 And I said, okay. Good. You're a good credit  
16 risk. I says, You know I didn't get mine. I  
17 told him why. I said, okay, I understand that.

18 But he said, What you don't understand  
19 is I didn't give them accurate information. And  
20 then I said to them, What did you do with the  
21 credit card? They said, I returned it, which is  
22 what they should have done. They returned it.

23 What they were actually trying to get,  
24 ladies and gentlemen, was the travel bag. And  
25 that's why they gave the false information. In



1       that instance, they were not attempting to engage  
2       in fraudulent activity. They were simply trying  
3       to get the free travel bag.

4                But Lord and Taylor may have left itself  
5       open to being victimized by somebody who may  
6       have gone ahead, run up a lot of credit debt,  
7       walked away from it, and guess who's going to  
8       pay? The people who go into Lord and Taylor and  
9       buy shoes and dresses. Because I guarantee you  
10      Lord and Taylor probably upped the price.

11               And that's not a criticism of them. I  
12      suspect that they have to do that. We all know  
13      about insurance fraud and we're told that  
14      insurance fraud costs those of us who are not  
15      engaged in it.

16               How is it costing us who are not engaged  
17      in it? The insurance companies tell you, We  
18      upped your prices. Help us stop insurance fraud.  
19      I'm saying to the retail industry and the banking  
20      industry, help stop the fraud. Help us treat  
21      good customers the way they should be treated.  
22      Good customers are being treated badly.

23               And I thank you, Mr. Boyd, and your wife  
24      for your testimony.

25               MR. BOYD: Thank you.



1 Pennsylvania on legislative issues that impact  
2 our industry.

3 Before I get into the rest of my formal  
4 testimony, I'd really like the opportunity to  
5 address some of the concerns that have already  
6 been raised here today.

7 Perhaps I can lend a little bit of a  
8 firsthand perspective as to what at least  
9 Boscov's in their instant credit environment does  
10 to help protect ourselves and Pennsylvanians from  
11 credit card fraud.

12 Typically when we go into a new store  
13 opening or in an existing store, we will take  
14 what we call an express application. It lists  
15 things like name, address, social, date of birth.  
16 There's a place for the co-applicant. That data  
17 is entered into a front-end processing system  
18 where we do some very basic validity checks.

19 We then ship that information out  
20 typically to either Trans Union or Equifax where  
21 a substantial number of validity checks are  
22 performed to determine whether or not the address  
23 that has been entered, specifically the house  
24 number and the zip code, matches one of the  
25 addresses or former addresses contained in the

1 Bureau; whether or not the Social Security number  
2 is substantially the same as that for the  
3 individual attempting to obtain credit.

4 In addition to that, we actually  
5 purchased three different scores: One that  
6 determines the probability of an account going to  
7 either write-off or bankruptcy; one that ranks net  
8 worth; and one that determines the propensity to  
9 use retail credit cards.

10 All of those scores are opposed on  
11 three-dimensional matrix and the decision is made  
12 to either approve or decline the application. In  
13 addition to all of that process, the address  
14 entered, the Social Security entered, the name  
15 entered are run through a number of Bureau-based  
16 checks like Safe Scan that looks at the address  
17 to determine if it's a mail drop or has been used  
18 fraudulently, that looks at the telephone number  
19 if that's been entered and transmitted to see if  
20 that's been used fraudulently, to see if the  
21 address is perhaps a prison or a mental  
22 institution.

23 There are an entire series of checks.  
24 In addition to that, the Credit Bureau itself  
25 maintains a fraud victim indicator flag on the

1 file. If that is set, the instant credit will  
2 not be approved.

3 There are, in fact, eight separate flags  
4 that cause us to go through additional processing  
5 even if that Credit Bureau meets our normal  
6 credit criteria. There are indicators that there  
7 is something unusual between the information that  
8 was entered and the information that the Bureau  
9 contains. And we will not approve instant credit  
10 in that case.

11 Assume that all of those criteria have  
12 been satisfied, our response is sent back to  
13 either the clerk or our credit central personnel.  
14 And in the case of an instant application, we  
15 verify picture ID.

16 I think in some cases in New Jersey  
17 there are not always picture IDs because in  
18 Jersey some of the older New Jersey driver's  
19 licenses I don't believe have pictures, so we  
20 verify the physical description of the  
21 individual.

22 But we accept state-issued driver's  
23 licenses, nondriver's licenses, passports,  
24 military ID, and that's about it. And that ID  
25 must match the physical description of the person

1 and the information that is on the application  
2 before we will complete the transaction and offer  
3 that credit card.

4 So at least from Boscov's  
5 standpoint -- and I believe that I can speak for  
6 the huge majority of the retailers -- there are  
7 substantial safeguards in place to protect not  
8 only ourselves but Pennsylvanians from identity  
9 fraud.

10 One of our biggest nightmares is when  
11 there is identity fraud. It is an administrative  
12 nightmare for us to try to pull the application  
13 and try to help sort out exactly what it is that  
14 has happened. It's very, very costly for us to  
15 try to help our customer that has been  
16 legitimately the victim of identity fraud sort it  
17 out.

18 And we do, by the way, help our  
19 customers in sorting this out. If a customer  
20 contacts us and indicates that they've never  
21 opened the account that they've received a bill  
22 for or that's appeared on their Credit Bureau  
23 report, we'll pull the application, make a copy  
24 of it, send it to them so that they can verify  
25 the signature on it.

1           If they don't respond to us and say, no,  
2           this is not my signature -- because in about 80  
3           percent of the cases we actually find that yes  
4           they did sign up for that tote bag or whatever it  
5           is and have simply forgotten that they did.

6           It may have been two years ago that they  
7           signed up and never used the card, simply cut it  
8           up and threw it away. In the cases that they  
9           said, no, this is not my signature, we will then  
10          send a Fraud Affidavit out to them.

11          They respond with it to us, we notify  
12          them of the appropriate procedure to contact the  
13          credit bureaus and attempt to straighten out  
14          their Credit Bureau report.

15          We will also then forward that to our  
16          security division who will intercede on the  
17          customer's behalf with a local law enforcement  
18          agency or the appropriate law enforcement agency  
19          to try to help our customer.

20          They are after all our customers. And  
21          if we're involved in a situation, we certainly  
22          want to help them straighten that out.

23          CHAIRPERSON CLARK: Excuse me. All  
24          those checks while that person's waiting to take  
25          their tote bag --

1           MR. SHEAFFER: It takes under 30  
2 seconds, yes, sir.

3           REPRESENTATIVE ROBINSON: If I might,  
4 since you deviated from your testimony, let me  
5 ask a couple quick questions. First let me say I  
6 have a Boscov's credit card and I use it  
7 frequently.

8           MR. SHEAFFER: Excellent.

9           REPRESENTATIVE ROBINSON: But I was a  
10 bit anxious when I started having credit  
11 problems that Boscov's and other creditors,  
12 because I still do have some credit cards, would  
13 in fact deny me credit.

14           I had that happen in one instance with  
15 a local department store where they denied me  
16 additional, continued credit after I had been a  
17 good customer for more than 35 years, never  
18 missed a payment, didn't owe them any money.

19           In my case, they summarily discontinued  
20 servicing me; never informed me; and when I went  
21 in to get that friendly service, was told by one  
22 of the executives, We'll take care of it. And to  
23 this day, to this day they haven't contacted me;  
24 and they're a constituent of mine. We have a  
25 problem. They evidently aren't like Boscov's.



1           That's another issue. Let me ask about  
2 this procedure that you put in place. You  
3 suggested that the vast majority of retailers  
4 similar to Boscov's have the same procedure.

5           Are you prepared to tell this Committee  
6 that, in fact, the procedure that Boscov's has  
7 which appears to be substantive and substantial  
8 is the procedure that is used by the majority of  
9 retailers in Pennsylvania who are in the same  
10 type of business as you?

11           MR. SHEAFFER: Every retailer has their  
12 own set of procedures, their own set of criteria,  
13 their own set of underwriting standards.  
14 Retailers use their credit for portfolios in fact  
15 in a couple of different business fashions.

16           One example that I can think of, Kohls,  
17 who's recently come into our area, is using  
18 their credit portfolio not so much as a  
19 profit center but rather to drive sales, strictly  
20 to drive sales. And they base theirs on a  
21 break-even profit. Boscov's tries to make a  
22 little bit of money on their credit portfolios.

23           Our interest rates are different than  
24 Kohls might be and Bon Ton's interest rates are  
25 different than what Boscov's are; and therefore,

1       underwriting standards, our credit approval  
2       criteria is different.

3               Not to say that one is better or worse  
4       than the other. But I think it is fair to say  
5       that all of us are very interested in preventing  
6       credit card fraud. It is, as I said, an  
7       administrative nightmare; it's extremely costly  
8       from our perspective.

9               So although the underwriting standards  
10       may be different and in fact the fraud prevention  
11       standards may be different, we all have the same  
12       focus, to prevent credit card fraud.

13               REPRESENTATIVE ROBINSON: Let me ask  
14       another couple quick questions as a follow-up.  
15       Would you be opposed in your organization if we  
16       took the procedure that you outlined that  
17       Boscov's uses to prevent credit card fraud as  
18       best you can and carved it in stone and put it in  
19       law and said you have to do this?

20               MR. SHEAFFER: Yes, I would.

21               REPRESENTATIVE ROBINSON: Okay. I'll  
22       get back to it later on. Also, Mr. Boyd  
23       suggested in his attempt to straighten out his  
24       situation -- he did not necessarily mention  
25       Boscov's or a store like you. I want to clarify

1 that -- the information which you just gave to me  
2 which you said this procedure is used by at least  
3 Boscov's and similar retailers, is this  
4 information available to the public?

5 For example, would Mr. Boyd or  
6 Mr. Robinson or Mr. Dermody or Mr. Clark have  
7 known this? Does Boscov's tell me when I go in,  
8 I'm protecting you the customer; and here's what  
9 I'm doing?

10 Because when I look over that instant  
11 credit line, from what I understand, folks want  
12 the tote bag. But also the first thing that's  
13 running through my head is somebody in that line  
14 may have my credit card number and you may issue  
15 them credit.

16 MR. SHEAFFER: We do not make a  
17 general public statement of our credit policies  
18 and procedures. We're a privately-owned company  
19 and, in fact, our procedures change. The reason  
20 that I'm opposed to carving the procedure into  
21 stone is that our procedures change on maybe a  
22 monthly basis.

23 We try to structure ourselves and be  
24 responsive to changes in what people trying to  
25 commit fraud are doing and to changes that the

1 Credit Bureaus are making, as you've said,  
2 Representative.

3 There are many, many, different entities  
4 involved from the DMV to the Credit Bureaus, and  
5 we try to be as responsive as we possibly can to  
6 those changes and we constantly update our  
7 policies and procedures in an attempt to do a  
8 better job in underwriting and a better job of  
9 protecting ourselves and customers against fraud.

10 REPRESENTATIVE ROBINSON: Two other real  
11 quick questions: One, What is the source of the  
12 information that you utilize and the Credit  
13 Bureau utilizes and your computer utilizes to  
14 determine if anyone is credit worthy?  
15 Where do you get that information?

16 MR. SHEAFFER: The information is  
17 derived primarily from the Credit Bureaus; and  
18 the Credit Bureaus derive their information  
19 primarily from credit grantors and public  
20 records, things like bankruptcy courts and the  
21 other various court systems throughout the  
22 Commonwealth or in other states their court  
23 systems.

24 Those are the two primary sources of  
25 information. Perhaps the Credit Bureaus -- I

1 believe that they're going to testify at some  
2 point. Perhaps they can better describe other  
3 elements that they incorporate in their Credit  
4 Bureau.

5 REPRESENTATIVE ROBINSON: One last  
6 question: If I use Mr. Clark's -- Representative  
7 Clark's Social Security number, is it possible I  
8 could get credit in his name?

9 MR. SHEAFFER: Not in our instant credit  
10 process.

11 REPRESENTATIVE ROBINSON: At Boscov's?

12 MR. SHEAFFER: At Boscov's.

13 REPRESENTATIVE ROBINSON: Is it possible  
14 somewhere else that I might be able to do that?

15 MR. SHEAFFER: I can't exclude that  
16 possibility. Somewhere else is pretty broad.

17 REPRESENTATIVE ROBINSON: Thank you.

18 MR. SHEAFFER: If I can continue with  
19 the testimony, I'd like to thank the Committee  
20 for the opportunity to express the PRA's deep  
21 concern with House Bill 2114.

22 The PRA believes the Bill is duplicative  
23 of the Federal Fair Credit Reporting Act, The  
24 FCRA, in many areas and is entirely unnecessary  
25 in light of the current legislative and business

1 environment.

2 In order to understand our opposition to  
3 this Bill, a brief overview of the FCRA is  
4 required. The FCRA has been in place for  
5 decades. This law was effectively amended as  
6 recently as October 1, 1997.

7 The Federal Trade Commission  
8 acknowledges that under the statute millions of  
9 credit reports are issued every year. Federal  
10 investigators report that the complaint rate for  
11 credit reporting issues is less than 1/10th of 1  
12 percent of all issued credit reports.

13 To put these same numbers in terms of my  
14 personal experience, in February of this year,  
15 Boscov's reported our experience with over  
16 900,000 customers to the three major credit  
17 reporting agencies.

18 In the same month, we received only 41  
19 disputes through the Automated Consumer Dispute  
20 Verification System. And this system is set up  
21 to ensure that if a creditor makes a change in a  
22 consumer's credit record all three agencies are  
23 updated immediately.

24 Of the 41 disputes, changes were made to  
25 26 consumer credit records. Assuming that all of

1 the changes were actually errors in reporting,  
2 this equates to an error rate very similar to  
3 what the FTC reported.

4 Boscov's handled 93 percent of these  
5 disputes within ten days of receiving them and  
6 100 percent within 30 days. Even given the  
7 extraordinarily low number of credit reporting  
8 errors and complaints, the FCRA provides  
9 significant consumer protections in the event  
10 that an error goes unresolved.

11 Both the consumer and the FTC may bring  
12 action against a consumer reporting  
13 agency and a furnisher of incorrect information.  
14 It should also be noted that as of October 1,  
15 1997, the States' Attorney General may enforce  
16 the FDCR.

17 This provision already gives  
18 Pennsylvania the right to directly enforce a  
19 statute that is nearly identical to the proposed  
20 legislation. In addition to these legislative  
21 issues, there are common sense business reasons  
22 why HB 2114 is unnecessary.

23 Consumer reporting agencies are in  
24 business to provide creditors, insurers, and  
25 others with individual consumer information on

1 which decisions to lend money, extend credit, or  
2 issue insurance are based.

3 A creditor or insurer pays the reporting  
4 agency for this information. There seems to be  
5 an underlying assumption that consumer reporting  
6 agencies and credit grantors are at best  
7 unconcerned if erroneous data that adversely  
8 affects our customers is contained in their  
9 credit reports.

10 Nothing could be further from the truth.  
11 We are in the big business of selling goods and  
12 services. In order to sell our goods, we are  
13 also in the business of extending credit.

14 As credit grantors, we could not and  
15 would not tolerate the reporting agencies  
16 providing erroneous information that prevented  
17 us from lending our customers the money they need  
18 to make purchases in our stores. If we were to  
19 do so, we would quickly be out of business.

20 Consumer reports are the raw material of  
21 the credit industry. Our end products are the  
22 loans that we make. As in the steel industry  
23 where the quality of the final forging is  
24 dependent upon the quality of the raw ore, the  
25 quality of our loan portfolios are dependent upon



1 the quality of the Consumer Reports that we  
2 purchase.

3 To survive, we must and do demand the  
4 best information that we can obtain. With the  
5 low margins in the retail industry, we need  
6 every sale we can make. We could not continue to  
7 do business with a reporting agency that kept  
8 us from making sales because they provided us  
9 with incorrect consumer information.

10 In addition to the requirements of the  
11 FCRA, there already exists a simple, common sense  
12 business mechanism that makes HB 2114  
13 unnecessary.

14 In conclusion, the concept of providing  
15 Pennsylvanians the protection and recourse for  
16 correcting erroneous personal information  
17 maintained by consumer reporting agencies is  
18 good; however, HB 2114 is duplicative of the FCRA  
19 and unnecessary.

20 The FCRA and underlying business  
21 realities ensure that consumers are protected  
22 from and have significant legal rights to address  
23 errors in their credit reports.

24 The Pennsylvania Retailers Association  
25 urges the Committee to oppose HB 2114. I thank

1 you, Chairman Clark and Members present, for your  
2 time and the opportunity to present testimony in  
3 opposition to HB 2114. At this time, I would  
4 like to answer any questions the Committee may  
5 have.

6 CHAIRPERSON CLARK: Thank you very much.  
7 You indicated that you had experiences with over  
8 900,000 customers and that there were 41  
9 disputes.

10 Can you go through that process of how  
11 you received or become aware of a dispute and  
12 then you indicated some changes were made in  
13 those records or in your records? Could you go  
14 through that with us?

15 MR. SHEAFFER: Absolutely. We actually  
16 made changes in the month of February to 26  
17 individual consumer's records. The primary way  
18 that we are notified that a consumer's disputing  
19 a particular trade line that Boscov's is  
20 reporting -- trade line is basically our report  
21 of how the consumer has paid Boscov's -- is  
22 actually through one of the Credit Bureaus.

23 The consumer has either been denied  
24 credit or has requested a copy of their credit  
25 bureau and says this is not my credit record, but

1 the credit record is incorrect in some fashion.

2 CHAIRPERSON CLARK: So you use these  
3 Credit Bureaus in two ways: No. 1, to get  
4 information from them; and No. 2, you provide  
5 information to them on accounts that are dubious?

6 MR. SCHAFFER: Precisely -- no. No. We  
7 actually provide them records on all accounts.  
8 Whether they pay on time or pay late, we simply  
9 report our experience with those accounts.

10 CHAIRPERSON CLARK: So in these  
11 instances, you made a report and a customer got  
12 their credit report and question why is Boscov's  
13 on this?

14 MR. SHEAFFER: Or why is Boscov's  
15 reporting this particular information; I disagree  
16 with what they are reporting.

17 CHAIRPERSON CLARK: Okay.

18 MR. SHEAFFER: And the major reason that  
19 Boscov's changes our credit report is when we  
20 determine that there is something that was beyond  
21 the consumer's control, particularly in  
22 processing -- we process a little bit over on  
23 average of a million dollars' worth of payments  
24 every day of the year.

25 And there are times when either the mail

1 is delayed or a payment may be applied to an  
2 incorrect account or the payment may be processed  
3 in an incorrect amount.

4 If we are able to determine that -- and  
5 we are through the microfilming process at Core  
6 States, who is our processing bank -- if we  
7 determine that it is something that was beyond  
8 the consumer's control and that we have reported  
9 the consumer as being past due, we will change  
10 the report to reflect that they were not because  
11 it was clearly beyond their control.

12 CHAIRPERSON CLARK: Now, you also  
13 indicated that this House Bill duplicates the  
14 federal statutes. And my question is, Well, why  
15 can't we just adopt this as a state law? It's  
16 very similar to the federal law. Why can't the  
17 state just adopt that as is?

18 MR. SHEAFFER: Well, the Bill is in part  
19 duplicative; but there's also a number of  
20 provisions in HB 2114 that are inconsistent with  
21 the federal bill and which are unworkable.

22 For example, in section 103, the  
23 definition of Item of Information is unworkable  
24 because an information entry maybe be used by  
25 different creditors in different ways.

1           One creditor may decide to deny credit  
2           on an entry and another may choose to extend the  
3           credit. Again, every creditor has their own  
4           underwriting criteria.

5           In section 201 (c) 2 2, it's also  
6           unworkable. How can a nonunique identifier be  
7           used to verify the identity of the consumer?  
8           That seems to be internally illogical.

9           The ability to give consumers the right  
10          to block their Credit Bureau file due to possible  
11          fraudulent use of the Credit Bureau report is  
12          fine in theory. However, as a practical matter,  
13          the consumer reporting agencies already alert  
14          creditors to known fraudulent use of credit  
15          files.

16          PRA believes that these provisions which  
17          create an administrative nightmare for consumers  
18          and the reporting agencies. Could consumers  
19          intentionally block legitimate negative data?  
20          How is a creditor to decide if a consumer should  
21          have known that he obtained goods, services, or  
22          monies as a result of a blocked transaction?

23          What would happen if a consumer had  
24          requested that their report be blocked but then  
25          needed access to credit in an emergency

1 situation?

2 Creditors regularly obtain Credit Bureau  
3 data for account management purposes -- we call  
4 them credit scores -- as often as every three to  
5 six months.

6 And in that periodic review, we try to  
7 determine whether there is a need for an  
8 additional extension of credit for our customers  
9 and, if so, grant it without their having to ask  
10 for that.

11 Would the consumers be aware that if  
12 they blocked their Credit Bureau report that they  
13 would no longer be eligible for this kind of  
14 process? While section 204 deals with in-person  
15 and mail-in application, no provision is made for  
16 telephone or electronic applications.

17 It is also unclear how a creditor might  
18 contact the person to whom an extension of credit  
19 would be mailed to verify an address change.

20 In section 207, consumer reporting  
21 agencies are prohibited from furnishing consumer  
22 reports within 30 days of an address change  
23 unless the consumer has been contacted and has  
24 verified the address change.

25 Nationally about 20 percent of all

1 consumers move every year. Often additional  
2 credit for household needs is required after a  
3 move.

4 Will the reporting agencies be able to  
5 mail a verification form, have the consumer mail  
6 a response to the form, and update their  
7 records with address information prior to the  
8 consumer needing this additional credit?

9 Can you imagine the consumer confusion  
10 in being denied credit because their credit data  
11 could not be accessed in a timely fashion? Those  
12 are just some of what the PRA sees as unworkable  
13 provisions in HB 2114.

14 CHAIRPERSON CLARK: I guess from a  
15 technical standpoint, why, we'll need to look at  
16 those sections and see if we can't address some  
17 concerns with regard to those.

18 Also my understanding is -- and we're  
19 going to hear from the Attorney General's Office  
20 hopefully in a few minutes. But my understanding  
21 and I believe your understanding is that the  
22 Attorney General's Office does have the power to  
23 intercede in these matters.

24 And if you could describe that or any  
25 experience you may have had with their office in

1       this area --

2               MR. SHEAFFER: We actually do deal with  
3       the Attorney General's office on a -- I wouldn't  
4       call it a regular basis. But we probably receive  
5       maybe six pieces of correspondence a year, maybe  
6       slightly more than that, dealing with everything  
7       from our collection practices to potential FCRA  
8       issues.

9               And we work -- when there is a consumer  
10       that has a question, has gone to the Attorney  
11       General, we certainly want to resolve, to fix  
12       whatever may be wrong. Again, they are our  
13       customers.

14              And even if for whatever reason they  
15       can't be our credit customers, we want them to  
16       continue to be our cash customers and our check  
17       writing customers. It just makes common, good  
18       business sense to try to handle these customers  
19       in the best way that we possibly can and the most  
20       sensitive way that we possibly can.

21              To directly answer your question, I  
22       actually have copies of section 621 (c) 1 of the  
23       Federal FCRA that I'd be more than happy to give  
24       to you. It is my belief that that clearly  
25       empowers the chief law enforcement officer of the



1 state to enforce the provisions of the FCRA.

2 And while I'm not an attorney, I think  
3 it is very, very clear-cut. I'd be happy to give  
4 that to you. And perhaps it is -- as  
5 Representative Robinson I think alluded to,  
6 perhaps it's a matter of educating the  
7 Pennsylvanians that they have access to the  
8 Attorney General.

9 Certainly some of them know this; some  
10 of them understand this because we do get  
11 correspondence. And perhaps it's an educational  
12 issue more than a legislative issue.

13 REPRESENTATIVE DERMODY: Just one, maybe  
14 a comment. It just seems that if you listen to  
15 the Boyd case if somebody has a problem that they  
16 didn't cause, they had absolutely nothing to do  
17 with it, they wake up one day and their credit's  
18 ruined, they've got reports out there and aliases  
19 they've never had, it seems the complete burden  
20 is now on them to correct this whole situation.

21 So their lives are disrupted for months.  
22 They don't have credit and they've got  
23 significant problems that bears on them and yet  
24 it's all on them.

25 I don't know if this Bill is an answer,

1 but there's got to be something done to relieve  
2 somebody who has done nothing wrong. And those  
3 that have done everything wrong are out using  
4 their numbers, getting credit, and everything  
5 else.

6 To me -- and I don't know. If I don't  
7 have an answer; I don't know if you do. But it's  
8 frustrating for me to hear that. And I  
9 understand your problems.

10 But the process of correcting to me is  
11 one that needs to be changed, fixed, or something  
12 because the process of correcting as far as I can  
13 tell and the people that have come to my office  
14 is not that easy.

15 MR. SHEAFFER: Again, I'm not sure that  
16 I have a clear answer either; but I think that  
17 most businesses understand how valuable their  
18 customers are.

19 We have a very, very clear process place  
20 to try -- even though the crime of credit card  
21 fraud has been committed against the consumer,  
22 our customer, not Boscov's, we feel that because  
23 we are involved at least tangentially in this  
24 process that it's our obligation to try to assist  
25 our customer in any way that we can.

1                   And that's why we send them the Fraud  
2 Affidavit, that's why we forward it to our  
3 security division to try to work with the  
4 customer and the appropriate law enforcement  
5 agent to try to resolve this.

6                   And sometimes, probably many times it  
7 doesn't perhaps get resolved as quickly as  
8 possible. I guess particularly when you get into  
9 the larger cities the law enforcement agencies  
10 have I guess what they consider to be more  
11 important things to do than that.

12                   I'm not sure how to solve that problem.  
13 All that I can say is that we as businesses  
14 understand and try to help our consumers in any  
15 way that we can.

16                   And not to speak for the Credit Bureaus,  
17 but my experience with the Credit Bureaus is that  
18 when consumers go to them they also do their  
19 very, very best to try to sort the matter out  
20 with the creditors and to -- and Mr. Boyd has  
21 even said I believe that although it took him  
22 some time and there were a number of entities  
23 involved -- the court system, the credit bureaus,  
24 and the creditors -- that finally his Credit  
25 Bureau report was rectified.

1                   Probably not in as timely a fashion as  
2                   he or anybody would like to see. But I'm not  
3                   sure exactly how to solve that problem either. I  
4                   don't think that this Bill perhaps quite  
5                   addresses the underlying problem.

6                   CHAIRPERSON CLARK: I think what keeps  
7                   going through my mind is that I'm sitting here  
8                   and I don't know if my credit rating is any good  
9                   or not until I go to your store and try to get  
10                  that free tote bag.

11                  So I might be blissfully walking through  
12                  life here thinking that I'm in good shape and  
13                  maybe I'll have to go in and have you run that  
14                  30-second check on me.

15                  MR. SHEAFFER: Happy to do it.

16                  CHAIRPERSON CLARK: Thank you very much,  
17                  Mr. Sheaffer. We're going to take a break now  
18                  for our stenographer.

19                  (At which time, a brief break was taken.)

20                  CHAIRPERSON CLARK: Okay. Our break is  
21                  over. I'd like to welcome Representative Mark  
22                  Cohen to the panel. Mark has just gotten here,  
23                  and we're certainly glad that he was able to make  
24                  the trip to Pittsburgh to be with us today.

25                  And if Steve Burik is here, he is from

1 the Associated Credit Bureaus and we'd like him  
2 to offer his testimony. Good morning.

3 MR. BURIK: Good morning, Chairman  
4 Clark. I have a copy of my testimony in the blue  
5 packet. My actual testimony as on the left-hand  
6 side and some of our responses in writing on the  
7 right-hand side.

8 Thank you, Chairman Clark and  
9 Representative Robinson and other Committee  
10 Members. My name is Steve Burik. I'm the Vice  
11 President of area sales for Trans Union in the  
12 Pittsburgh office.

13 Trans Union is a primary repository of  
14 consumer data offering a range of information  
15 services including nationwide credit  
16 information.

17 We have two credit reporting divisions  
18 in Pennsylvania. In addition to my office in  
19 Pittsburgh, we have a facility in Springfield,  
20 which is outside of Philadelphia, that houses  
21 another sales division along with our national  
22 Consumer Relations Department and our eastern  
23 regional offices.

24 Trans Union and its affiliates employ  
25 approximately 800 people in the State of

1        Pennsylvania. I appreciate the opportunity to  
2        provide Trans Union's views on House Bill 2114.  
3        My comments now are intended to supplement the  
4        written statement that has been provided to the  
5        Committee.

6                    Concerns about privacy and the problems  
7        of consumers who have been victims of identity  
8        theft have led to drafting of legislation like  
9        House Bill 2114. These proposals are well  
10        intentioned but impractical.

11                   They will only serve to choke off the  
12        availability of consumer credit without providing  
13        prudent solutions to privacy and security  
14        concerns.

15                   Trans Union recognizes that there is a  
16        balance between the availability of credit  
17        information and the improper access to such  
18        information that can infringe on consumers'  
19        expectations of privacy.

20                   Perhaps Trans Union has adopted  
21        stringent privacy protocols and established the  
22        Fraud Victim's Assistance Department which we  
23        spent over a million dollars per year in  
24        assisting consumers on an annual basis to address  
25        concerns over privacy and identity theft.

1                   These protocols protect the  
2                   confidentiality of personal credit information  
3                   contained in our data base. Access to this  
4                   information is limited to companies that have  
5                   legal permissible purpose to receive it.

6                   When information from the data base is  
7                   supplied, we limit the type of information we  
8                   disclose to our customers based on the balance  
9                   between their needs, permissible purpose, and the  
10                  likely consumer benefit.

11                  We believe that consumers should have  
12                  the right to make informed decisions about the  
13                  use of their personal data, including the right  
14                  to be removed from direct marketing lists.

15                  Consumers have the right to choose, if  
16                  they want, the opportunity to shop at home,  
17                  evaluate competing consumer credit offers, or  
18                  receive other types of promotions in the mail.

19                  At every consumer contact, we notify  
20                  consumers of their right to have their names  
21                  removed from Trans Union's lists. We also  
22                  encourage our customers to do the same. We  
23                  provide an address and a toll-free number that  
24                  consumers can use to opt out.

25                  Trans Union's Fraud Victim's Assistance

1 Department has a program designed to prevent  
2 further fraud and to restore the credit file to  
3 its accurate state.

4 To accomplish this, we add a consumer  
5 fraud statement to the credit file; secondly, we  
6 remove the victim's name from mailing lists; and  
7 third, we highlight recent inquiries and/or  
8 accounts suspected of fraud.

9 After verifying the identity of the  
10 consumer, we will mail the credit file to the  
11 consumer along with educational materials on how  
12 to prevent future fraud. Additionally, we notify  
13 joint victim credit grantors.

14 We also maintain a data base of fraud  
15 information which contains fraud addresses, fraud  
16 telephone numbers, and fraud Social Security  
17 numbers. And we investigate any disputed credit  
18 information to restore the credit file to its  
19 accurate state.

20 House Bill 2114 is a duplication of  
21 existing federal law and industry practice. Its  
22 goals are laudable, but the implementation of  
23 House Bill 2114's provisions would hinder  
24 consumers' ability to get credit without a  
25 corresponding benefit to consumers.



1           House Bill 2114 lacks sensitivity to  
2           the balance between security, privacy, and the  
3           availability of fast, accurate consumer credit  
4           history information.

5           Trans Union is committed to working with  
6           legislators, customers, competitors, and  
7           consumers to ensure that the privacy and security  
8           of consumer credit information is continually  
9           balanced with the demand for instant access to  
10          credit.

11          I thank you for this opportunity to  
12          present testimony in opposition to House Bill  
13          2114 and I will answer any questions that the  
14          Committee Members have to the best of my  
15          abilities. Thank you.

16          CHAIRPERSON CLARK: We thank you. Do  
17          you have any numbers on the number of individuals  
18          your Fraud Victim's Assistance Program would help  
19          in any one year?

20          MR. BURIK: Yes. We average  
21          approximately 40,000 inquiries per month where  
22          consumers are either notifying us of they lost  
23          their wallets or they want to put a consumer  
24          statement on their file notifying other credit  
25          grantors of potential fraud.

1                   But of those 40,000 monthly inquiries,  
2 actual victims of identity fraud averages around  
3 10 percent of those 40,000.

4                   CHAIRPERSON CLARK: So that's about  
5 4,000 a month?

6                   MR. BURIK: 4,000 inquiries a month.

7                   CHAIRPERSON CLARK: And I don't know if  
8 you can answer this, but do other companies such  
9 as your own have similar Fraud Victim's  
10 Assistance Programs?

11                   MR. BURIK: I can't speak for my  
12 competitors, but Trans Union was the first bureau  
13 to develop our Fraud Victim Assistance  
14 Department, which has been in place for about  
15 five years now.

16                   CHAIRPERSON CLARK: Who are your other  
17 competitors?

18                   MR. BURIK: Equifax and Experian.

19                   CHAIRPERSON CLARK: And are you the  
20 basic top three or whatever?

21                   MR. BURIK: Yes. This is the three  
22 national credit bureaus.

23                   CHAIRPERSON CLARK: And this program's  
24 been in place for five years?

25                   MR. BURIK: Yes.

1                   CHAIRPERSON CLARK: Representative  
2 Robinson.

3                   REPRESENTATIVE ROBINSON: Thank you,  
4 Mr. Chairman. Mr. Burik, thank you very much for  
5 your testimony. Let me ask you some specific  
6 questions. Let me preface my comments by saying  
7 we've had some explanation today of the way  
8 things should be by those of you who represent  
9 the industry.

10                   Probably if things were that way we  
11 probably wouldn't be sitting here. I can say  
12 that with accuracy not only from my own personal  
13 experience but from the experience of others.

14                   It sounds good, gentlemen; but it don't  
15 work that way and you know it doesn't work that  
16 way. Let me ask a couple questions if I might  
17 that are very specific to how the system actually  
18 works.

19                   The Fraud Victim's Assistance  
20 Department, how would a consumer find out that  
21 you have such an entity?

22                   MR. BURIK: Well, when the consumer has  
23 potential claims of fraud or requests a copy of  
24 their credit report, Trans Union will inform them  
25 that the Fraud Victim Assistance Department

1 exists. And it's based out of California.

2 So and we have 800 numbers available for  
3 the -- to assist the consumer.

4 REPRESENTATIVE ROBINSON: Pardon me.  
5 Would the consumer be able to actually talk to a  
6 person?

7 MR. BURIK: Yes.

8 REPRESENTATIVE ROBINSON: If they called  
9 the 800 number, they could talk to a person?

10 MR. BURIK: Yes, in our Fraud Victim's  
11 Assistance Department.

12 REPRESENTATIVE ROBINSON: Another  
13 question: Who does Trans Union represent?

14 MR. BURIK: Trans Union  
15 represents -- we're the national -- I'm national  
16 Trans Union Credit Bureau.

17 REPRESENTATIVE ROBINSON: Who pays your  
18 bills?

19 MR. BURIK: I'm not sure I understand  
20 your question.

21 REPRESENTATIVE ROBINSON: How do you  
22 function day-to-day financially? How does your  
23 organization function? How do you hire the  
24 people who work in the Fraud Victim Assistance  
25 Department?

1 MR. BURIK: Trans Union is a national  
2 Credit Bureau. We're based out of Chicago. And  
3 for instance, Pittsburgh is one of 30 offices  
4 nationally.

5 REPRESENTATIVE ROBINSON: But who pays  
6 the Bill?

7 REPRESENTATIVE COHEN: Who hires you?

8 MR. BURIK: Well, we have a eastern  
9 regional office out of Springfield, Pennsylvania,  
10 who I report to and then that division reports  
11 nationally to our Chicago headquarters.

12 REPRESENTATIVE ROBINSON: Who pays your  
13 bills?

14 VOICE: Mr. Chairman, for clarification,  
15 I think he --

16 CHAIRPERSON CLARK: Hang on. I guess  
17 they want to know how your company generates  
18 revenues. Would a Boscov's retain you or would  
19 a -- I think maybe is that where we're going?

20 REPRESENTATIVE ROBINSON: That's where  
21 we're headed.

22 MR. BUNTON: If I could just get on the  
23 record I'm Jerry Bunton with Trans Union, and I'm  
24 here to help Steve out.

25 CHAIRPERSON CLARK: All right.

1 MR. BUNTON: Not that he needs help.

2 REPRESENTATIVE ROBINSON: He just needs  
3 an answer.

4 CHAIRPERSON CLARK: A little problem  
5 with the question, but we're on track now.

6 MR. BUNTON: Yes. The people that grant  
7 credit, the stores, the Boscov's of the world,  
8 they are the people that are our primary  
9 customers.

10 REPRESENTATIVE ROBINSON: Are there any  
11 other people who are your primary customers?

12 MR. BUNTON: Anybody that grants  
13 credit -- banks -- anyone that needs a credit  
14 file to look at to make a credit decision,  
15 they're Trans Union's primary customer.

16 REPRESENTATIVE ROBINSON: Would it be  
17 fair to say that Trans Union does not represent  
18 the customers who utilize the services of your  
19 primary sponsors?

20 MR. BUNTON: The consumer, the ultimate  
21 person looking for the credit decision --

22 REPRESENTATIVE ROBINSON: Yes.

23 MR. BUNTON: -- they have no direct  
24 relationship with Trans Union, that's true. But  
25 if we're not giving quality information to the

1 credit grantors as was testified to earlier,  
2 they're not going to buy the credit reports from  
3 us.

4 REPRESENTATIVE ROBINSON: The Fraud  
5 Victim Assistance Department -- correct me if I'm  
6 wrong -- the money that pays for its operation,  
7 its staff, et cetera, is provided by potential  
8 grantors of credit who pay you a fee to conduct  
9 this service?

10 MR. BUNTON: To the extent that -- it's  
11 an expense. It's a part of our business. We  
12 don't have a special fund or a special assessment  
13 for the credit grantors; but it comes out of  
14 our -- you know, it's an operating expense.

15 REPRESENTATIVE ROBINSON: Would I be  
16 able to contribute money to Trans Union for your  
17 operation? Could I write you a check?

18 MR. BUNTON: No.

19 REPRESENTATIVE ROBINSON: In other  
20 words, you would not service me?

21 MR. BUNTON: We would service you.

22 REPRESENTATIVE ROBINSON: But I couldn't  
23 write you a check?

24 MR. BUNTON: You couldn't write us a  
25 check. It's already part of the package --

1           REPRESENTATIVE ROBINSON: You're doing  
2 this for the consumer but you represent the  
3 creditors?

4           MR. BUNTON: Correct.

5           REPRESENTATIVE ROBINSON: Okay. Let me  
6 follow-up on this. Credit counseling, does Trans  
7 Union do credit counseling?

8           MR. BUNTON: No.

9           REPRESENTATIVE ROBINSON: You don't do  
10 any credit counseling?

11          MR. BUNTON: No.

12          REPRESENTATIVE ROBINSON: Do any of  
13 your clients, people who sponsor you, do they do  
14 credit counseling?

15          MR. BUNTON: That I don't know.

16          MR. BURIK: There's a local organization  
17 called a Consumer Credit Counseling Service, and  
18 they are spread out throughout the United States.  
19 Here in Pittsburgh there's an organization.  
20 That's what it's called, CCCS.

21          REPRESENTATIVE ROBINSON: Who pays them?

22          VOICE: It's free. It's provided to the  
23 consumer, Representative Robinson --

24          REPRESENTATIVE ROBINSON: Nothing is  
25 free in America. It's actually --



1           CHAIRPERSON CLARK: Okay. Hang on. Our  
2 stenographer only has four arms. Brian.

3           VOICE: What Dean Sheaffer said, it's  
4 provided at no charge by a lot of the local  
5 bureaus; but it's ultimately financed by  
6 creditors as a service to customers.

7           MR. SCHAFFER: Actually what happens is  
8 that the customer through Consumer Credit  
9 Counseling Services makes a hundred-dollar  
10 payment to us, CCCS in turn bills us for a  
11 percentage of that payment in order to support  
12 their services and their counseling of the  
13 customers.

14           REPRESENTATIVE ROBINSON: Is it  
15 correct -- and I realize no one here represents  
16 this organization, at least I don't think there  
17 is, this Credit Counseling Service. Is it  
18 correct and accurate to say that the services  
19 they provide are designed to get consumers to pay  
20 their bills on time?

21           MR. SCHAFFER: I don't --

22           CHAIRPERSON CLARK: I would assume that  
23 that's true.

24           MR. SCHAFFER: I think without speaking  
25 for them it's my perception that their purpose is

1 to help Pennsylvanians, in our case, that are  
2 unable to appropriately structure their finances  
3 to help them negotiate with creditors an  
4 agreement that they can work within a budget that  
5 they can work within and still satisfy the  
6 creditors.

7 And, again, it's the creditors that are  
8 paying for that. It's not to make sure that we  
9 get paid. It's to help those customers that are  
10 in trouble budget their way and work their way  
11 out because they feel the obligation to do that.

12 REPRESENTATIVE ROBINSON: Back to  
13 Mr. Burik, is Trans Union a nonprofit corporation  
14 in the Commonwealth of Pennsylvania?

15 MR. BURIK: No.

16 REPRESENTATIVE ROBINSON: Is Trans Union  
17 a nonprofit corporation?

18 MR. BURIK: No.

19 REPRESENTATIVE ROBINSON: Is Trans Union  
20 a S-2 corporation?

21 MR. BUNTON: I would say no.

22 REPRESENTATIVE ROBINSON: Do either one  
23 of you know the actual legal status of Trans  
24 Union to do business in Pennsylvania?

25 MR. BUNTON: I'm not sure how it's

1 registered to do business in Pennsylvania. It's  
2 headquartered in Chicago, Illinois. I'm not  
3 sure, but it's probably a privately-held  
4 corporation.

5 REPRESENTATIVE ROBINSON: Okay. But the  
6 point I'm getting at is House Bill 2114 and its  
7 amendments speaks to the issue of credit  
8 reporting agencies allowing the consumers of  
9 Pennsylvania to see your financial statements.  
10 So I need to know what your legal status is to  
11 determine if that would be appropriate.

12 I personally think it's appropriate, but  
13 I need to know what your legal status is. That  
14 may preclude --

15 MR. BUNTON: For consumers to see the  
16 financial statements of Trans Union?

17 REPRESENTATIVE ROBINSON: Who pays you?  
18 Who pays your bills? What's your bottom line?

19 MR. BUNTON: I'm not sure.

20 VOICE: -- VP for a company called Trans  
21 Union --

22 THE COURT REPORTER: Sir, could I have  
23 your name, please?

24 MR. CAPALDI: Yes. My name is Anthony  
25 Capaldi, C-A-P-A-L-D-I. I'm group VP for the

1 company. We are a Delaware Corporation licensed  
2 to do business in the State of Pennsylvania.  
3 We're a privately-held corporation. We would not  
4 release our financial figures to you.

5 REPRESENTATIVE ROBINSON: You say you do  
6 not or will not?

7 MR. CAPALDI: We do not release them to  
8 anyone. We're a privately-held corporation.

9 REPRESENTATIVE ROBINSON: Do you pay  
10 taxes in Pennsylvania?

11 MR. CAPALDI: I'm sure we do. I don't  
12 know. I'd be glad to find out for you.

13 REPRESENTATIVE ROBINSON: I'd appreciate  
14 that. Just a couple other quick questions if I  
15 might, and I'm being aggressive because I think  
16 we need to put it on the table who represents who  
17 so that we can determine who's helping who.

18 I think consumers believe that credit  
19 reporting agencies and credit counseling services  
20 are there to assist them. That's probably not  
21 completely accurate. You're probably there more  
22 to assist the people who are paying your bills.  
23 That's probably more accurate.

24 And I base that on the nature of the  
25 business that your sponsors are engaged in: The

1 business of selling services and making a profit.  
2 That's why I said there's nothing free in  
3 America. So I don't believe you're doing this  
4 free. Somebody is paying for it. Someone has to  
5 pay for it. They have to.

6 And I'm simply trying to find out who's  
7 paying the bills and whose bidding are you  
8 actually doing? And I believe that part of the  
9 problem is because you work for the credit  
10 granting agencies, because you work for the  
11 retailers, you don't have an incentive to really  
12 work for the customer.

13 And I think if you did have an incentive  
14 to work for the customer the customer wouldn't  
15 have so much trouble finding out about this Fraud  
16 Victim Assistance and all these other very good  
17 programs you have which are not designed to help  
18 the consumer. They're designed to help the  
19 retailer.

20 Only the retailer has access to this  
21 information. Because the retailer has a vested  
22 interest, as you stated, in making sure that  
23 people are not engaged in fraudulent activities.  
24 But what about the people who have been  
25 victimized by fraudulent activities?

1 I haven't heard anybody who talked about  
2 them except Mr. Boyd, who was victimized. I'm  
3 being very serious about that. Yes, there are  
4 laws in place. But if the laws are not obeyed  
5 and not enforced, then what do we have?

6 Why should Pennsylvania citizens have to  
7 travel to the Federal Trade Commission to resolve  
8 problems in Pennsylvania and why should we have  
9 Delaware corporations operating in Pennsylvania  
10 and Pennsylvania citizens not be protected?  
11 There's something wrong with the picture.

12 And 2114 is an attempt to get at what I  
13 believe is wrong. And one way to get at it is to  
14 find out who represents, who's paying who, and  
15 who is protecting the consumer, the actual people  
16 who are buying the products for which they are  
17 granted credit to purchase.

18 Let me just ask a couple other quick  
19 questions; and I appreciate your indulgence,  
20 Mr. Chairman, and both of you gentlemen. You  
21 mentioned about this Fraud Victim Assistance  
22 Program.

23 If a person, consumer informs you  
24 they've been victimized by fraud, what action is  
25 taken by the Fraud Victim Assistance Department

1 at Trans Union?

2 MR. BURIK: What we'll do is go through  
3 the verification process of the fraud. We'll  
4 get in writing their complaints, their concerns  
5 as well as talk to them over the phone and verify  
6 back to the credit grantor to get the facts and  
7 data to back up, you know, to see if we have a  
8 matching story here.

9 And if that's the case, the consumer  
10 would be assisted at that point. They also have  
11 the ability to add a consumer statement to their  
12 file up to a hundred words on the file which will  
13 notify any other credit grantors that actually  
14 pull the credit file of the consumer so they can  
15 be prewarned that there has some potential fraud.

16 We also have listened to the previous  
17 testimony, this fraud data base of information,  
18 which is called our hot data base which contains  
19 fraud addresses, Social Security numbers, and  
20 current addresses.

21 So our credit granting community can be  
22 prewarned that potential fraud exists out there  
23 on a certain consumer and they can match that  
24 back to their application process.

25 REPRESENTATIVE ROBINSON: Just two other

1 quick questions. I said I'm being very  
2 aggressive because I'm trying to get to what  
3 actually happens, not what you say happens, what  
4 actually happens to people.

5 And I will call that 800 number. I'm  
6 going to see if I can talk to a live person  
7 because to this date, I've never been able to  
8 talk to a live person when I've called  
9 concerning my own personal credit problem either  
10 calling the retailer or calling the credit  
11 reporting agency. Never. Never.

12 I've written and got a response, but  
13 never have been able to talk to a live person.  
14 So this will be a new experience for me, and I  
15 appreciate Trans Union being diligent in that  
16 regard.

17 MR. BURIK: Excuse me, Representative  
18 Robinson. It's important to know from Trans  
19 Union's point of view there is two  
20 separate -- I'm talking about two separate  
21 entities here.

22 Our Fraud Victim Assistance Department  
23 is separate from our Consumer Relations  
24 Department. They both have 800 numbers for the  
25 consumer to talk to, but the Consumer Relations



1       number is actually a recording that you'll get  
2       when they call requesting a copy of their credit  
3       report or if they have a dispute.

4               Trans Union within 48 hours, we will  
5       send out a copy of the credit report. That's all  
6       an automated system, an automated phone system.  
7       But the Fraud Victim Assistance Department is a  
8       totally separate division or department.

9               REPRESENTATIVE ROBINSON: Do you have  
10       that 800 number with you?

11              MR. BURIK: Yes, I do.

12              REPRESENTATIVE ROBINSON: Because I'm  
13       still a victim.

14              MR. BURIK: Sure. It's 800-680-7289.  
15       That's the Fraud Victim Assistance Department.

16              REPRESENTATIVE ROBINSON: I'll get back  
17       to you and let you know if they gave me any  
18       assistance as a victim of fraud. Let me go to my  
19       last question. And I do not presume that either  
20       one of you gentlemen have all the answers, so  
21       don't take this personally.

22              The legal issue: In some instances,  
23       people have gone to court -- and I won't use my  
24       own particular case as a reference -- have gone  
25       to court to try to determine that they indeed did

1 not open up accounts, that they indeed were not  
2 engaged any in any activity that was not within  
3 the purviews of any arrangement they had with a  
4 creditor, that they were not in any way  
5 attempting to defraud a creditor.

6 Many of these people find that once they  
7 get into court they lose not because they don't  
8 have a good case, because, evidently, there is not  
9 in place any standard of evidence that is  
10 acceptable in a court of law at least in  
11 Pennsylvania that a person can meet so that they  
12 can say, I'm not the one.

13 Does your Fraud Victim Assistance  
14 Program at all address or research any legal  
15 actions that consumers have taken to clear their  
16 name and use that information in any fashion that  
17 might help the consumer reestablish the good  
18 credit status that they previously had?

19 MR. BUNTON: I would say basically, no.  
20 We don't get into the legal research or into the  
21 individual case. Basically, we're like the  
22 public library. Whatever result comes from that  
23 we'll put in our data base and report, but we  
24 don't get involved in the particular case that  
25 you might have with your creditor.

1           REPRESENTATIVE ROBINSON: So would it be  
2 fair to say that a person who lost their case  
3 would have that document in their file and that  
4 would simply be further evidence that they're not  
5 credit worthy?

6           MR. BUNTON: That they lost the case?

7           REPRESENTATIVE ROBINSON: Yeah, because  
8 no one's ever won a case. No one that I know of  
9 has ever sued a creditor relative to the issues  
10 that we're talking about here and won a case. If  
11 there is, I'd like to know where it is. Never.

12          MR. BUNTON: Although we do follow  
13 public records, what we're going to talk about is  
14 the integrity of your credit file. And if for  
15 some reason the dispute did not work out between  
16 you and the creditor, if that had worked out, you  
17 wouldn't even need to go to court.

18          If it didn't work out, then we're going  
19 to still report the information that the creditor  
20 gives us. If you win a judgment against a  
21 creditor and straighten that out, then we'll  
22 report whatever information the Credit Bureau  
23 reports to us.

24          REPRESENTATIVE ROBINSON: Okay. So if  
25 the creditor is successful, then you simply

1       verify their success? In other words, you verify  
2       what's already in the court document if they're  
3       successful? If they're not successful, you  
4       verify they're not successful?

5               MR. BUNTON: We'll verify the status of  
6       your credit whether you've paid your debt or not.  
7       We wouldn't really get so much into reporting, you  
8       know, John Smith versus Sears. We wouldn't have  
9       that decision. But we probably have the credit  
10      record that the debt has been paid or forgiven or  
11      what have you.

12              REPRESENTATIVE ROBINSON: Let me ask you  
13      one more question because I don't want to  
14      dominate the time. And I appreciate,  
15      Mr. Chairman, your indulgence.

16              Does Trans Union have any authorization  
17      to remove from a credit file information placed  
18      there by a grantor of credit? That's the first  
19      question. Okay.

20              Can you on your own remove information  
21      that a creditor has put in that file, anybody's  
22      file?

23              MR. BUNTON: I would say on our own, no.

24              REPRESENTATIVE ROBINSON: Okay --

25              MR. BURIK: One exception:

1 Delinquencies are removed from the file as well  
2 as public record information from the file  
3 between either seven years or a ten-year basis.  
4 By law, by the Fair Credit Reporting Act, we have  
5 to remove that.

6 REPRESENTATIVE ROBINSON: Okay. Once  
7 that seven- or ten-year period passes, whichever  
8 it is -- and I'm not arguing with you about  
9 that -- at that time, is the consumer eligible  
10 then to apply for credit from the same grantor of  
11 credit they had this bad debt with?

12 And if they are, what's the likelihood  
13 that that creditor would give them credit after  
14 seven or ten years?

15 MR. BURIK: They don't have to wait  
16 seven or ten years. They could apply for credit  
17 after a year. There really is no time limit for  
18 them to go back to the credit grantor and apply  
19 for more credit.

20 MR. BUNTON: And I would still say  
21 that's the decision of the credit grantor, you  
22 know, whether or not they're going to extend  
23 credit or not.

24 REPRESENTATIVE ROBINSON: Correct me if  
25 I'm wrong, that credit grantor's going to come

1 back to Trans Union and say, What's in your  
2 file, What's in your file, if the person owes  
3 them money. And they're going to turn the person  
4 down practically.

5 MR. BUNTON: We'll report what's in the  
6 file; but, you know, we can't really speak for  
7 the credit grantors what decision they would  
8 make.

9 REPRESENTATIVE ROBINSON: Good customers  
10 are being treated badly. Thank you,  
11 Mr. Chairman.

12 CHAIRPERSON CLARK: Representative  
13 Dermody?

14 REPRESENTATIVE DERMODY: No.

15 CHAIRPERSON CLARK: Representative  
16 Cohen.

17 REPRESENTATIVE COHEN: No.

18 CHAIRPERSON CLARK: Let me ask you one  
19 question, or maybe I'll give you a scenario and  
20 you tell me if I'm right or wrong. You come into  
21 contact with John Q. Public, a citizen on the  
22 street, by the fact that they have been denied  
23 credit by a department store.

24 That person inquires into the department  
25 store as to why they were denied credit; and they

1 said, well, because of a credit report, and here  
2 is how you get a credit report.

3 They call you, you send them a credit  
4 report, and then the process begins as to whether  
5 that credit report is accurate or inaccurate and  
6 that is your contact with someone on the street.

7 MR. BUNTON: Right.

8 CHAIRPERSON CLARK: When you send that  
9 credit report out, is there a statement or an 800  
10 number on that indicating your victim fraud union  
11 on that credit report?

12 MR. BUNTON: I would say, yes, that's  
13 where we would put that, our Fraud Victim  
14 Assistance number.

15 CHAIRPERSON CLARK: Okay. If you feel  
16 you're a victim or whatever of a fraud and that  
17 that information appears on a credit report, call  
18 this number --

19 MR. BUNTON: Correct. Yes.

20 CHAIRPERSON CLARK: All right. I thank  
21 you gentlemen for your testimony today, and we  
22 will certainly also consider your comments as we  
23 work through the process.

24 REPRESENTATIVE ROBINSON: Thank you.

25 MR. BUNTON: Thank you.

1                   CHAIRPERSON CLARK: I believe now we'll  
2 back up and pick up Barry E. Creany. Maybe you  
3 can help us with the pronouncement of your name.  
4 And he is the Senior Deputy Attorney General,  
5 Bureau of Consumer Protection, the Office of the  
6 State Attorney General. You may proceed.

7                   MR. CREANY: Thank you, Mr. Chairman,  
8 distinguished Members of the Subcommittee. We  
9 appreciate the opportunity to be able to testify  
10 on behalf of the House Bill 2114 Consumer Credit  
11 Reporting Act.

12                   Before I make my formal remarks, I  
13 extend to you the greetings of Attorney General  
14 Mike Fisher. Attorney General Fisher commends  
15 Representative Robinson and the entire -- all the  
16 cosponsors and the entire Subcommittee for its  
17 efforts in reviewing this Bill which if enacted  
18 would augment protections afforded consumers to  
19 guard against the misuse of confidential  
20 identifying information and to preserve their  
21 credit worthiness.

22                   Consumers have come to rely upon the  
23 strength of their credit histories in order to  
24 afford themselves and their families the basic  
25 needs of houses, transportation, and education.



1           When inaccurate information is reported  
2           or when confidential information is misused,  
3           consumers often suffer immediate losses  
4           economically, they miss certain opportunities,  
5           and are sometimes faced with the difficult burden  
6           of correcting their credit profiles.

7           We live in an instant credit society, a  
8           society that is far more reliant upon credit than  
9           we were a generation ago. Consumers save less  
10          than ever before and allocate more of their net  
11          income to pay mortgages, car loans, student  
12          loans, and credit card debt.

13          Car sales are traditionally the No. 1  
14          source of complaints filed with the Bureau of  
15          Consumer Protection. Car dealers tell us that  
16          most buyers don't care what the price of the car  
17          is.

18          They tell us that consumers only want to  
19          know what the payment will be. Auto dealers love  
20          these payment buyers. And in order to maintain  
21          this way of life, consumers must maintain a good  
22          credit rating.

23          We often hear from consumers about debt  
24          problems they experience when they were unable to  
25          meet their payments as a result of the loss of

1       employment, health-related expenses, divorce, and  
2       other catastrophic events which leave them with  
3       ruined credit.

4               It is not uncommon for us to hear from  
5       consumers who are shocked to learn that their  
6       credit reports contain inaccurate information  
7       because somehow their credit information has been  
8       mixed with that of another party.

9               But far more disturbing are the periodic  
10       complaints we receive from people who have  
11       worked hard and always paid their way but  
12       nevertheless are being harassed by creditors or  
13       their credit has been destroyed by con artists  
14       who have tapped into their confidential financial  
15       information and used that information to  
16       perpetrate telemarketing and identity fraud  
17       scams.

18               Credit identity fraud is a serious crime  
19       we are beginning to hear about more often. When  
20       consumers discover that a credit reporting  
21       agency is carrying inaccurate information and  
22       complain to the Bureau of Consumer Protection, we  
23       attempt to mediate the problem by contacting the  
24       Credit Bureaus and guiding them through the  
25       dispute process.

1           This process can be a very daunting task  
2 even where the Credit Bureaus recognize that  
3 fraud is involved and cooperate in removing the  
4 false information.

5           I understand that this Subcommittee has  
6 or will be hearing firsthand from a number of  
7 consumers who have lived through the nightmare of  
8 having to unravel problems that result from being  
9 victimized by credit identity fraud; therefore,  
10 we would defer to their testimony as to how  
11 difficult that process can be.

12           Another serious problem we see resulting  
13 from the unauthorized use and possession of  
14 personal identifying information is the harm that  
15 results from buying and selling information  
16 regarding victims of telemarketing fraud.

17           Associated with such fraud are list  
18 brokers who peddle information such as a  
19 consumer's name, address, phone numbers, bank  
20 account information, and other information  
21 regarding past victimization.

22           Those who purchase these lists then  
23 revictimize the consumers, often using the  
24 confidential information to fashion their new  
25 scams.

1           The Consumer Credit Reporting Act will  
2 enhance the protections provided by the Fair  
3 Credit Reporting Act in its 1996 amendments in a  
4 number of significant ways.

5           First, all of the rights under federal  
6 law and enforceable in federal courts will be  
7 incorporated into state law. As a result,  
8 consumers will have much greater access to the  
9 remedies by virtue of being able to bring actions  
10 in state courts located within their counties of  
11 residence.

12           This bill would likewise provide the  
13 Attorney General's Office with a choice of forum  
14 in which to seek injunctive relief. In addition  
15 to these practical enforcement considerations,  
16 the Consumer Credit Reporting Act provides for  
17 additional substantive protections which will  
18 place tighter controls on the issuance of instant  
19 credit and will provide criminal penalties for  
20 those who are involved in the unauthorized  
21 disclosure, possession, or use of personal  
22 identifying information.

23           These additional protections should  
24 provide a strong deterrent in addressing the  
25 problem of credit identity fraud and the

1        brokering of financial information which is often  
2        associated with telemarketing fraud schemes.

3                Section 204 (a) subsections 1, 2, and 3  
4        are compliance procedures with added protections  
5        on top of the Fair Credit Reporting Act. These  
6        procedures are aimed at curtailing credit  
7        identity fraud which is often something that  
8        starts at a retail level.

9                These compliance procedures merely  
10       require that before providing consumers with  
11       instant credit, retailers first obtain sufficient  
12       identifying information and certify that  
13       employees are instructed to check photo  
14       identification.

15               If the offer is being made by mail, the  
16       party accessing credit reports must verify any  
17       address changes that may be involved in the  
18       course of an extension of credit.

19               These compliance procedures are not just  
20       good for consumers, they're good credit extension  
21       practices and will serve the interests of  
22       retailers and creditors as well. Section 506  
23       makes it a criminal act to engage in four  
24       specific types of the intentional misuse of  
25       personal identifying information.

1           Rather than having to fit a practice  
2           into an existing theory of liability for theft,  
3           the subsections to section 506 are well tailored  
4           to fit both credit identity fraud and persons who  
5           market the names of past telemarketing victims.

6           The Consumer Credit Reporting Act will  
7           serve Pennsylvania consumers well by adopting  
8           rights and remedies formerly only provided by  
9           federal law.

10          Further, it will add the necessary  
11          criminal sanctions to help deter the unauthorized  
12          access and misuse of a consumer's personal  
13          identifying information. For these reasons, the  
14          Office of Attorney General supports House Bill  
15          2114. I'd be happy to answer any questions you  
16          may have. Thank you.

17          REPRESENTATIVE ROBINSON: Thank you,  
18          Mr. Creany. Let me ask a couple questions, some  
19          of which are based on testimony that was  
20          previously given before you arrived. And I'm not  
21          attempting to put you on the spot or anyone else  
22          who has testified.

23          All the testimony is available for your  
24          perusal and I appreciate you doing that. Also,  
25          I'm not trying to ask you questions to

1 substantiate my position that 2114 is necessary.

2 So I need you to answer the question,  
3 What role did the Attorney General's Office have  
4 in formulating House Bill 2114 as it is before  
5 us? And we have copies here to my right.

6 MR. CREANY: We did go on record on  
7 January 14th to support amendments that were to a  
8 prior piece of legislation, and that's to the  
9 extent I'm aware of our role in this proceeding.

10 REPRESENTATIVE ROBINSON: In other  
11 words, the Attorney General's Office has not  
12 helped to fashion 2114?

13 MR. CREANY: No, we didn't. There was  
14 two amendments to a bill on privacy that we  
15 supported which are in fact the provisions that  
16 are incorporated in section 204 and section 506,  
17 the provisions that will limit access and use of  
18 personal identifying information.

19 REPRESENTATIVE ROBINSON: Correct me if  
20 I'm wrong, the Attorney General's Office was  
21 contacted by my office and your assistance was  
22 requested in improving 2114 and soliciting your  
23 recommendations?

24 MR. CREANY: I believe so. It was more  
25 through the legislative office than the section

1 I'm with.

2 REPRESENTATIVE ROBINSON: Okay. So  
3 there has been contact with the Attorney  
4 General's Office relative to strengthening 2114,  
5 but the Attorney General's Office was not  
6 involved in drafting 2114?

7 MR. CREANY: That's my understanding.

8 REPRESENTATIVE ROBINSON: Okay. The  
9 issue of identity theft, I've used that term and  
10 I think some others have today. Correct me if  
11 I'm wrong, presently in Pennsylvania today and  
12 tomorrow, there is not something called identity  
13 theft? There's nothing in law which identifies a  
14 crime of identity theft?

15 MR. CREANY: I don't believe there's  
16 anything that fits. It would be more of a theft  
17 by deception or one of the other theft offenses  
18 that that type of act would fit under.

19 REPRESENTATIVE ROBINSON: Would the  
20 definition of identity theft in 2114 more  
21 specifically identify the types of issues that  
22 2114 is trying to address?

23 MR. CREANY: I believe that it does.  
24 And that's how we've supported it because it not  
25 (sic) just the completed act that somebody's used



1 it, but when people are obtaining this  
2 information and possessing it, and then go to use  
3 it, all those types of specific acts are  
4 violations under section 506.

5 REPRESENTATIVE ROBINSON: Okay. There  
6 was some testimony earlier that the Attorney  
7 General's Office can utilize the Fair Credit  
8 Reporting Act and federal procedures to address  
9 the problems identified in 2114.

10 First of all, is that true? And second  
11 of all, if it true, what has been the  
12 relationship of the Attorney General's Office to  
13 the federal process?

14 MR. CREANY: That is true. There is  
15 jurisdiction and actions are permitted by the  
16 states. I've been with the Attorney General's  
17 Office ten years, and the only action I'm aware  
18 of was a multi-state action that was taken  
19 several years ago against the major credit  
20 reporting agencies where there was several states  
21 joined together and entered into an agreement.

22 That is one of the only ones I've  
23 ever known our office going into federal court  
24 on. It was a multi-state settlement. As far as  
25 those situations where there's federal

1 jurisdiction and we still have state laws, we  
2 have a lot of these types of laws.

3 Telemarketing is one. There's a rule  
4 that the Federal Trade Commission allows us to go  
5 into federal court on a telemarketing violation.  
6 We also have our state law. But sometimes tied  
7 to the federal laws are requirements that we act  
8 with notice first to the federal authorities. So  
9 this one has a separate basis for us to go in  
10 under state law. And sometimes that's the better  
11 forum.

12 Bringing consumers from Juniata County  
13 to Pittsburgh or to a federal court in Johnstown  
14 might be more difficult than bringing it in  
15 Juniata or Huntingdon or one of those  
16 outer-lying counties. And therefore, we've got  
17 to consider all these when we're bringing  
18 actions.

19 REPRESENTATIVE ROBINSON: Would it be  
20 fair to say that the Attorney General himself  
21 through you does not believe that 2114 is in  
22 conflict with the Federal Fair Credit Reporting  
23 Act?

24 MR. CREANY: It doesn't appear. And the  
25 Federal Fair Credit Reporting Act specifically

1 allows for state laws that enhance protections  
2 to consumers with one section that outlines areas  
3 where we may be preempted.

4 But as I reviewed 2114, it was my  
5 impression that we pretty much have a mirror  
6 image except for these few sections, section 204  
7 and section 506 which augment the protections  
8 that aren't in place on a federal level.

9 REPRESENTATIVE ROBINSON: Would the  
10 passage of 2114 assist the Attorney General's  
11 Office in protecting the consumers in  
12 Pennsylvania?

13 MR. CREANY: I think it would make it  
14 much more easy for us to go in and not just to  
15 choose in state court but also in situations  
16 where there's a mishandling of the information  
17 that -- those instances, especially the criminal  
18 ones, could be dealt with a lot more easily in a  
19 criminal setting now that we've given that there  
20 would be passage of that law.

21 REPRESENTATIVE ROBINSON: 2114 very  
22 specifically attempts to deal with front-end  
23 solutions to the credit identity issue. Are  
24 there any additional recommendations that the  
25 Attorney General's Office would be fashioning to

1 strengthen 2114 in terms of how we can prevent  
2 identity theft as opposed to simply prosecute  
3 people who are found guilty of it?

4 MR. CREANY: I'm not aware of any at  
5 this moment. I'd have to check with the  
6 Legislative Office on any considerations they  
7 might want to add.

8 REPRESENTATIVE ROBINSON: One last  
9 question relates to staffing. We're four  
10 legislators here. And from time to time, we have  
11 to make decisions about staffing for the various  
12 departments, at least what amount of money would  
13 be made available.

14 Two questions: How many staff people do  
15 you have that deal with these issues of consumer  
16 fraud, consumer advocacy, and what do you think  
17 would be a sufficient compliment if 2114 were to  
18 pass?

19 MR. CREANY: I have a small part of the  
20 state. The Evansburg regional office covers nine  
21 counties and I have three agents that cover  
22 those. We generally take in about 3,000  
23 complaints a year.

24 I think at this point it's  
25 difficult -- and that's probably a common ratio

1 throughout the state that each agent's handling  
2 about a thousand cases a year. I think it's  
3 difficult to handle some of these things as well  
4 as you would want to because of the pressure.

5 There is an effort in our office to  
6 bring in a mediation process with interns, and  
7 we're hoping to develop that further in the next  
8 year.

9 But one thing that I noticed in  
10 preparing for today's hearing, I tried to gather  
11 some of the cases that we've seen since January  
12 and tried to find out what's happened since the  
13 first letters went out to the creditors.

14 And it's something that I find that  
15 because the agents aren't able to do a, you know,  
16 consistent work one case through to the end, some  
17 of these things they really do take a lot more  
18 time to the extent that I had a case that  
19 involved someone who was dunning a consumer for  
20 what looked like credit identity fraud to me.

21 She gets a bill. She's got to call this  
22 number. She's first talking to the  
23 representative on the other side who is a  
24 creditor. He says, What's your last -- what's  
25 the last four digits of your Social Security

1       number?

2                   Consumers are told never to give out  
3 anything over the phone. And this lady's mother  
4 taught her well and she said I was told never to  
5 give these things out. And I said that's the  
6 advise we pass on to consumers.

7                   This fellow wanted that as some  
8 form of verification. When she wouldn't give it  
9 to him, he hung up the phone. I picked up that  
10 case and called him and I explained I want your  
11 information. What do you have on this account?

12                   We found out four out of four pieces of  
13 information they had identifying this consumer  
14 were inaccurate, yet they were continuing to  
15 dun it. But these are the kind of cases that  
16 might get passed along and take months and months  
17 to unravel.

18                   We've tried to work on them, but I think  
19 additional help in the mediation unit or staffing  
20 would benefit that situation.

21                   REPRESENTATIVE ROBINSON: Thank you,  
22 Mr. Chairman. Thank you, Mr. Creany.

23                   CHAIRPERSON CLARK: Representative  
24 Cohen.

25                   REPRESENTATIVE COHEN: Thank you.

1 Representative Robinson said that in his personal  
2 experiences he was unaware of any successful  
3 prosecutions under the Federal Act. Do you have  
4 knowledge about how the Federal Act works?

5 MR. CREANY: I have knowledge that there  
6 may be instances, but none that I'm aware of in  
7 Pennsylvania where there are firms that do bring  
8 actions in situations of credit identity fraud.

9 But it's sort of an emerging civil  
10 action. We don't see much of it around the  
11 country. There are some national firms that are  
12 doing these, but I think there's none that we're  
13 aware of in Pennsylvania.

14 REPRESENTATIVE COHEN: So there's no  
15 litigation in Pennsylvania --

16 MR. CREANY: It does seem like even  
17 with just where there might not be credit  
18 identity fraud but there's some sort mishandling  
19 of information, consumers are so relieved to try  
20 to correct it, it doesn't seem like it's one case  
21 that they take into court because of, you know,  
22 the costs involved there.

23 REPRESENTATIVE COHEN: So to  
24 your knowledge, do consumers take it to the  
25 federal agencies, the FTCs?

1           MR. CREANY: They may make complaints to  
2 the FTC, but our experience has been that we're  
3 generally more keyed to addressing a consumer  
4 problem of a Pennsylvania consumer than the  
5 Federal Trade Commission would be in Washington,  
6 DC.

7           A lot of the situations that we see even  
8 resolved don't involved restitution for consumers  
9 because we're much more accountable to the  
10 Pennsylvania consumers than the Federal Trade  
11 Commission attorneys would be.

12           REPRESENTATIVE COHEN: Do you have any  
13 idea as to what percentage of complaints were  
14 formally resolved?

15           MR. CREANY: No, I don't have that  
16 information.

17           REPRESENTATIVE COHEN: Is it a  
18 substantial number of complaints that are  
19 formally resolved?

20           MR. CREANY: I think for the most part  
21 we're able to work through a lot of the  
22 complaints about misinformation. Credit identity  
23 fraud's one that seems to be a longer road to  
24 unravel, but it does seem like it works out.

25           It's just a really difficult time



1 process because not maybe the agencies -- credit  
2 reporting agencies or their management; but on  
3 the lower level, there's a reticent to change any  
4 sort of credit report without something very  
5 significant.

6 I think the basis is they want to see  
7 you proving the information before making any  
8 changes.

9 REPRESENTATIVE COHEN: Thank you very  
10 much, Mr. Chairman.

11 CHAIRPERSON CLARK: Are most of your  
12 actions with -- well, on behalf of an individual,  
13 are they with the creditor providing bad  
14 information to the credit union?

15 Because I think we've heard today from  
16 the credit union's that they basically pass along  
17 and compile and verify information that's  
18 provided to them. So is your contact with a  
19 creditor that has provided that information or  
20 with a credit union who has reported it?

21 MR. CREANY: I'd say it's pretty much  
22 both. We see both very commonly. It's odd.  
23 Some of the ones more common that come in our  
24 office, Representative George just referred one  
25 recently that a fellow finds from his credit

1 report that he has thirty accounts on it  
2 totalling \$72,000.

3 He had focused his complaint against the  
4 Credit Bureau, and we therefore filed or  
5 forwarded the complaint to them for handling.  
6 When we're talking to them, in a matter of a  
7 month there was no activity on, you know, changing  
8 the situation that he was faced with.

9 But talking to them yesterday, now  
10 they're aware that somehow -- and they're not  
11 clear. They're trying to identify it. But  
12 somehow information was mixed into his account.

13 So somebody furnishing information to  
14 them blended in or somehow it got mixed in the  
15 process and it was on his report. At this point,  
16 they're certainly going to be removing it.

17 But until I talked to the supervisor at  
18 the Credit Bureau yesterday, it didn't seem like  
19 they were sufficiently satisfied that it should  
20 be done immediately. But this fellow is, you  
21 know, clearly not the debtor in that situation.

22 CHAIRPERSON CLARK: Whenever you find  
23 out that there's actual fraud as opposed to a  
24 mistake, does your Bureau follow through on a  
25 prosecution or is that referred to another

1 bureau?

2 MR. CREANY: They've been very rare, but  
3 there would definitely be referral over to the  
4 Criminal Division or else the local district  
5 attorney.

6 CHAIRPERSON CLARK: And why are they  
7 rare?

8 MR. CREANY: They're rare because I  
9 think in those situations -- we've had one or two  
10 in the time that I've been with the Attorney  
11 General's Office.

12 But there are situations where the  
13 consumer doesn't come to us because it's  
14 perceived to be more of a criminal situation, so  
15 we maybe aren't the first, you know, contact that  
16 they have.

17 Sometimes it does happen that they're  
18 reporting it to us as an initial and we refer it  
19 to criminal. But a lot of these might first go  
20 to the police department or local district  
21 attorneys.

22 CHAIRPERSON CLARK: Because I would have  
23 thought that someone would not be aware that  
24 there is identity fraud until you've checked, you  
25 know, the credit union and back with the creditor

1 and then that you would be the people to say, well,  
2 it wasn't a mistake in reporting or it wasn't an  
3 input type thing, you know, there is someone out  
4 there that's using your --

5 MR. CREANY: Well, one recent example  
6 that we have of this is this lady who was  
7 divorced and steals her ex-husband's  
8 identification. The husband remarries.  
9 Somewhere down the line they are applying for  
10 credit and find out there's problems.

11 That case immediately went to the  
12 District Attorney up in Cambria County who  
13 prosecuted the ex-wife for all of these frauds.  
14 She had taken his identification and established  
15 accounts that she was using. So it had been one  
16 that we didn't have any dealings in.

17 It was just a report after the fact from  
18 the District Attorney's office. It is fairly  
19 common if they find that there is some sort of  
20 forgery or clearly somebody's stolen someone's  
21 identity, I think it's more common that people  
22 perceive it as a criminal act and go to the local  
23 criminal authorities rather than the State  
24 Consumer Protection Office.

25 CHAIRPERSON CLARK: Well, in a situation

1 like that, you can eliminate the suspects pretty  
2 quickly and pinpoint who probably has done that.

3 But I'm thinking in a situation where  
4 someone has picked up someone else's Social  
5 Security card or address or telephone number from  
6 the phone book, how would you get a handle on  
7 that and eventually prosecute that? Or is that  
8 just something that's too large a problem to get  
9 a handle on?

10 MR. CREANY: I haven't really seen in my  
11 region any of those large-scale, you know, real  
12 large-scale types of credit identity fraud that  
13 I've read about.

14 But in our area, we do have the more  
15 common ones where someone's used a credit card,  
16 some clerk has taken that identification and used  
17 it in making other charges, those types of  
18 situations.

19 And like you say, those are sometimes  
20 easy to identify the suspects when you start  
21 getting the information on where it was billed  
22 from and such.

23 CHAIRPERSON CLARK: Thank you.  
24 Representative Robinson.

25 REPRESENTATIVE ROBINSON: Just a comment

1 and then one question. I represent two of the  
2 largest retail districts in the state, so my  
3 concern is not simply from the standpoint of  
4 consumers but also for the retailers.

5 Also you mentioned a submerging civil  
6 action. Some people that I've talked to across  
7 the country liken what's happening to this area  
8 of identity fraud in terms of resolution to what  
9 has been happening in terms of the government  
10 having to take on the tobacco industry.

11 And so it may be a long time before the  
12 industry is willing to do more to protect  
13 consumers. And it probably will take the  
14 enthusiasm of the government again to  
15 over-regulate the industry to deal with what is  
16 an obvious problem.

17 My question relates to standards of  
18 evidence. As a lawyer, you're probably more  
19 familiar with what I'm talking about than I am.  
20 Is there a standard or are there standards of  
21 evidence that can be utilized in a court of law  
22 where a consumer can indeed present evidence that  
23 that was accepted by the court and be proof that  
24 that particular consumer was not the person who  
25 established credit accounts or loans that have

1 not been paid?

2 MR. CREANY: I don't believe there's any  
3 special standard of evidence. We have federal  
4 rules in the Federal and State Evidence Rules  
5 governing actions within Pennsylvania.

6 But it gets into a situation with some  
7 of those types of situations that you're trying  
8 to prove the forgery or you're trying to prove  
9 that you weren't at such a place.

10 If somebody's done a good job of  
11 obtaining birth certifies and information and  
12 really does construct an identity, that is a very  
13 difficult thing. You're proving a negative. I  
14 wasn't there. I didn't buy this. I don't have  
15 those products.

16 That's why it's probably needing no  
17 special rules of evidence. It's just that the  
18 burden to carry is so much heavier in those  
19 situations.

20 REPRESENTATIVE ROBINSON: Thank you.  
21 Thank you, Mr. Chairman.

22 CHAIRPERSON CLARK: We thank you, and  
23 give our best to the Attorney General.

24 MR. CREANY: Thank you very much, sir.

25 CHAIRPERSON CLARK: The next individual

1 to provide testimony to the Committee is Donald  
2 Fry. He is the President of Fourth Wave. Donald  
3 Fry?

4 (No audible response.)

5 CHAIRPERSON CLARK: Okay. I see  
6 Mr. DeFrancesco is here. He is with the  
7 Pennsylvania Association of Community Bankers, if  
8 you'd like to join us and provide us with your  
9 testimony.

10 You're not Mr. Bailey?

11 MR. DEFRANCESCO: I'm not Mr. Bailey,  
12 but I can present Mr. Bailey's remarks.

13 CHAIRPERSON CLARK: I'll tell you what  
14 we'll do. You're waiting for -- all right. Why  
15 don't we take a ten-minute break here. We'll  
16 scour around and see if we can find Mr. Fry and  
17 find out who the Fourth Wave is.

18 MR. DEFRANCESCO: I appreciate that.

19 CHAIRPERSON CLARK: And we'll come back  
20 in about ten minutes.

21 (At which time, a brief break was taken.)

22 CHAIRPERSON CLARK: Okay. And the last  
23 person to testify before our Committee this  
24 morning or this afternoon is Thomas Bailey. He  
25 is the President of the Brentwood Savings Bank.



1 And I assume that he is not representative to  
2 George Bailey.

3 MR. BAILEY: No. Lot of comparisons.

4 Good morning. As was stated, I'm Thomas  
5 Bailey, President of Brentwood Savings Bank.  
6 Brentwood Savings Bank is 170 million, 35 person  
7 institution operating in the South Hills of  
8 Pittsburgh.

9 We are a member of the Pennsylvania  
10 Association of Community Bankers, and I come to  
11 you today as a member of the PACB's legislative  
12 committee. And I would like to preface my  
13 remarks by saying this is our preliminary view on  
14 the House Bill 2114.

15 To its benefit, Pennsylvania has an  
16 extensive network of community banks. Community  
17 banks are unique and they maintain a hometown  
18 commitment. Our decisions are made locally so  
19 we can respond to individual needs on a local  
20 economy.

21 We offer a full line of quality  
22 financial services and boast the same high-tech  
23 amenities offered in our nation's largest  
24 financial conglomerates. Yet we offer these  
25 services with a personal touch that can only be

1 found in your hometown bank.

2 As community banks, we are proud of our  
3 reputation. We also look to a bright future with  
4 neighbors and can continue to benefit from  
5 community banking option.

6 I am here to talk about the marketplace  
7 in general, House Bill 214 specifically. As a  
8 smaller institution, my bank and most community  
9 banks face a very real challenge.

10 Because of our limited size in terms of  
11 manpower, each new regulation presents an  
12 increased demand for additional employees and  
13 consequently increased costs to consumers.

14 As you move forward on your  
15 deliberations of House Bill 2114 or any  
16 legislation for that matter,, I urge you to take  
17 a keen look at the cost and benefit of the  
18 proposal.

19 House Bill 2114 would indeed increase my  
20 operation's cost and would provide very little in  
21 terms of new necessary consumer protection.  
22 House Bill 2114 mirrors very closely the Federal  
23 Fair Credit Reporting Act.

24 It institutes much of the same consumer  
25 protection already outlined in the federal

1       legislation, yet it does not rely on the same  
2       federal disclosure to satisfy the reporting  
3       provisions of the law.

4               Also, it establishes a duplicate system  
5       of recourse which a consumer can choose to  
6       exercise their rights under the law -- two  
7       separate and distinct mechanisms serving  
8       identical purposes.

9               The system we would create through the  
10       passage of House Bill 2114 would produce greater  
11       jurisdictional confusion and arguably complicate  
12       what should be a straightforward procedure.

13               The additional disclosure requirements  
14       as outlined in section 207 (c) would also serve to  
15       confuse the consumer who already faces a barrage  
16       of paperwork and disclosures as they proceed  
17       through what has become a very complicated loan  
18       process.

19               Another perspective that concerns our  
20       industry in this and in any proposal is the  
21       inherent flaws or issues that require attentions,  
22       alterations over time. What House Bill 2114  
23       mirrors the Federal Credit Reporting Act as both  
24       exist today, there will certainly be changes made  
25       to both over time.

1           As much as we are concerned with the  
2 duplication and increased regulatory burden House  
3 Bill 2114 would present to our industry, we are  
4 much more concerned about the future and where  
5 the two laws diverge leaving us to comply with  
6 two separate and distinct sets of rules  
7 authorizing two separate and distinct systems  
8 carrying out preliminarily the same mission.

9           We strongly suggest that if the  
10 legislation does move forward an amendment be  
11 offered that would automatically yield state law  
12 to federal standards.

13           In closing, let me say that we rely on  
14 the credit reporting industry to provide accurate  
15 data which we use to make daily business  
16 decisions. Erroneous data may cost us a customer  
17 or introduce increased risk to our loan  
18 portfolio.

19           Our industry has a vested interest  
20 and is an advocate for accuracy in credit  
21 reporting. However, House Bill 2114 will not  
22 provide additional protection to consumers, nor  
23 will it necessarily increase the accuracy of  
24 consumer credit data.

25           It will indeed increase the cost to

1 Pennsylvania businesses and will increase the  
2 demand on our judicial system. While House Bill  
3 2114 is founded on good intent, we question  
4 whether its results will truly offer public  
5 benefit.

6 PACB urges the Committee to take a  
7 diligent look at this policy initiative.  
8 Evaluate it carefully. We believe you will find  
9 the Federal Fair Credit Reporting Act to provide  
10 adequate protection to consumers and therefore  
11 eliminate the need for this Bill.

12 Thank you for your time and the  
13 opportunity to present my opinion to this  
14 Committee. I would be glad to answer any  
15 questions at this time.

16 CHAIRPERSON CLARK: We thank you very  
17 much for your testimony and your insight.  
18 Representative Robinson.

19 REPRESENTATIVE ROBINSON: Yes. Thank  
20 you, Mr. Chairman. Thank you Mr. Bailey.  
21 Unfortunately, you didn't benefit from the some  
22 of the previous testimony. I don't say that as a  
23 criticism but just as an encouragement to you to  
24 at your leisure your committee also has to review  
25 the other testimony that was presented,

1 particularly the testimony of the Attorney  
2 General Michael Fisher, who is supportive of this  
3 legislation.

4 Let me ask you somewhat of a rhetorical  
5 question. Again, I'm not trying to embarrass  
6 you. If you had an opportunity to conduct your  
7 business in Brentwood as opposed to Washington,  
8 D.C., which place would you conduct your  
9 business?

10 MR. BAILEY: I think we've elected to do  
11 that -- as we stand now, we're a state charter  
12 bank. But we have the -- the problem where we  
13 have to comply with both federal laws and state  
14 laws --

15 REPRESENTATIVE ROBINSON: The point I'm  
16 trying to make is that 2114 gives Pennsylvanians  
17 an opportunity to resolve problems with their  
18 credit in Pennsylvania. They can also go to  
19 Washington DC; but I believe and the cosponsors  
20 of the Bill believe that we should allow our  
21 Attorney General, our courts in Pennsylvania  
22 assist the consumers and creditors in resolving  
23 dispute.

24 And so 2114 recognizes the Federal  
25 Credit Reporting Act is mirrored after that Act,

1 but it is intended to allow Pennsylvanians to  
2 stay here in our Commonwealth and not have to go  
3 down the turnpike to Washington, D.C.

4 Also, the issue of whether or not  
5 federal law would take precedent, when this Bill  
6 was drafted, that was one of the first concerns  
7 that I raised that we not be in conflict with  
8 federal law.

9 It is certainly not my intent as a prime  
10 sponsor to create more complications for our  
11 retailers or for consumers. I represent two of  
12 the largest retail districts in the state. Just  
13 about every bank -- major bank in this region is  
14 headquartered and does business in my legislative  
15 district.

16 So I'm not trying to create problems for  
17 constituents, believe me. I am concerned,  
18 however, that we be able to fill in the gap, so to  
19 speak, were the federal law does allow us to  
20 operate that we do that and we do that to protect  
21 Pennsylvania citizens.

22 I do not presume that when the federal  
23 bill was being debated and its amendments that  
24 all issues were resolved or that everybody  
25 agreed. I presumed that some compromise was

1 struck and no one went away feeling completely  
2 satisfied.

3 I anticipate that here in Pennsylvania  
4 we'll probably have a similar process. If I had  
5 my way, 2114 would become the law. I'm not going  
6 to have my way, and so 2114 as it's drafted t  
7 probably will not be the law.

8 But there was every intent and I think  
9 we fulfilled the intent to make sure that 2114 is  
10 in not in conflict with the federal law and is  
11 subservient to Federal law. There's no attempt  
12 at all to supersede that.

13 And I'm sure before the process is  
14 finished that will be answered definitively. And  
15 I have no problem with answering that  
16 definitively. I don't think it'll serve any  
17 purpose for us to try to usurp federal authority  
18 in this regard.

19 One question if I might, and I do  
20 appreciate your time and effort. I noticed your  
21 testimony did not speak to protections for  
22 consumers. Your testimony spoke to the interest  
23 of the banking and credit lending industry.

24 And that's a part of my problem is that  
25 it would appear that the banks and credit lending



1 industry are only concerned about themselves and  
2 have left it to me and my colleagues to be  
3 concerned about the consumers.

4 What do you do? What does your  
5 association do to address consumer concerns about  
6 identity theft, about fraud, about credit  
7 counseling, and about protecting the good credit  
8 status of good customers who are being treated  
9 badly?

10 MR. BAILEY: I think that's the  
11 advantage of a small community bank is we don't  
12 want to lose those customers so we work with  
13 them. And that's the advantage of a small  
14 community bank. So when somebody says, hey,  
15 that's not my credit problem -- at least I can  
16 speak for Brentwood -- is we try to resolve that  
17 issue.

18 REPRESENTATIVE ROBINSON: Have you read  
19 House Bill 2114?

20 MR. BAILEY: Yes, I have.

21 REPRESENTATIVE ROBINSON: Okay. One  
22 more question if I might, Mr. Chairman. And I  
23 do thank you and the indulgence of the Members  
24 that are here and who attended.

25 I would just like to encourage everyone

1 to not only read 2114, but read the proposed  
2 amendments. There will be some other amendments  
3 that I'm shaping and I'm sure other Members of  
4 the Committee will shape amendments once they  
5 read the testimony from the two hearings that  
6 we've had.

7 I'm not trying to blindsides anybody.  
8 This is an issue that I feel is a growing problem  
9 in Pennsylvania. I'd rather deal with it now  
10 than later.

11 And I think there are enough people who  
12 have suffered that we all who have a direct or  
13 indirect interest in this probably need to make  
14 one, two, or three attempts at trying to more  
15 clearly define the problem and see if there are  
16 areas in which we can work cooperatively.

17 Two things I believe we can do -- and  
18 they are addressed in this Bill: One, I think we  
19 can identify what identity theft is. I think  
20 that would be to all of our mutual benefit to  
21 clarify that.

22 And second of all, I think we can do  
23 something to address the issue of instant credit  
24 of how we can better serve each other by  
25 reviewing that whole process where instant credit

1 is given where you walk in a store and you get  
2 your tote bag or your bottle of perfume and then  
3 you start shopping based upon some instant credit  
4 check.

5 And I think that extends to this instant  
6 credit that's being extended to our college  
7 students where college students literally are  
8 inundated with credit cards and marketers and  
9 others telling them, Take these credit cards, do  
10 your thing; and then when those students  
11 invariably in most instances get into credit  
12 problems, those same marketers and sales people  
13 are knocking on their door harassing them,  
14 because they want their money and they're  
15 entitled to their money. I think we need to do  
16 something about that.

17 The last thing is I think we can do  
18 something about people who have and use someone  
19 else's credit identity, someone else's personal  
20 identity without authorization. That should be  
21 illegal. No one should be engaged in that  
22 activity, including the Commonwealth of  
23 Pennsylvania which now is engaged in that  
24 activity.

25 Those are three things that I think we

1 probably can agree need to be worked on. We  
2 might not agree on the solution, but I think we  
3 can agree that those are problems. And I  
4 certainly stand ready to work with any of you.  
5 And I will be contacting you because I plan to be  
6 relentless in this regard.

7 And I thank you, Mr. Chairman. And I  
8 thank everyone who's here. I thank our  
9 stenographer. Thank you.

10 CHAIRPERSON CLARK: Thank you,  
11 Representative Robinson.

12 REPRESENTATIVE COHEN: I have no  
13 comment.

14 CHAIRPERSON CLARK: I think we could  
15 sort of, you know, wrap things up, you know. We  
16 understand the small institutions. I don't think  
17 anyone understands them any better than me.

18 But I think what we need to do is you  
19 get a credit report and there's a problem on  
20 that report and you review that with your  
21 customer and you need to make a decision of  
22 whether to make a loan or not make a loan, and  
23 then I think rightfully so you're out of the  
24 process from there.

25 And then that individual says, well, you

1 know, they gave me this loan despite this; but I  
2 want to get it cleaned up. And the question is  
3 and the problems are, you know, where do you go,  
4 how do you do it and do it effectively and within  
5 some kind of time frame that the person can get  
6 it resolved with some peace of mind that, gee, you  
7 know, I paid that off and it's still on the  
8 report and I'd like to get that cleaned up so  
9 that the next time I go to borrow something it  
10 just won't be there plus the peace of mind of  
11 knowing that you have a clean credit report.

12 So hopefully our intent isn't and  
13 hopefully as this evolves it won't be to put any  
14 additional obligations on you once you see that  
15 report, bring it to a customer's attention, and  
16 then, you know, make your decision based on your  
17 discussions with your customers.

18 So I think with that, why, we'll adjourn  
19 this meeting and once again thank everyone for  
20 coming out today and offering the testimony. And  
21 we'll certainly be working with each and every  
22 one of you as we work this Bill and run all the  
23 legislation through the legislative process.  
24 Thank you very much.

25 (At or about 12:56 p.m., the hearing was

1 adjourned.)

2 C E R T I F I C A T E

3 I, Deirdre J. Meyer, Reporter, Notary  
4 Public, duly commissioned and qualified in and  
5 for the County of Lancaster, Commonwealth of  
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Deirdre J. Meyer, Reporter,  
Notary Public. My commission  
expires August 10, 1998.