

**Letter to Editor to *Privacy Times*, From Michael Turner, Executive Director, PERC**

While I agree with you that those who experience inaccuracies in their credit reports can experience difficulties—sometimes even significant difficulties—and that reducing the frequency and consequences of credit report inaccuracies is an important goal, I found some inaccurate and unfair assessments of our most recent report *U.S. Consumer Credit Reports: Measuring Accuracy and Dispute Impacts*. (See *Privacy Times*, June 6, 2011, —Credit Report Errors? No Big Deal, Industry Study Finds.¶)

In essence, there are three categories of claims against our study highlighted in your article: (1) those taking substantive issue with our methodology; (2) those taking issue with our interpretation of results; and (3) those simply casting aspersions on the report. The first two are legitimate, and define the scope of this response.

To begin with, our report contains an extensive literature review. This is standard fare in the social and the physical sciences, as demonstrated knowledge of existing relevant research enables one to advance the broader understanding of an observed phenomenon—in this case, credit report inaccuracies. It would be irresponsible not to have learned from earlier generation research. In the course of undertaking this analysis, PERC thoroughly reviewed all available reports on this topic, and learned lessons that indeed shaped and influenced our research design.

Having said that, PERC's research methodology is far more similar to the Federal Trade Commission's (FTC's) pilot studies than any other earlier generation report. Suggestions that it is a redux of an earlier Arthur Anderson study (now Accenture) is perplexing given the obvious major differences between that research and PERC's. The only similarity is that both attempted to gauge materiality.

Regarding the —fundamental flaw¶ in PERC's use of consumers to identify errors and file disputes, the criticism here is that apparently consumer credit reports are so complex that most consumers aren't able to actually identify potential inaccuracies.

The fact that the study involves consumers should not be viewed as a deficiency. There are some advantages and disadvantages to including consumers, depending on the exact objectives of a particular study. The FTC and US PIRG both make use of consumers to identify errors.

Many of the commenters who discount the ability of consumers alone to review their own credit reports put forth the notion of having a —coach¶—an expert in consumer credit reporting who would walk each individual consumer through the contents of their credit report and help them identify and dispute potential inaccuracies. This may be true—and PERC expressly states as much in our report—but the jury is still out on that matter and this issue cannot even meaningfully be addressed until such time as the FTC's full report results are published at the end of next year. PERC cautions that as with any methodological approach, there are tradeoffs.

Involving coaches may in fact impact the type and frequency of potential errors as identified by consumers, but it may too create selection bias issues. For instance, some consumers who would otherwise be willing to participate in a study on credit report accuracy may be uncomfortable having a stranger review their credit report with them—especially if it contains potentially embarrassing information. Further, participation in such a study would involve considerably more time, and this too may deter some participants and further skew the sample. Indeed, it seems likely that given such

significant time requirements, participants may need to be compensated for their time. Paying participants creates other sampling issues as well. Again, this is not to suggest that results from a study using coaches won't yield significant findings, it is merely a caution against overlooking potential downsides to that approach or being too quick to fault different approaches.

In fact, one senior reporter from a national news publication privately argued that PERC's approach—providing participants with a Frequently Asked Question (FAQ) sheet and a Guidebook explaining credit report contents, common errors, common misperceptions about errors, how to file a dispute and other useful information—actually —contaminated the sample as it was not like the real world experience of consumers reviewing their reports. The reporter went on to state that PERC's FAQ sheet and Guidebook were —clear and accessible and that it would be —great if this information were available to all consumers.

The good news here is that it is. Much of the seemingly controversial —guidance and —input we received from credit bureau experts in relation to our report (and which we recognize in our Acknowledgments) was from consumer relations staff at the three bureaus—people who are in the trenches every day interfacing with consumers who have questions or disputes relating to their credit reports. We used this information to guide and inform our FAQ sheet and Guidebook. In generating these documents, we could not think of a better primary source for information.

Another criticism cited in the article was that the —error rate (presumably the material impact rate, as the PERC study includes an ensemble of metrics and thoroughly explains the value and limitations of each) was deficient because it: (1) Excludes verified header errors; and (2) excludes those who reported an inaccuracy, and reported an intention to dispute but never disputed.

Yes, inaccurate header data could lead to matching issues that may result in mixed files, some of which may negatively impact a consumer's credit standing. To the extent that inaccurate header data alone is excluded, it is simply a product of the fact that we cannot measure impacts that have not happened yet. That is, if a participant had a mixed file involving a tradeline at the time during which they participated in the study, then our metrics absolutely capture the impact. If, however, they have yet to experience a mixed file—but have identified potentially errant header data—they are excluded from our —material impact rate as errant header data alone (that is, without accompanying tradeline information) cannot materially impact a consumer.

As for the claim that our rates understate actual credit score impacts and material impacts from tradeline modifications, this is simply untrue. We would advise critics who make this claim to more closely read the report. In fact, we provide a counter-factual showing the credit score impacts and material impact rate assuming all participants who both identified an error and expressed an intention to dispute the error (whether they actually disputed or not). The results change but not in a way that would alter the reports broader conclusions about the accuracy of credit report databases maintained by the three nationwide consumer reporting agencies, or the consequences from inaccuracies.

We welcome all constructive feedback and are always open to engaging any interested party in professional discussions regarding our report. **Michael Turner, Executive Director, PERC** (*Time & space permitting, Privacy Times will respond in the next issue.*)