

Testimony for April 8, 1998
Hearing of the House Judiciary Committee
Subcommittee on Courts Hearing
Concerning HB 2114

Dean E. Sheaffer
Vice Chairman - Pennsylvania Retailers' Association
Vice President/Director of Credit - Boscov's Department Stores

Chairman Clark and Subcommittee members present, good morning. My name is Dean Sheaffer. I am the Vice Chairman of the Pennsylvania Retailers' Association (PRA) and Vice President and Director of Credit for Boscov's Department Stores in Reading, Pennsylvania. Boscov's is the largest independently owned department store chain in the United States. By December, 1998, Boscov's will have 32 stores doing business in the states of Pennsylvania, New Jersey, New York, Maryland and Delaware. Of the 32 stores, 23 of them are located in Pennsylvania with approximately 7,000 employees. The PRA is the largest retail trade association in the Commonwealth, representing retailers throughout the Commonwealth of Pennsylvania on legislative issues that impact upon our industry.

I would like to thank the Committee for the opportunity to express the PRA's deep concern with House Bill 2114. The PRA believes this bill is duplicative of the Federal Fair Credit Reporting Act (FCRA) in many areas and is entirely unnecessary in light of the current legislative and business environment. In order to understand our opposition to this bill, a brief overview of the FCRA is required.

The FCRA has been in place for decades. This law was effectively amended as recently as October 1, 1997. The Federal Trade Commission acknowledges that under this statute millions of credit reports are issued every year. Federal investigators report the complaint rate for credit reporting issues is less than one tenth of one percent of all issued credit reports.

To put these same numbers in terms of my personal experience, in February of this year Boscov's reported our experience with over 900,000 customers to the three major consumer reporting agencies. In the same month we received only 41 disputes through the Automated Consumer Dispute Verification System. (This system is set up to ensure that if a creditor makes a change in a consumer's credit record, all three agencies are updated immediately). Of the 41 disputes, changes were made to 26 Consumer Credit Records. Assuming all of the changes were actually errors in reporting, this equates to an error rate very similar to what the FTC reported. Boscov's handled 93% of these disputes within 10 days of receiving them and 100% within 30 days.

Even given the extraordinarily low number of credit reporting errors and complaints, the FCRA provides significant consumer protections in the event that an error goes unresolved. Both the consumer and the FTC may bring an action against a consumer reporting agency and a furnisher of incorrect information. It should also be noted that as of October 1, 1997, the states' Attorney General may enforce the FCRA. This provision already gives Pennsylvania the right to directly enforce a statute that is nearly identical to the proposed legislation.

In addition to these legislative issues, there are some common sense business reasons why HB 2114 is unnecessary. Consumer reporting agencies are in business to provide creditors, insurers and others with individual consumer information on which decisions to lend money, extend credit or issue insurance are based. The creditor or insurer pays the reporting agency for this information.

There seems to be an underlying assumption that consumer reporting agencies and credit grantors are, at best, unconcerned if erroneous data that adversely affects our customers is contained in their credit reports. Nothing could be further from the truth.

We are in the business of selling goods and services. In order to sell our goods, we are also in the business of extending credit. As credit grantors we could not, and would not, tolerate the reporting agencies' providing erroneous information that prevented us from lending our customers the money they need to make purchases in our stores. If we were to do so, we would quickly be out of business.

Consumer reports are the raw material of the credit industry. Our end products are the loans we make. As in the steel industry where the quality of the final forging is dependent upon the quality of the raw ore, the quality of our loan portfolios is dependent upon the quality of the Consumer Reports we purchase. To survive we must, and do, demand the best information that we can obtain. With the low margins in the retail industry, we need every sale we can make. We could not continue to do business with a reporting agency that kept

us from making sales because they provided us with incorrect consumer information. In addition to the requirements of the FCRA, there already exists a simple, common sense business mechanism that makes HB 2114 unnecessary.

In conclusion, the concept of providing Pennsylvanians protection and recourse for correcting erroneous personal information maintained by consumer reporting agencies is good, however HB 2114 is duplicative of the FCRA and unnecessary. The FCRA and underlying business realities ensure that consumers are protected from and have significant legal rights to address errors in their credit reports.

The Pennsylvania Retailers' Association urges the Committee to oppose HB 2114. I thank you, Chairman Gannon and members present for your time and the opportunity to present testimony in opposition to HB 2114. At this time I would like to answer any questions the Committee members may have.