STATEMENT OF CHAIRMAN SPENCER BACHUS SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT "THE IMPORTANCE OF THE NATIONAL CREDIT REPORTING SYSTEM TO CONSUMERS AND THE U.S. ECONOMY"

Good morning. The subcommittee will come to order. Last week Chairman Oxley and Ranking Member Frank jointly announced their intention to hold a series of hearings with respect to the Fair Credit Reporting Act. Because key provisions of FCRA, which are of critical importance to consumers, will expire at the end of this year, they agreed to work together to develop bipartisan legislation. This first hearing will focus on the importance of the national credit reporting system to consumers and the U.S. economy. Additional hearings will take place over the next two months and will cover a full range of issues relating to the national credit reporting system and the security of consumers' personal financial information.

I am pleased that the Chairman and Ranking member have made FCRA a top priority and look forward to working with them on this important issue. I expect that our efforts will culminate in legislation since key provisions of the Fair Credit Reporting Act are set to expire at the end of the year.

The U.S. economy is being supported to a great degree by consumer spending. In fact, consumer spending is vital to the strength of the economy. A critical component of consumer spending is the availability of consumer credit. For example, many major purchases, such as homes, cars, appliances, college educations, and vacations, are financed using credit. However, we tend to take for granted the national credit reporting system that enables this credit to be extended safely and efficiently. In fact, it is our national credit reporting system that provides a great deal of fuel to the engine of consumer spending that is currently driving our economy.

Although many strong market forces have helped shape our credit reporting system over the years, the contours of the system were fundamentally defined by the basic legal framework established under the Fair Credit Reporting Act, or "FCRA." Congress adopted the FCRA in 1970. The law was passed because the banking system and consumers depend on fair and accurate credit reporting, and Congress wanted to ensure that credit bureaus exercised their important responsibilities with fairness, impartiality, and a respect for the consumer's needs. Congress made some significant amendments to the FCRA in 1996 to improve the FCRA's consumer protections and to "update" the FCRA to better accommodate the needs of lenders, consumers, and others.

At its core, the FCRA is a consumer protection statute which regulates the credit reporting process. In order to protect the consumer, the FCRA imposes important and strict obligations on those who provide information to credit bureaus, the credit bureaus themselves, and those who receive a consumer's credit report. The FCRA also severely limits who may see a consumer's credit report, allows consumers to access their credit report, and provides a mechanism under which consumers can dispute the accuracy of anything in their credit file (such as when the consumer is a victim of identity theft).

In view of the FCRA's core function of regulating the credit reporting process for the benefit of the consumer, we will hear in detail today how our uniform credit system under the FCRA benefits consumers and the economy as a whole. Among the consumer benefits afforded by our national credit system are efficient and convenient access to credit and insurance, strong competition in the financial services marketplace, and lower costs of credit.

Although I just mentioned the benefits our national credit system provides for consumers in the financial services sector, the scope of our national credit system is much broader than one industry. For example, today we will hear from two private sector witnesses as they discuss how the FCRA is important to consumers with respect to other sectors of the economy, such as retail and automobile sales. Although we will hear the perspective given from a retailer and from an auto dealer, the subcommittee could have just as easily asked a wireless telephone provider, a utility company, a day care center, a university, or dozens of others to describe how the FCRA is important to consumers with respect to their businesses.

Several witnesses today will also describe a critical component of the FCRA's, and our national credit system's, overall success—national uniformity with respect to several areas of the law. The national uniformity provided under the FCRA ensures that consumers have access to affordable credit in all fifty states, minimizes red tape, and helps prevent identity theft and fraud. I would also like to remind the subcommittee of the testimony provided by the Federal Reserve Board Chairman, Alan Greenspan, to the House Financial Services Committee just last week. When asked about the importance of the FCRA's national standards for our credit system, he responded, and I quote, "I've been in favor of national standards here for reasons which are technically required. If you have very significant differences state by state, it would be very hard to maintain as viable a system as we currently have."

The provisions in the FCRA that guarantee a single national standard with respect to many of the FCRA's provisions are set to expire on January 1, 2004. I share Chairman Greenspan's concern that if we have different FCRA requirements among the states, the consumer benefits and protections provided by our national system could be destroyed. I am extremely concerned as to how a patchwork of state laws may affect the cost and availability of credit, and therefore the economy as a whole.

I again thank Chairman Oxley and Ranking Member Frank for working together to move this difficult issue forward. I encourage all Members of the Subcommittee, both Republican and Democrat, to follow their example as we address FCRA reform.

The chair now recognizes the Ranking Member of the Subcommittee, Mr. Sanders, for any opening statement he would like to make.