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Addressing the Challenges of Credit Reporting: Reducing Consumer Stress

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Executive Summary

The financial landscape in the United States is significantly influenced by consumers' access to credit and lending services, which is often determined by credit scores. These scores serve as an important measure of creditworthiness but have been criticized for their complexity and lack of transparency, leaving many consumers to misunderstand how they are calculated.

Credit scores are generated using a weighted formula that incorporates factors such as outstanding debt, payment history, credit utilization and duration, types of credit, and recent credit inquiries. Data used in these calculations is collected by the three main credit bureaus—Equifax, Experian, and TransUnion—and analyzed using proprietary algorithms. Despite their importance, many individuals lack a clear understanding of how their financial activities influence their credit scores.

Challenges related to credit reporting and credit reports further complicate matters. Over 90% of complaints submitted to the Consumer Financial Protection Bureau (CFPB) are related to credit reporting, credit reports, and credit repair services. Credit reporting involves gathering, maintaining, and sharing financial data about individuals. This information is compiled into consumer credit reports, which offer a detailed profile of credit activity and serve as the basis for calculating credit scores. The data used in these reports is collected from various sources, including banks, lenders, and other financial institutions which consumers regularly interact with in their daily lives.

Between 2016 and 2024, complaints regarding credit reporting have grown more rapidly than those in any other category tracked by the CFPB. During this period, the proportion of complaints related to credit reporting increased from 46% to over 90%.[1] These complaints commonly address four key issues. The most frequently reported problem is inaccurate information in credit reports, which accounts for 37% of complaints, misuse of credit reports represents 26% of complaints, while insufficient investigations into disputes by companies and credit reporting agencies account for 10% and 9%, respectively.

The rising number of complaints highlights the need to enhance the accuracy, transparency, and effectiveness of credit reporting systems in the United States. Addressing these issues will help improve consumer confidence and ensure that credit reporting systems function as intended: to provide an accurate and fair assessment of individual creditworthiness. Possible solutions to improve the current system include simplifying and standardizing the dispute resolution process, increasing consumer education, strengthening consumer access to credit information and rights, and incorporating alternative data. Such reforms would not only help consumers but also enhance the efficiency and reliability of the financial services industry as a whole, contributing to more equitable financial opportunities for all.

[1] "Consumer Complaint Database." (2024). *Consumer Financial Protection Bureau.* https://www.consumerfinance.gov/data-research/consumer-complaints/search/?chartType=line&dateInterval=Month&dateRange=All&date_received_max=2024-12-11&date_received_min=2011-12-01&lens=Product&searchField=all&subLens=sub_product&tab=Trends

We conclude by recommending:

1. Simplifying and standardizing the dispute resolution process,
2. Increasing transparency and consumer education,
3. Strengthening consumer access to credit information and rights,
4. Incorporating alternative data,
5. Addressing credit reporting incentives, and
6. Incorporating new and emerging products.

Incorporating these changes may provide the groundwork for improving the credit reporting experience, and enhancing efficiency for credit bureaus while providing millions of Americans proper access to financial resources.

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Structure of Industry and Credit Score Calculation

Credit reporting agencies (CRAs) are responsible for compiling consumer data into a centralized system that is used to create credit scores, which assess a person's creditworthiness. The three largest national credit bureaus are Equifax, Experian, and TransUnion. These companies obtain and store credit information on over 200 million consumers across the United States. However, there are a variety of other bureaus that specialize in non-traditional information that falls outside the normal variables that the largest three bureaus track.[2] Credit bureaus play a critical role in influencing consumer access to credit, insurance, and employment opportunities. Limited access to these resources can lead to higher consumer costs, increased financial stress, and greater vulnerability to predatory financial products, highlighting the importance of credit bureaus in shaping financial stability and opportunity. At times, information provided by credit bureaus can prove to be a barrier to employment. These bureaus rely on data provided by furnishers, such as lenders and debt collectors, who regularly report updates on consumer credit activity. For every qualified consumer with a significant credit history, credit bureaus maintain a file containing all the credit-related information they have collected, which serves as the foundation for assessing creditworthiness as well as other financial considerations.

Within consumer credit files there are tradelines, which are defined as the individual credit accounts that are detailed within one's credit report.[3] Common examples of tradelines that are included are credit cards, loans, and collection accounts if an individual acts as a primary owner/signer, co-signer, or authorized user on a credit account. Tradelines serve as the basis for credit scoring models, which calculate a consumer's credit score and can remain on a credit report for a substantial period. Open tradelines will remain on a credit report indefinitely, closed tradelines with a positive credit history will remain for ten years, and closed tradelines with a negative credit history will remain for seven years. It is important to note that reporting tradelines is typically optional, and furnishers are generally not required to submit all of the data they have unless governed by specific regulations. As a result, bureaus are not exposed to the same data by furnishers even though credit bureaus have an incentive to collect as much information as possible.[4]

When calculating a credit score, credit reporting agencies share the consumer data they have collected with credit scoring companies. Both FICO and VantageScore offer multiple versions of their scoring models, which are used by creditors and other entities depending on their specific requirements, such as evaluating applications for credit cards, mortgage loans, or auto financing. Due to this variation, consumers are unable to determine the exact score a lender will use. It is important to note that the credit bureaus use their own proprietary scoring models in addition to the algorithms provided by companies like FICO. Consistent, positive credit behavior generally leads to improvements across all scoring models but it is common for credit

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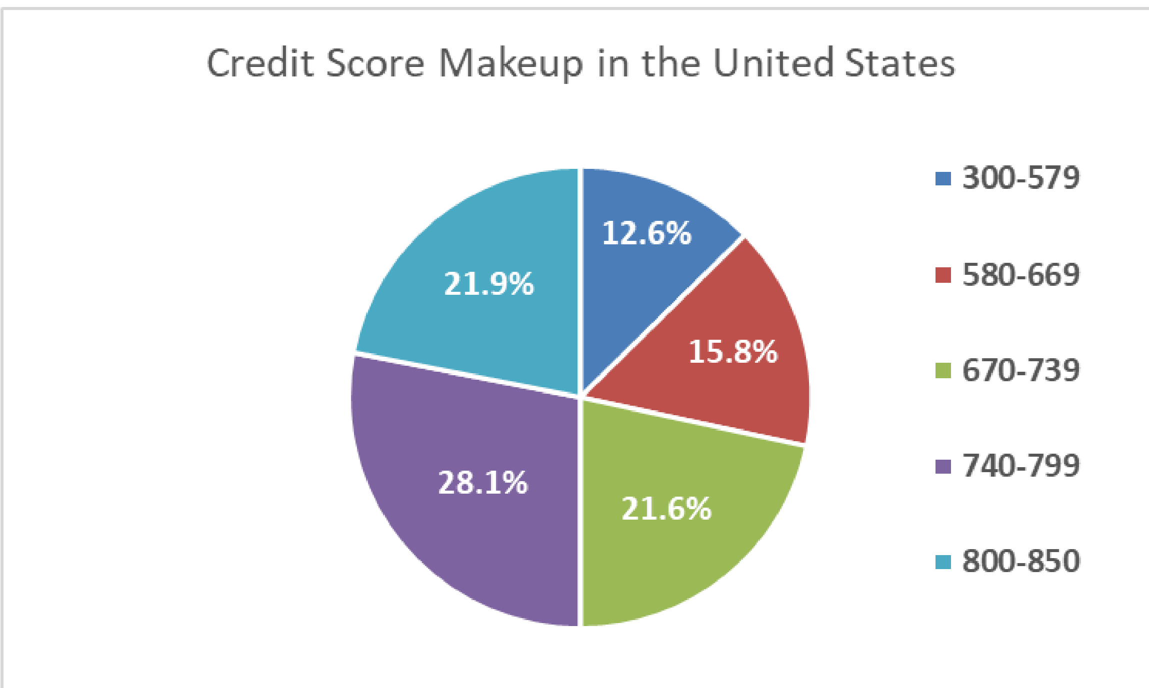
[2]Streaks, Jennifer & Kane, Libby. (November 20th, 2024). "What is a credit bureau?" *Business Insider.* https://www.businessinsider.com/personal-finance/credit-score/credit-bureau-experian-equifax-transunion

[3] Luthi, Ben. (May 13th, 2024). "What are tradelines and how do they affect you?" *Experian.* https://www.experian.com/blogs/ask-experian/what-are-tradelines/

[4]J. Newman, personal communication, November 18th, 2024.

scores to decrease immediately after debts are paid off because it alters an individual's credit mix and decreases their average credit age. Credit scores play a significant role in determining access to credit products, insurance plans, housing agreements, and employment opportunities. However, for many individuals, navigating the complexities of credit access and resolving disputes through the complaint process are ongoing sources of stress. This underscores the pervasive impact of credit reporting on the financial and personal lives of consumers across the United States.

The inputs for credit scores vary between the major companies (as some creditors may report to one or two but not all three credit bureaus) but they typically focus on similar variables. FICO scores are calculated based on the following breakdown: 35% payment history, 30% amounts owed, 15% length of credit history, 10% credit mix, and 10% new credit.[5] VantageScore, on the other hand, weighs factors differently: 40% payment history, 21% depth of credit, 20% credit utilization, 11% balances, 5% recent credit, and 3% available credit.[6] Both systems provide consumers with scores ranging from 300 to 850. The Consumer Financial Protection Bureau (CFPB) categorizes these scores into five groups based on creditworthiness: deep subprime for scores below 580, subprime for 580-619, near-prime for 620-659, prime for 660-719, and super-prime for scores 720 and above. Regarding people in the United States who have a credit score, 12.6% of people score from 300-579, 15.8% score from 580-669, 21.6% score from 670-739, 28.1% score from 740-799, and 21.9% score from 800-850.[7]



[5] "What's in my FICO scores?" (2024). *myFICO.* https://www.myfico.com/credit-education/whats-in-your-credit-score

[6] "The complete guide to your VantageScore." (October 19th, 2019). *VantageScore.* https://www.vantagescore.com/the-complete-guide-to-your-vantagescore/

[7] Horymski, Chris. (April 17th, 2024). "How many Americans have an 800 credit score or greater?" *Experian.* https://www.experian.com/blogs/ask-experian/how-many-americans-have-800-credit-score/

Understanding the differences between scoring models is important because the weight assigned to various credit factors can affect an individual's score depending on the model used. For example, a consumer with a strong payment history but high balances may receive a better score under FICO than under VantageScore, where balances are weighed more heavily. These discrepancies can influence how lenders evaluate applications for credit cards, loans, or mortgages, whether an applicant is approved and the pricing terms offered to consumers. Awareness of these distinctions helps individuals tailor their credit behavior to improve their overall creditworthiness across all models and better navigate financial opportunities.

A significant portion of the population does not fall into any of the standard credit categories due to limited or non-existent credit histories. Individuals with a limited credit history are referred to as having a "thin file," which typically means they have only one or two tradelines. Those with no credit history at all, or no documented history of accessing credit, are categorized as "no file." To qualify for a FICO score, a consumer must have at least one credit account open for six months or more and show recent activity on a different account within the past six months. In contrast, VantageScore requires only a single credit account, collection account, or bankruptcy to generate a score. VantageScore does not mandate recent activity or set a minimum time frame for how long an account must be open.

Individuals who do not meet these criteria are classified as either "thin file" or "no file." As of 2022, an estimated 28 million Americans, or 8.4% of the population, fall into the "no file" category, while an additional 21 million Americans, or 6.3%, are considered "thin file."[8] Certain demographics are disproportionately represented in the "thin file" category, including young adults, new immigrants, seniors, lower-income earners, and certain minority groups. These individuals often face greater challenges in accessing affordable credit cards, mortgages, auto loans, personal loans, rental agreements, and various insurance plans. This lack of access highlights the systemic barriers many groups face in establishing credit and underscores the importance of developing more inclusive credit systems to expand financial opportunities.

Credit reports are essential documents that centralize a broad range of consumer information to assist lenders in evaluating the creditworthiness or risk of potential borrowers. While primarily used by credit issuers, these reports are also accessed by employers, landlords, and insurance providers to assess individuals for various purposes. In addition to credit accounts and scores, credit reports include identity information, bankruptcy records, inquiry histories, and collection accounts. The three largest credit bureaus—Equifax, Experian, and TransUnion—are the primary sources of these reports, providing a comprehensive view of a consumer's financial behavior. Companies often combine credit reports with proprietary data models when making lending decisions, underscoring the importance of these documents in determining access to financial and other opportunities.

Among the data included, credit account information plays the most significant role in credit evaluations. This subset of data details the lenders with whom accounts are held, the types

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[8] DeNicola, Louis. (July 7th, 2024). "What is a thin credit file?" *Experian*. https://www.experian.com/blogs/ask-experian/what-is-a-thin-credit-file-and-how-will-it-impact-your-life/

of accounts, and key characteristics such as the account opening date, credit limits, current balances, and payment history. Other elements, such as identity information, are not factored into credit scores but are essential for verifying an individual's identity and preventing fraud. While credit reports aim to present a complete financial picture, accounts may be excluded if they have been inactive for an extended period or if the data is not regularly furnished to all the major bureaus. This exclusion can limit the accuracy of reports, highlighting the importance of active and consistent data reporting for maintaining a robust credit system.

Inquiry information pertains to requests made by lenders, financial institutions, or other entities that want to check an individual's credit report. Inquiries can be broken down into hard pulls or soft pulls, with the main difference being that hard pulls affect one's credit score while soft pulls do not. Hard pulls occur when checking one's report is part of the decision-making process of a credit application while soft pulls are not. Hard pulls can lower one's credit score, remain on a credit report for up to two years, and commonly occur when applying for a mortgage, loan, or credit card. Soft pulls do not affect one's score and primarily occur when consumers self-check their scores, employers conduct background checks, financial institutions check the creditworthiness of their existing customers, or individuals look to see if they pre-qualify for an offer from a lender.

An important point to note about credit reports is the unique rules that apply to the inclusion of medical debt on consumer credit reports. In July of 2022, the credit bureaus changed their reporting guidelines to no longer include paid collections accounts that pertain to medical debt and will only report unpaid medical collections accounts that are older than one year (used to include any unpaid accounts over 6 months old).[9] VantageScore will exclude any medical debt in collections and medical collections that fall under the $500 minimum limit. There has been political momentum building behind minimizing the impact of medical debt on consumer credit scores.[10] This has culminated in the CFPB finalizing a rule in January 2025 that bans the inclusion of medical bills on credit reports used by lenders.[11] The goal is to increase privacy protection and to safeguard the financial futures of Americans who happen to get sick. The CFPB justifies the rule through its own research, in which it concludes that a medical bill on someone's credit report is a poor predictor of whether they will repay a loan.[12]

The final types of information included in credit reports are bankruptcy and collection account histories, both of which can significantly impact an individual's creditworthiness. Bankruptcy records detail financial insolvency events, with Chapter 7 and Chapter 13 being the

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[9] Blavin, F., Braga, B. & Karpman, M. (November 2nd, 2023). "Medical debt was erased from credit records for most consumers, potentially improving many Americans' lives." *Urban Institute.* https://www.urban.org/urban-wire/medical-debt-was-erased-credit-records-most-consumers-potentially-improving-many\

[10] Holzhauer, Brett & Avery, Dan. (November 5th, 2024). "Can medical debt affect your credit." *CNBC*. https://www.cnbc.com/select/medical-debt-credit-report/

[11] "CFPB finalizes rule to remove medical bills from credit reports." (January 7, 2025). *Consumer Financial Protection Bureau.* https://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-rule-to-remove-medical-bills-from-credit-reports/

[12] Ibid.

most common types.[13] [14] Chapter 7 bankruptcy involves the liquidation of assets to settle debts, providing a "clean break" for the debtor but resulting in the loss of property. This type of bankruptcy remains on a credit report for up to 10 years. In contrast, Chapter 13 bankruptcy allows the debtor to retain ownership of assets while reorganizing repayment plans with creditors. Records of Chapter 13 bankruptcies remain on credit reports for 7 years. Regardless of the type, bankruptcy filings have long-lasting implications for credit scores and can hinder access to future credit. Consumers who file bankruptcy to relieve themselves of debt obligations may not realize its long-term negative impact on their credit score. Collection accounts are another significant factor reported when an individual fails to make payments on obligations such as credit cards, loans, or other bills. After a debt becomes 90 to 180 days overdue, the original lender—whether a bank, retailer, service provider, or landlord—may sell the debt to a collection agency or engage a third party to recover it. For example, unpaid rent owed to a landlord could result in a collection account, which may remain on the individual's credit report for up to 7 years. Both bankruptcies and collection accounts serve as critical indicators of financial distress, influencing how lenders, landlords, and other entities assess the reliability of potential borrowers or tenants.

Individuals who are looking to access their credit reports are legally entitled to one free copy of their credit report each year from all three major reporting agencies.[15] There are also a multitude of websites that provide free credit reports generated from sourced consumer data. Additional credit reports for the major reporting agencies are capped at $14.50 by law and can be requested as often as the consumer desires.[16] If an individual is denied credit, insurance, or employment, they have the legal right to request a free credit report within 60 days under a process known as adverse action. Adverse action occurs when a creditor or other entity denies an application, raises interest rates above the initially offered terms, reduces credit limits, or closes an account. This legal provision allows consumers to review their credit reports and identify any inaccuracies or issues that may have contributed to the denial. Beyond adverse action, there are additional circumstances under which consumers are entitled to free credit reports. These include instances where or when a consumer suspects fraudulent activity has impacted their file, unemployed individuals planning to seek employment within 60 days, state laws mandating free access, a consumer receiving public welfare assistance, or a credit reporting agency placing an initial fraud alert on the consumer's file. These provisions aim to help consumers maintain accurate and transparent credit records and address potential issues that could impact their financial opportunities.

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[13] **Chapter 7 bankruptcy** involves the liquidation of a debtor's non-exempt assets to pay off creditors, offering individuals or businesses a fresh start by discharging most debts.

[14] **Chapter 13 bankruptcy** allows individuals with regular income to create a repayment plan to settle debts over three to five years while keeping their assets.

[15] "How do I get a free copy of my credit reports?" (August 28th, 2023). *Consumer Financial Protection Bureau.* https://www.consumerfinance.gov/ask-cfpb/how-do-i-get-a-free-copy-of-my-credit-reports-en-5/

[16] "Learn about your credit report and how to get a copy." (2024). U.S. General Services Administration. https://www.usa.gov/credit-reports

Regulation

Over the past half-century, legislators have passed a multitude of laws that intend to protect consumers and ensure fair practices occur in the personal credit industry.[17] These laws are designed to protect consumers and promote transparency within the industry in the United States. They cover a broad range of topics, including the processes by which credit is extended, the management of consumer data by credit reporting agencies, and the rights granted to consumers. Additionally, these laws regulate what information can be included in credit reports and how that information can be shared with credit reporting agencies. By establishing clear guidelines and protections, these regulations aim to ensure fairness, reduce the risk of misuse, and enhance consumer confidence in the credit system.

The Truth in Lending Act, enacted in 1968, was implemented to promote transparency and fairness in credit opportunities for personal consumers across the United States.[18] Important stipulations that were included in this law were mandatory disclosures of key credit terms (APR, fees, payment schedules), standardized the presentation of information to consumers, the right to cancel certain loans within three business days, limits on credit card practices, advertising requirements, and enforcements and penalties for violations. Key additions to this act occurred in the succeeding decades as amendments were made to help consumers resolve billing disputes, limit liability for fraudulent charges, provide protections against predatory lending practices for high-cost mortgages, and limit interest rate increases, fees, and disclosures.

The Fair Credit Reporting Act of 1970 aimed to ensure the accuracy, fairness, and privacy of personal credit information that is stored at national reporting agencies.[19] The main provisions of this legislation include granting consumers the right to access their credit reports, dispute inaccurate information, and place restrictions on which entities can access and view their credit reports. It also mandates that credit reporting agencies actively monitor and remove incorrect information from reports. Additionally, the law provides consumers with the ability to place a credit freeze on their accounts if they suspect fraudulent activity. Another key aspect of the legislation is the requirement for creditors to provide explanations for credit denials, a process known as "adverse action," helping individuals understand the reasons behind their inability to secure credit. These measures collectively aim to protect consumers, ensure accuracy in credit reporting, and enhance transparency in the credit system.

The Fair Credit Billing Act of 1974 was the first law that provided consumers with a blueprint on how to settle disputes related to the billing of a credit account.[20] The legislation addressed key disputes related to math errors, wrongful charges, and unauthorized transactions. It

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[17] Fay, Bill. (December 22nd, 2023). "Credit Protection Laws: The Consumer Credit Protection Act." Debt.org. https://www.debt.org/credit/your-consumer-rights/the-consumer-protection-act/

[18] "Truth in Lending Act: Consumer protection for borrowing money" [Fact Sheet PDF]. (2024). U.S. Office of Financial Readiness. https://finred.usalearning.gov/assets/downloads/FINRED-TruthLendingAct-FS.pdf

[19] Fair Credit Reporting Act, 15 U.S.C. § 1681. (Revised 2024). https://www.ecfr.gov/current/title-16/chapter-I/subchapter-F

[20] Fair Credit Billing Act, 15 U.S.C. § 1666. (Revised 2010). https://uscode.house.gov/view.xhtml?req=granuleid%3AUSC-prelim-title15-chapter41-subchapter1-partD&edition=prelim

stipulated that consumers must submit a written dispute within 60 days of receiving a billing statement that contains an error. Upon receiving the dispute, the creditor is required to acknowledge it within 30 days and resolve the issue within 90 days, or two billing cycles. During this period, consumers are protected from collection attempts related to the disputed item, although they are still required to pay the portions of the bill that are not being disputed. These provisions were designed to ensure that consumers have a clear and fair process for addressing billing issues and to protect them from undue financial pressure during the resolution process.

The Equal Credit Opportunity Act, which was passed in 1976, regulates and prohibits discrimination in the credit industry based on race, color, religion, national origin, marital status, age, and receipt of aid from public programs.[21] Creditors are also prohibited from inquiring about personal information such as race or gender and are mandated to account for spousal income when assessing an applicant's creditworthiness. Additionally, creditors must provide answers on credit decisions within 30 days, cannot infringe on the ability of married women to acquire credit, and must share a copy of the appraisal report when determining the value of the property in a mortgage. This regulation was particularly important in dissolving historical barriers to credit that were in place as a result of discrimination and empowered consumers to take action, including legal options, in the event they were discriminated against.

The final law that will be discussed is the Credit Card Accountability Responsibility and Disclosure (Credit CARD) Act of 2009.[22] The key provisions within this legislation include protection against arbitrary interest rate increases, clearer and standardized disclosure and agreement terms, protections for consumers under the age of 21, allocation of payments to the highest interest balances first, limits on fees, grace periods and standard payment timing, restrictions on subprime and high-fee cards, and improved oversight from the Consumer Financial Protection Bureau. Overall, these changes helped to educate consumers to make better credit decisions and lowered the chances that consumers would find themselves in negative debt situations resulting from unclear and exploitative terms.

CFPB and Complaint Database

The Consumer Financial Protection Bureau was created in 2011 through the Dodd-Frank Act to protect consumers across the United States and help ensure businesses' compliance with financial laws. By identifying and combating dishonest or abusive behaviors through regulation, supervision, and the judicial system, the organization aims to protect consumers across the United States. The bureau has been controversial since its creation because of its perceived tough-minded approach and has the potential to be weakened by the incoming administration. The CFPB handles customer complaints, encourages financial literacy to combat and prevent

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[21] The Equal Credit Opportunity Act, 15 U.S.C. § 1691 *et seq*. (2011). https://www.govinfo.gov/content/pkg/USCODE-2011-title15/html/USCODE-2011-title15-chap41-subchapIV.htm

[22] Credit Card Accountability Responsibility and Disclosure Act of 2009. 5 U.S.C. §§ 1601-1667f, 1681 et seq. and 1693 et seq. (2009). https://www.ftc.gov/sites/default/files/documents/statutes/credit-card-accountability-responsibility-and-disclosure-act-2009-credit-card-act/credit-card-pub-l-111-24_0.pdf

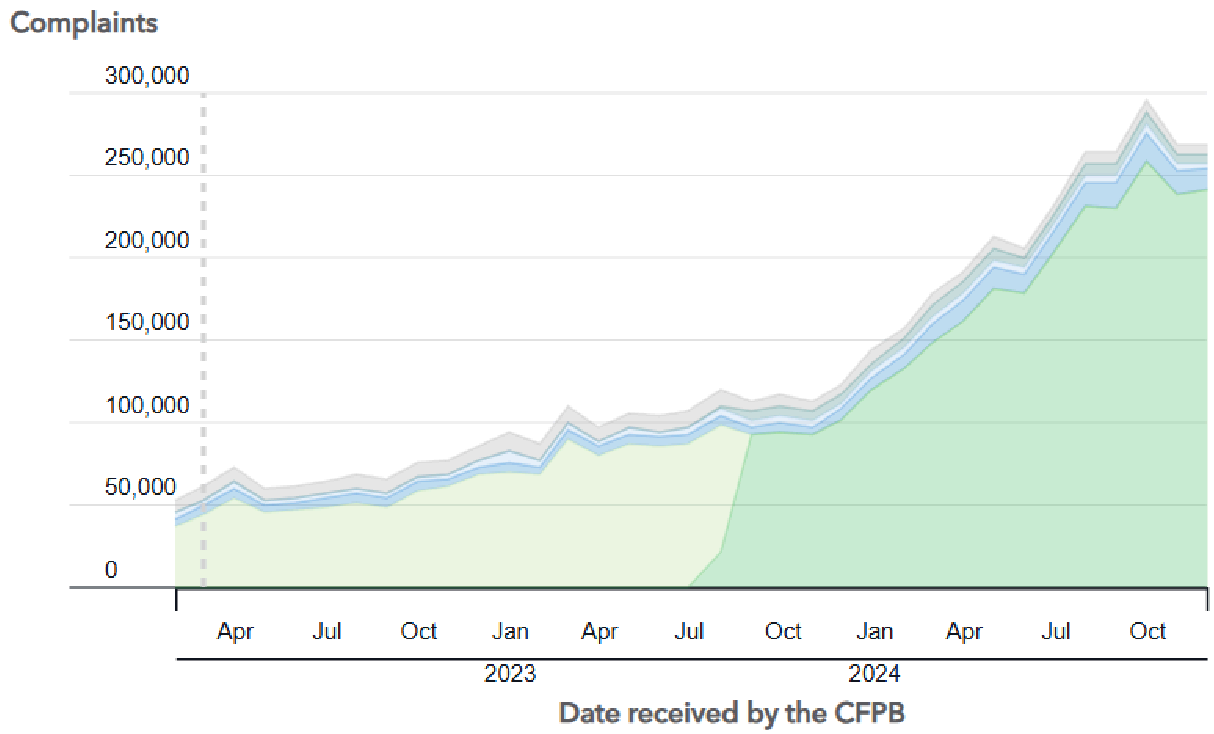
instances of discrimination, as well as closely monitors the financial markets to spot emerging risks that may affect consumers. To help with this process, the organization invests resources into researching how Americans interact with financial services in contemporary society. As of 2024, the organization was reported to have provided Americans with over $20.7 billion in monetary compensation, debt cancellations, and principal reductions through enforcement and supervisory work, while imposing penalties of over $4.8 billion on businesses and individuals who have encroached on consumer financial rights.[23] The organization claims to have the ability to help over 205 million customer accounts and to have helped over 60 million Americans find answers to their questions. Moving forward, alterations to bank overdraft and non-sufficient funds fee structures, as a result of CFPB interference, will reportedly save Americans $6.1 billion every year.[24]

The CFPB maintains a Consumer Complaint Database[25] that records customer complaints on various financial matters. For a complaint to be included in the database, it must either go unaddressed by the business for at least 15 days or the business must provide a response that confirms its relationship with the consumer. The CFPB shares the complaint data it collects weekly with businesses across the country to help improve understanding of the financial marketplace and enhance consumer protection. Each complaint is forwarded to the named company for a response, and the data is shared with state and federal agencies to inform policy recommendations. The CFPB monitors complaint trends based on product type, issue type, company response, geographic location, and time frame. Most concerning is the rising number of complaints over the last year, particularly due to credit reporting issues (as indicated by the green color).

[23] Chopra, Rohit. (June 12th, 2024). "Opening statement of Director Rohit Chopra before the Senate Committee on Banking, Housing and Urban Affairs." *Consumer Financial Protection Bureau.* https://www.consumerfinance.gov/about-us/newsroom/opening-statement-of-director-rohit-chopra-before-the-senate-committee-on-banking-housing-and-urban-affairs-2024/

[24] Offices of Markets and Consumer Populations. (April 24th, 2024). "Overdraft/NSF revenue in 2023 down more than 50% versus pre-pandemic levels, saving consumers over $6 billion annually." *Consumer Financial Protection Bureau.* https://www.consumerfinance.gov/data-research/research-reports/data-spotlight-overdraft-nsf-revenue-in-2023-down-more-than-50-versus-pre-pandemic-levels-saving-consumers-over-6-billion-annually/

[25] Consumer Complaint Database. (2024). *Consumer Financial Protection Bureau*. https://www.consumerfinance.gov/data-research/consumer-complaints/



CFPB Consumer Complaint Database[26]

Over the past three years, the database has documented information on over 4.7 million complaints and has broken down these complaints into many sub-product categories. The largest category is credit reporting and other associated issues, which accounts for approximately 83% of complaints. This is followed by issues with debt collection services, checking or savings accounts, and credit cards.

The high proportion of complaints about credit reporting highlights a significant structural problem within the credit industry in the United States. The 83% of complaints related to credit reporting corresponds to approximately 4 million consumer submissions. Among these complaints, the three largest categories are incorrect information on credit reports, improper use of a credit report, and problems with a company's investigation into an existing issue. These statistics underscore the need for substantial reforms in the credit reporting sector to improve accuracy, accountability, and transparency within the system.

At the most detailed level, incorrect information on credit reports is the largest category for customer distress and complaints. Over the past three years, consumers in the United States submitted almost 1.8 million complaints that fell into this category.[27] In these surveys, 44% of

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[26] Ibid.

[27] Gill, Lisa L. (April 30th, 2024). "More than a quarter of people find serious mistakes in their credit report, study shows." *Consumer Reports.* https://www.consumerreports.org/money/credit-scores-reports/serious-mistakes-found-in-credit-reports-a1061511185/

individuals found at least one error on their report while 34% found errors regarding personal information on their reports. Additionally, according to the CFPB database, of the 1.8 million complaints that fall into the wrongful information category, 65% were related to information belonging to someone else, 13% were related to incorrect account information, 11% were related to incorrect account status, and 6% related to incorrect personal information. Unfortunately, the incentives are not structured in a way that makes credit bureaus accountable for the accuracy of the data provided by financial institutions, which is something many people do not realize.

With 1.1 million individual complaints, worries about inappropriate use of one's credit report ranked as the second greatest area for consumer distress and complaints. These were split along concerns that companies were misusing reports and credit inquiries were unidentifiable. These worries highlight the rising mistrust customers have for how their credit information is managed, especially in light of the possible abuse of private information. Many people are unsure of who is obtaining their credit reports and for what purpose. The difficulty in recognizing and contesting illegal queries, together with this lack of openness, exacerbates consumer frustration and emphasizes the need for improved security measures and more transparent information about the use of credit reports.

The third largest subset of complaints concerns issues with company investigations into existing problems, accounting for approximately 555,000 reported complaints over the past three years. These complaints can be broken down into three primary categories: 57% related to investigations failing to resolve errors on credit reports, 24% concerning investigations that took longer than 30 days, and 12% involving a lack of notification regarding the status or results of investigations. These figures suggest that consumers are not receiving the protections promised by the CFPB and other applicable legislation. The failures highlighted by these complaints point to structural flaws in the procedures designed to safeguard consumer rights and ensure timely, accurate dispute resolution.

Consumers depend on the reliability and efficiency of investigation procedures to correct errors that could severely impact their financial security, such as inaccuracies in credit reports or unresolved disputes. When these procedures fall short, they erode public trust in the system and create unnecessary stress and financial strain for consumers. The lack of timely information and resolution exacerbates these issues. To address these concerns, stronger oversight, greater transparency, and streamlined processes are necessary to ensure that companies comply with legal requirements and that consumers' rights are upheld. The final significant subset of complaints, totaling around 359,000, pertains to problems with investigations conducted by credit reporting companies, such as Experian, Equifax, and TransUnion. These complaints are distinct from the broader category, as they focus specifically on issues with one of the major national credit bureaus.

Over the past year, the CFPB sent complaints to over 3,400 companies which are expected to review the complaints and provide a response. An ideal response accurately addresses all the problems that the consumers stated and is provided within 15 days of being received. The CFPB continuously assesses the quality and timeliness of company responses to help improve consumer experience. Regarding responses for complaints about credit or consumer reporting, less than 1% of all responses did not receive a timely response. Around 48% of these complaints were closed with an explanation and 47% were closed with non-monetary relief (less than 1% were closed with monetary relief). Examples of non-monetary relief include correcting false information that may be present on a report, issuing corrected documents, or addressing a formerly unmet customer service issue. The remaining complaints either received an administrative response (4%) or the company was still in the review process (1%).

Throughout 2023, the CFPB sent more than 1 million complaints to either Equifax, Experian, or TransUnion. This number of complaints confirms the increasing trend that has been observed over the past several years. The monthly volume of complaints followed a similar trend regardless of the bureau.

High Profile Regulatory Issues and Recent Changes in the Industry

The credit reporting industry has undergone significant transformations driven by major regulatory actions and settlements, particularly over the past decade. These changes have substantially altered how credit scores are calculated and reported, leading to more consumer-friendly practices and increased accuracy in credit reporting. The evolution of credit scoring practices has been shaped by several landmark cases and regulatory interventions highlighting the industry's systemic issues.

The 2015 National Consumer Assistance Plan (NCAP) marked a watershed moment in credit reporting reform. This agreement between the three major credit bureaus and 31 state attorney generals led to fundamental changes in credit reporting practices.[28] The settlement, valued at roughly $6 million, mandated a series of reforms including enhanced dispute resolution procedures, stricter data accuracy requirements, and limitations on certain types of debt reporting. Under NCAP, medical debts were required to have a 180-day waiting period before appearing on credit reports, allowing consumers time to resolve insurance issues or establish payment plans. This change affected approximately 20% of consumers with credit reports, as medical debt had previously been a leading cause of credit score deterioration. The removal of civil judgments and tax liens from credit reports in 2017 represented another significant shift in credit scoring methodology.[29] This change, implemented by all three major credit bureaus, affected approximately 12 million consumers and resulted in modest credit score increases averaging 20 points for impacted individuals.

Another important event was the 2019 Equifax data breach settlement, which resulted in a $700 million agreement, prompting substantial reforms in data security and credit monitoring practices. While not directly affecting credit score calculations, this case led to enhanced security measures and free credit monitoring services for affected consumers. The settlement highlighted

[28] *The National Consumer Assistance Plan*. (February 2016). *Center for Survivor Agency & Justice.* https://csaj.org/wp-content/uploads/2021/10/Advocacy-Brief-The-National-Consumer-Assistance-Plan.pdf
[29] Luthi, Ben. (October 30th, 2023). "Tax liens are no loner a part of credit reports." *Experian*. https://www.experian.com/blogs/ask-experian/tax-liens-are-no-longer-a-part-of-credit-reports/

the critical importance of data protection in credit reporting and influenced how credit bureaus handle and protect consumer information.

A pivotal development occurred in 2022 when the three major credit bureaus announced the removal of nearly 70% of medical debt from consumer credit reports. This decision came after sustained pressure from the CFPB and resulted in the elimination of paid medical debt from credit reports and the extension of the unpaid medical debt reporting timeline from six months to one year. The CFPB's research indicated that medical debt was less predictive of future credit performance than other types of debt, leading to this industry-wide change. Estimates suggest this policy affected approximately 23 million Americans, with average score increases ranging from 25 to 100 points for those with removed medical collections.[30] Most recently, in January 2025, the CFPB finalized a rule that bans the inclusion of medical bills on credit reports and prohibits lenders from using medical information in their lending decisions.[31] The goal is to prevent Americans from being financially penalized for getting sick while also establishing a greater level of consumer privacy.

Recent regulatory actions have focused on the inclusion of rental payment data in credit scores. In 2022, Fannie Mae's positive rent payment reporting program demonstrated that including rental history could increase credit scores by an average of 40 points for participants.[32] This initiative has encouraged broader adoption of rental payment reporting, potentially benefiting approximately 45 million American renters who could see credit score improvements through these programs. The CFPB's 2024 investigation into credit report accuracy resulted in substantial changes to dispute resolution processes. The investigation found that credit bureaus were inappropriately dismissing valid disputes, leading to new requirements for more thorough investigations.[33] The cumulative effect of these regulatory actions has led to significant changes in credit score calculation methodologies. Both FICO and VantageScore have modified their algorithms to reduce the impact of medical collections, placed greater emphasis on positive payment history, included alternative data sources such as utility payments, implemented more sophisticated treatment of authorized user accounts, and developed more nuanced approaches to credit mix evaluation.

The credit reporting landscape underwent additional transformative changes in early 2024, marked by the Federal Housing Finance Agency's (FHFA) approval of new credit scoring

[30] Consumer Credit Reports: A Study of Medical and Non-Medical Collections. (December 2014). *Consumer Financial Protection Bureau.* https://files.consumerfinance.gov/f/201412_cfpb_reports_consumer-credit-medical-and-non-medical-collections.pdf

[31] "CFPB finalizes rule to remove medical bills from credit reports." (January 7, 2025). *Consumer Financial Protection Bureau.* https://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-rule-to-remove-medical-bills-from-credit-reports/

[32] Salandro, Vincent. (November 20th, 2023). "Fannie Mae extends positive rent payment program." *Affordable Housing Finance.* https://www.housingfinance.com/management-operations/fannie-mae-extends-positive-rent-payment-program_s

[33] "CFPB finds violations of credit report accuracy requirements, including for survivors of human trafficking" [Press Release]. (April 8th, 2024). *Consumer Financial Protection Bureau.* https://www.consumerfinance.gov/about-us/newsroom/cfpb-finds-violations-of-credit-report-accuracy-requirements-including-for-survivors-of-human-trafficking/

models and the complete removal of medical debt from consumer credit reports. In January 2024, the FHFA approved the use of FICO 10T and VantageScore 4.0 for Fannie Mae and Freddie Mac, marking the first update to credit scoring requirements in decades.[34] This change represents a significant shift from the previously required FICO Score 5, which had been in use since 2004. The FHFA projects that the implementation of these new models will begin in 2025, allowing time for industry adaptation and system updates.

Looking ahead, regulatory scrutiny continues to influence the development of credit scoring. The CFPB's recent emphasis on credit reporting accuracy and dispute resolution processes indicates that additional reforms may be on the horizon. The CFPB has recognized that traditional credit scoring methods may not always fully capture a consumer's creditworthiness, particularly in cases where debt arises from essential medical care. Such debt, they suggest, should not unduly hinder access to financial opportunities. As these reforms are implemented, they are expected to enhance financial inclusion and lead to more accurate assessments of consumer creditworthiness.

Industry Developments in the Credit Reporting Industry

The technological evolution of credit reporting systems has fundamentally altered the mechanisms by which consumer creditworthiness is evaluated and disseminated throughout the United States financial system. Credit reporting has undergone substantial transformation through the integration of advanced technological solutions and artificial intelligence systems. These developments have significant implications for consumers' ability to access and manage their credit information while simultaneously introducing new methodologies for evaluating creditworthiness.

The democratization of credit information access has been largely driven by the emergence of credit monitoring platforms and services. These platforms, exemplified by companies such as Credit Karma with its consumer base exceeding 120 million members, have fundamentally altered how individuals interact with their credit information.[35] Credit monitoring services compile and present credit data from various sources, providing consumers with access to information that was historically available only through paid subscriptions with major credit bureaus.

The integration of artificial intelligence and machine learning algorithms into credit assessment processes has introduced more sophisticated methodologies for evaluating consumer creditworthiness. These advanced analytical systems examine consumer behavior patterns that traditional credit scoring models may not capture, including detailed analysis of spending patterns, account stability metrics, and transaction frequency data. Research conducted by the

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[34] "Credit Scores" [Policy Page]. (2024). *U.S. Federal Housing Finance Agency.* https://www.fhfa.gov/policy/credit-scores

[35] "Credit Karma aims to help millions of Americans know, grow, and protect their net worth" [Press Release}. (March 9th, 2023). *Credit Karma*. https://www.creditkarma.com/about/releases/credit-karma-aims-to-help-millions-of-americans-know-grow-and-protect-their-net-worth

Federal Reserve Bank of Philadelphia demonstrates that machine learning-based credit models show marked improvements in predictive accuracy, achieving 10% to 15% better performance compared to traditional scoring methodologies, while simultaneously reducing approval disparities for historically underserved populations by approximately 17%.[36]

Alternative data sources have emerged as a crucial component in expanding credit access to consumers who have historically been excluded from traditional credit systems. Credit reporting agencies and financial technology companies now incorporate a diverse range of information sources, including utility and cell phone payment records, rental payment history, streaming service subscriptions, and gig economy earnings data.

The emergence of specialized credit-building platforms represents another significant development in the credit reporting landscape. These platforms provide structured financial products designed to help consumers establish credit histories through reporting to all three major credit bureaus. Additionally, innovative platforms utilizing artificial intelligence to assess creditworthiness based on banking history rather than traditional credit scores have provided credit access to more consumers who might have otherwise been denied. Open banking initiatives and financial data aggregation services have facilitated more comprehensive approaches to credit assessment. These technological solutions enable secure access to banking information, allowing for more accurate evaluation of consumer financial stability and cash flow patterns. The impact of these technologies has been particularly pronounced in small business lending, where traditional credit scores may not fully capture business financial health.

As the credit reporting industry continues to evolve, several emerging technologies are positioned to further transform credit assessment methodologies. Blockchain technology and decentralized finance platforms are exploring alternative credit scoring systems that operate independently of traditional credit bureaus, while real-time data analysis and dynamic credit scoring systems represent significant advancements in credit evaluation methodologies. However, these technological developments also present substantial challenges regarding data privacy protection, algorithmic bias mitigation, and regulatory compliance requirements. The CFPB has expressed particular concern regarding the transparency of artificial intelligence-driven credit decisions and the potential for unintentional discrimination in automated systems.[37] All of these advanced credit models rely on the accuracy of credit bureau reporting.

Survey Results

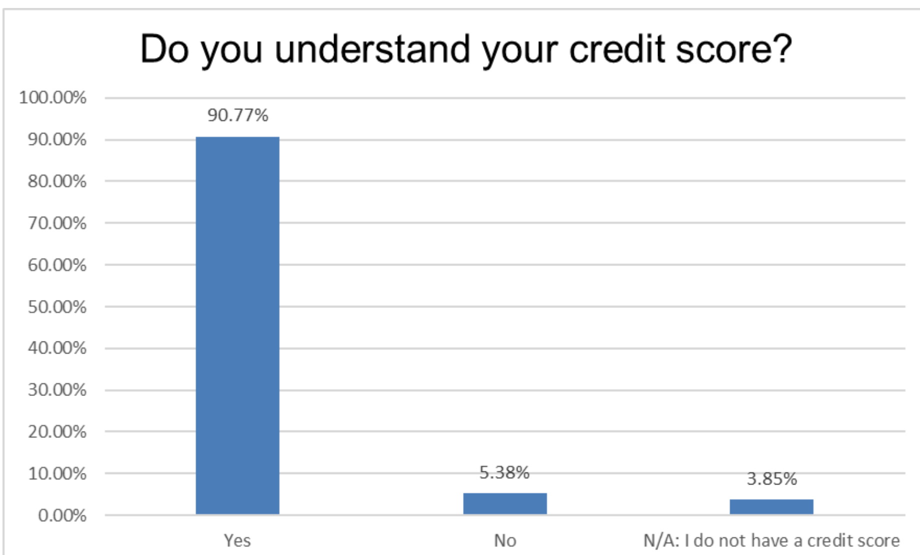
To further understand consumers' understanding of the credit reporting industry, the authors conducted a nationwide random consumer survey. This survey reflects the input of 712

[36] Meursault, V., Moutlon, D., Santucci, L., & Schor, N. (November 2022). *One Threshold Doesn't Fit All; Tailoring Machine Learning Predictions of Consumer Default for Lower-Income Areas.* Federal Reserve Bank of Philadelphia. https://doi.org/10.21799/frbp.wp.2022.39

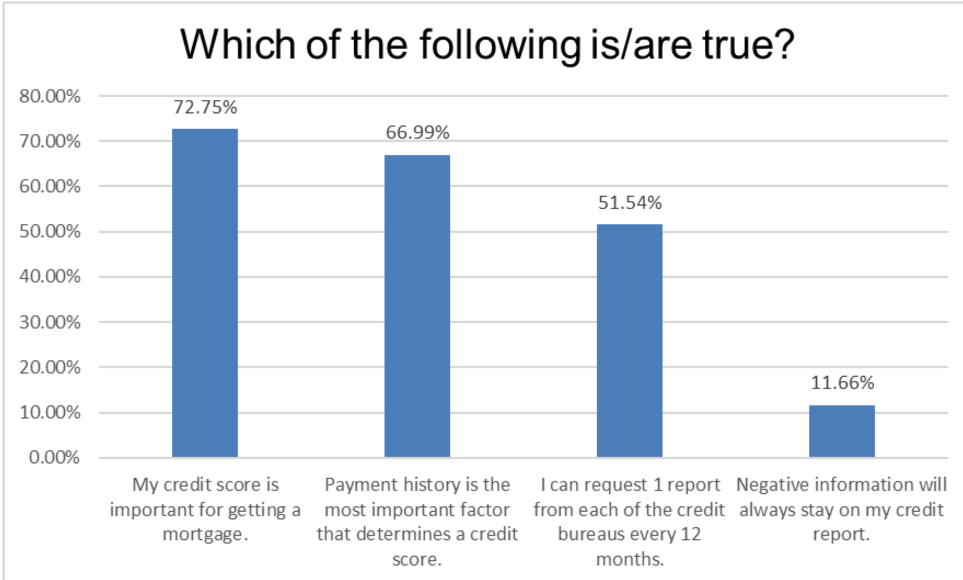
[37] "CFPB and Federal Partners confirm automated systems and advanced technology not an excuse for lawbreaking behavior" [Press Release]. (April 25th, 2023). *Consumer Financial Protection Bureau.* https://www.consumerfinance.gov/about-us/newsroom/cfpb-federal-partners-confirm-automated-systems-advanced-technology-not-an-excuse-for-lawbreaking-behavior/

respondents. This study is crucial as it highlights the level of understanding consumers have about the credit reporting process as any gaps in knowledge should be addressed, given the significant role credit scores play in accessing financial opportunities. Conversely, keeping vigilant about credit reports and inquiries can help an individual's ability to obtain essential financial services.

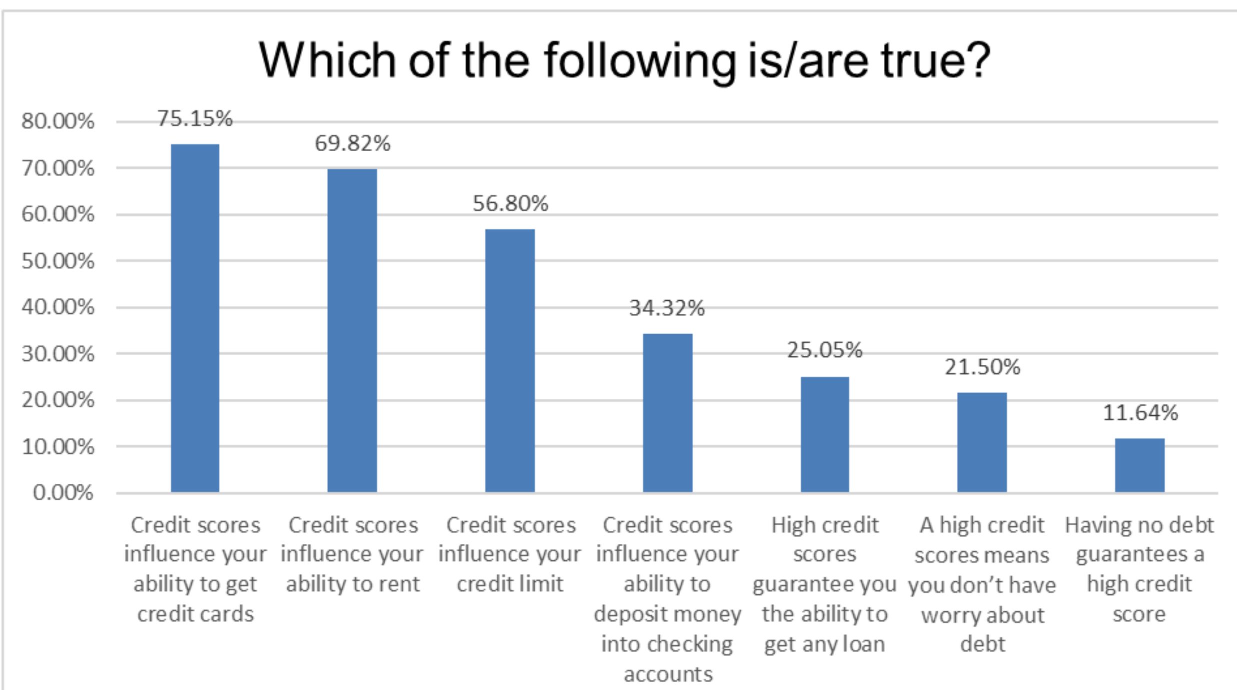
The majority of respondents identified themselves as being 31 to 45 years old or 45 to 65 years old, and responses were roughly evenly distributed across male and female respondents. Interestingly, respondents to the survey were predominantly white, were likely to have an income between $75,000 to $150,000, hold a graduate degree, and the majority of respondents had either a very good (740-799) or excellent (800-850) credit score. Given the bias towards a more financially secure respondent base, who may not have encountered significant credit barriers, respondents are likely to be more aware of credit reporting. The gaps revealed by this study should be alarming, as they might highlight an even worse gap in knowledge in the American general population's understanding of the credit reporting industry.



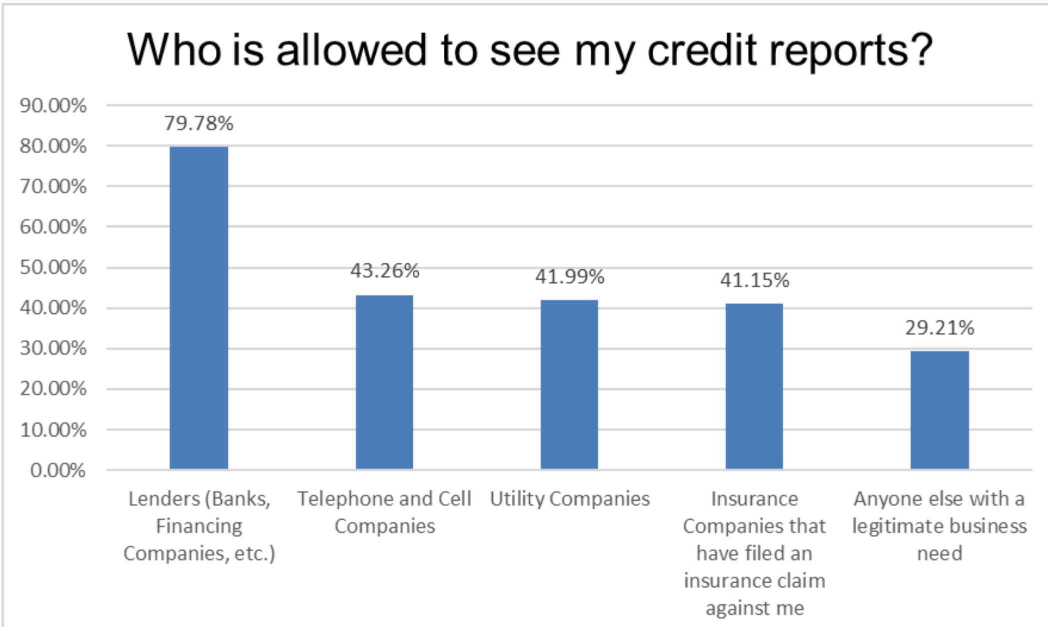
Almost 91% of respondents stated they understood their credit score. To test their assertion, respondents were then asked to answer a series of True or False questions regarding basic information in the credit reporting industry. The following results find significant discrepancies between what respondents think they know versus their demonstrated knowledge.



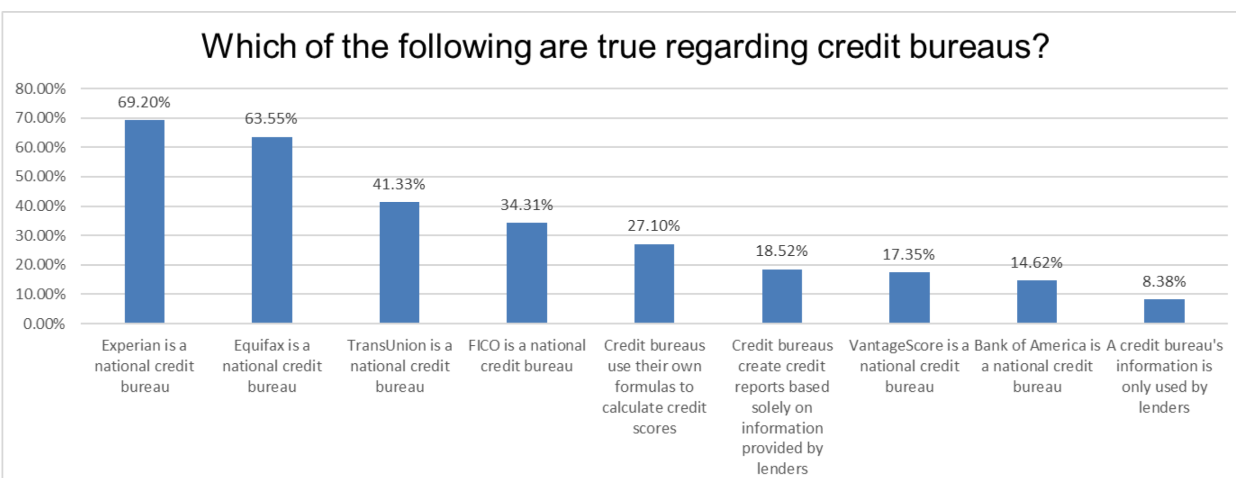
The first three options are correct after reading the data labels from left to right on the graph above. Of 91% of respondents claiming they know their credit score, only 73% identify that credit scores are important for attaining a mortgage. This percentage falls to 67% and 52% respectively when asserted that payment history is the most important factor that determines a credit score and one report from each bureau can be requested every 12 months free of charge. It is false that negative information will always stay on a credit report.



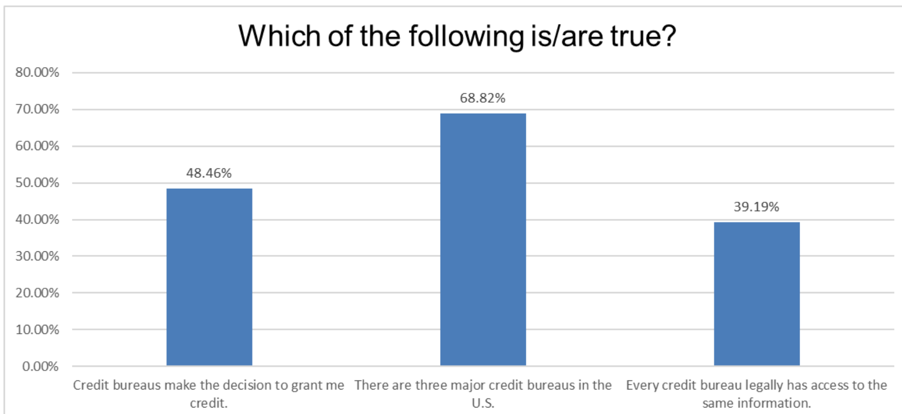
On the other hand, where a simple majority of respondents were able to successfully select the first three choices as True, it is concerning that anywhere from 10% to 34% chose the latter four options, which are all false. Credit scores do not impact checking accounts, do not guarantee any loans if the score is high enough, and should not deter consumers from being mindful of their level of indebtedness.



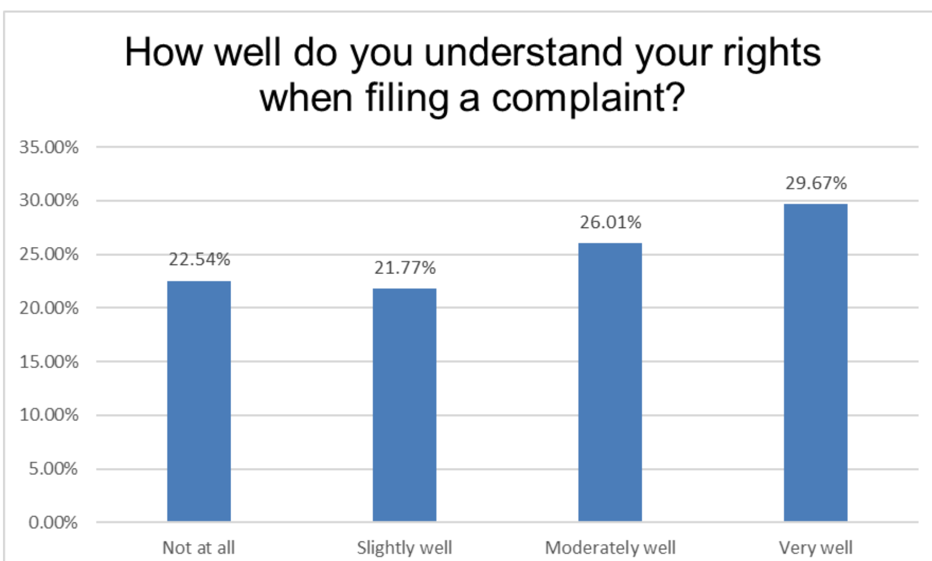
The Federal Reserve has published a fact sheet informing the general public about credit reporting and credit scores. While most respondents correctly identified lenders as a party that can access credit reports, it is important to note that all of the other options presented are also organizations to which credit bureaus can provide information. Less than half of respondents selected these other options as potential organizations that can request credit reports.



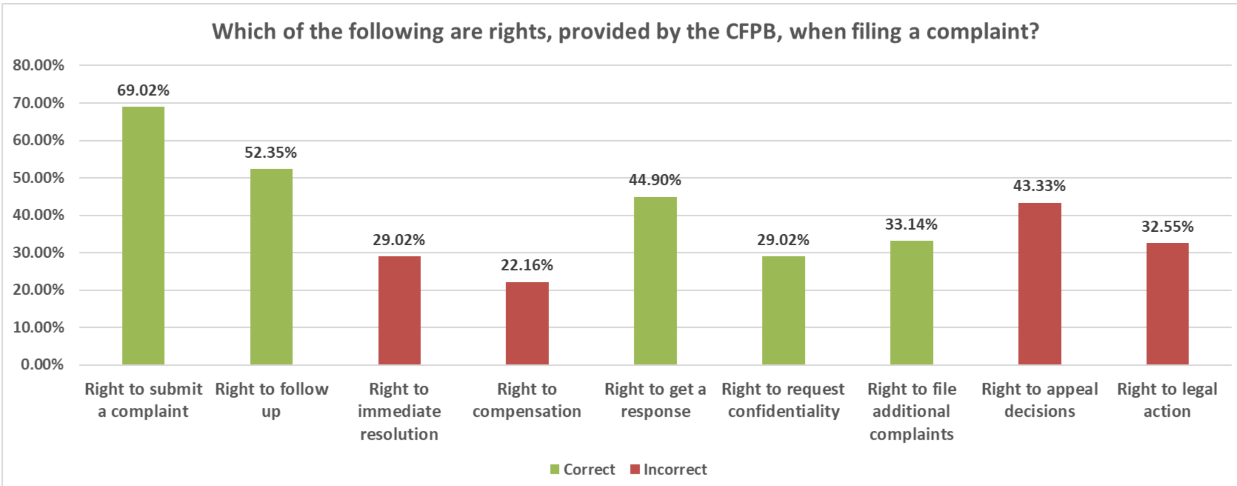
Similar to asking if respondents understood their credit score, respondents were also asked if they knew what credit bureaus are. 90% of respondents confirmed that they understood what credit bureaus are. Most respondents correctly identified that Experian and Equifax are national credit bureaus, however, only 41% of respondents could correctly identify TransUnion as the third national credit bureau. More worrying, only 27% of respondents could correctly identify that credit bureaus use their own formulas which results in scores that slightly differ from each other. Despite being selected by 34% and 17% of respondents respectively, FICO and VantageScore are methods to calculate credit scores and are not credit bureaus. Despite 15% of responses, Bank of America is not a credit bureau.



Along similar lines, almost half of respondents incorrectly stated that credit bureaus make the decision to provide a customer with credit. This decision is in the hands of the lenders, not the credit bureaus directly.



The final section of the survey focused on respondents' knowledge of their rights when filing a complaint against a credit bureau. Unlike previous sections, the distribution of responses reflects some uncertainty surrounding consumer rights when filing complaints.



There was only certainty around the right to submit the complaint. Respondents reflected greater uncertainty as seen by lower percentages regarding other rights. These include the right to follow up, the right to get a response, the right to request confidentiality, and the right to file additional complaints. Despite the uncertainty surrounding these rights, 63% of respondents feel confident filing a complaint.

After the survey, respondents were asked for suggestions to improve the credit reporting industry and several key themes emerged from their feedback. Respondents expressed the need for better protections for victims of identity theft and data breaches, as well as more accessible and user-friendly channels for filing complaints, such as apps, websites, and phone support. There was also a call for greater transparency in the credit reporting process, including easier access to consolidated credit reports from the three major credit bureaus in one location. Some respondents mentioned frustrations with long hold times on customer service lines and poor customer service experiences. Another common suggestion was that hard inquiries should not negatively impact credit scores. Several respondents emphasized the importance of simplifying credit reporting and educating consumers about the process, particularly in schools, to ensure that people understand the importance of credit early on. Transparency in the dispute resolution process was another frequent point, with many advocating for quicker resolution times and clearer instructions on how to dispute errors. Respondents also mentioned a desire for more control over their personal information and for a clearer understanding of how credit scores are impacted by actions like applying for multiple credit cards. Suggestions for improvement included making the dispute process more streamlined and offering a centralized, easy-to-use online platform for submitting complaints and tracking progress.

Ultimately, the survey reflects a deep divide in what respondents believe to know about the industry and what they actually do. These distinctions reveal a greater need for transparent, user-friendly processes in the industry. Simultaneously, more public education must be undertaken to reduce the knowledge gaps about the credit industry.

Recommendations and Conclusion

The credit reporting industry plays a crucial role in shaping consumers' financial opportunities and determining access to credit, insurance, housing, and employment. However, as highlighted throughout this paper, significant challenges persist, particularly in the areas of accuracy, transparency, and consumer understanding. The findings from the survey, alongside recent developments in the regulatory landscape, reveal the need for reform and improvements to ensure the credit reporting system functions more efficiently and fairly for all stakeholders.

The CFPB's recent efforts to focus on the accuracy of credit reporting and the dispute resolution process suggest that meaningful changes may be on the horizon. These developments indicate an evolving awareness of the gaps in the current system and a growing commitment to addressing them. The CFPB's emphasis on providing consumers with the ability to dispute inaccuracies and its continued push for more transparency in credit reporting practices reflect potentially larger shifts in the industry. However, survey responses indicate that consumers still face significant barriers to fully understanding their rights, navigating disputes, and accessing timely resolutions.

Based on the survey results, which show that many respondents have limited knowledge of their rights and encounter frustration with the credit dispute process, it is clear that there is room for significant improvement. Survey participants expressed a desire for more accessible and user-friendly systems, faster resolution times, and clearer communication regarding how credit scores are calculated and impacted. Additionally, respondents emphasized the importance of greater transparency and the need for comprehensive consumer education on credit reporting and dispute resolution.

To address these issues and enhance the overall effectiveness of the credit reporting industry, we propose the following recommendations:

1. **Simplify and Standardize the Dispute Resolution Process:** One of the most significant concerns highlighted by survey respondents was the complexity and inefficiency of the dispute resolution process. To address this, the industry should work to standardize dispute procedures across all major credit bureaus, ensuring a clear, consistent process that is easily accessible online. Additionally, credit bureaus should be required to resolve disputes within a shorter, mandated time frame—ideally within 30 days—and provide detailed updates throughout the process. This would improve transparency and consumer trust in the system.
2. **Increase Transparency and Consumer Education:** Transparency and consumer education were frequent points of feedback in the survey. To empower consumers, credit reporting agencies and regulators should work together to create accessible,

easy-to-understand educational resources about credit reports and scores. This could include clear, non-technical explanations of how credit scores are calculated, what affects them, and how consumers can dispute errors. Schools should also integrate financial literacy programs into their curricula to teach students about credit and financial management from an early age.

3. **Strengthen Consumer Access to Credit Information and Rights:** Survey respondents indicated a desire for better access to information and a clearer understanding of their rights within the credit reporting process. To address these concerns, the industry could enhance consumer access to their credit reports and the information contained within them, ensuring they can easily track any changes or disputes. This could involve improving online platforms to allow for easy credit report access and dispute filings. Additionally, clearer communication regarding consumers' rights, including the steps for addressing inaccuracies and filing complaints, would ensure individuals are better equipped to protect their financial interests.
4. **Incorporate Alternative Data:** The current credit scoring models mostly use basic credit information. The inclusion of alternative data, including additional bank account information, rent payments, utility payments, and other forms of recurring payments, could provide a more comprehensive view of one's creditworthiness. The addition of this data will improve the current credit system, expand access to individuals who are currently excluded, and lead to fewer credit issues overall.
5. **Address Credit Reporting Incentives**: In the current system, credit bureaus are incentivized to prioritize making matches between customer data points, often with limited emphasis on the accuracy or quality of that data.[38] This can contribute to an environment where data quality is not the primary focus. As a result, many individuals may receive offers based on incorrect information, leading to mismatched products or application denials. To improve this process, lenders could be encouraged to compensate credit bureaus specifically for matches based on accurate and verified data.
6. **Address New Products like Buy Now Pay Later (BNPL) and Earned Wage Access (EWA):** Among the many new offerings in the financial services industry, two products have gained notable traction: Buy Now, Pay Later (BNPL) and Earned Wage Access (EWA). BNPL loans, often referred to as "phantom debt," are typically not reported to financial institutions. This lack of reporting can lead to an inaccurate representation of a consumer's credit profile and fails to reward responsible financial behavior. Similarly, EWA allows employees to access a portion of their earned wages before payday, providing an alternative to high-interest short-term loans. However, repayments on EWA advances are not reported to credit bureaus, further complicating the accurate assessment of an individual's creditworthiness. As financial innovation continues to evolve, credit bureaus must be prepared to adapt and accurately reflect these emerging products in their credit reporting practices.

[38] J. Newman, personal communication, November 18th, 2024.

The national credit reporting and scoring system is an essential component of financial services in the United States. It facilitates access to credit, supports financial inclusion, and serves as a foundation for assessing risk across various industries. However, unlike banking and other financial services, which are distributed among numerous participants, credit reporting is concentrated in the hands of a limited number of companies. This concentration introduces complexity to the financial system, particularly for consumers. The existing regulatory framework relies heavily on finding errors and imposing fines when inaccuracies occur, but this approach does not address the underlying issues within the credit reporting industry. As a result, consumer complaints continue to increase, and certain groups, such as lower-income individuals, younger populations, immigrants, and minorities, are more affected by these challenges. Addressing these issues requires a shift in strategy and a reevaluation of the current framework.

To enhance the credit reporting system, it is important to focus on addressing root causes. One of the primary issues within the industry is the prevalence of inaccurate or outdated data. Errors in data entry, outdated information, and insufficient validation processes often lead to incorrect credit reports. Improving data cleansing and validation processes is necessary. Financial institutions, for instance, implement rigorous controls for customer onboarding and anti-money laundering efforts. These controls are continually improved and supported by artificial intelligence (AI) to detect inconsistencies and ensure compliance. Credit reporting agencies could adopt similar practices, applying stricter controls and utilizing AI to reduce errors. In addition to imposing fines, the regulatory framework should incentivize proactive improvements to foster better decision-making and accountability within the industry. Until incentives shift away from payments made on matches rather than correct data, credit bureaus have little reason to ensure data provided by furnishers is accurate and mistakes will continue to occur.

Additionally, gaps in consumer data that lead to complaints need to be addressed comprehensively. Credit models currently used by reporting agencies do not fully account for the diversity of financial behaviors and histories. To address these gaps, expanding the types of data captured by credit bureaus is critical. Incorporating nontraditional credit indicators such as rental payments, utility bills, educational records, and subscription services could improve access and inclusion for many individuals, thus evening the playing field.[39] People who are creditworthy but underserved by traditional credit systems could benefit from a broader data spectrum, which would provide a more comprehensive representation of financial behavior.

Incentive structures within the credit reporting industry also warrant reevaluation. At present, the primary focus of credit bureaus is on matching data, often at the expense of ensuring accuracy. This focus can result in errors that reduce confidence in the system. Transitioning to a framework that emphasizes accuracy and fairness alongside efficiency is important. Incentives should encourage credit bureaus to invest in technologies and processes that improve data

[39] Lux, M. & Zoltak, J. (January 2024). Alternate Data in Credit Underwriting: Potential Resolutions For the Unbanked and Underbanked. *Psaros Center for Finance and Public Policy, Georgetown University.* https://msb.georgetown.edu/news-story/research-and-insights/georgetown-study-reveals-potential-credit-resolutions-for-the-unbanked-and-underbanked/

integrity and ensure that consumers' records are accurate. Furthermore, the credit reporting system must adapt to innovations in the broader financial sector. The rise of alternative financial tools, such as buy now, pay later (BNPL) services, has introduced new forms of debt that are often excluded from traditional credit reporting frameworks.[40] This exclusion can distort credit assessments and limit the system's relevance. Integrating these new credit products into reporting models is important to maintain the system's functionality for all stakeholders. Adapting to these changes ensures that the credit reporting system remains aligned with contemporary financial practices.

In conclusion, the national credit reporting and scoring system plays a central role in the U.S. financial landscape but faces challenges that require attention. Improving data validation processes, expanding the scope of reportable data, reevaluating incentive structures, and adapting to financial innovations are necessary steps to create a more effective and inclusive system. These adjustments would address the root causes of existing issues and establish a stronger foundation for the credit reporting industry. A systematic and comprehensive approach can ensure that the credit reporting system remains a reliable and equitable tool for consumers and financial institutions.

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[40] Stavins, Joanna. 2024. "Buy Now, Pay Later: Who Uses It and Why." Federal Reserve Bank of Boston Current Policy Perspectives No. 24-3.
https://www.bostonfed.org/publications/current-policy-perspectives/2024/buy-now-pay-later-who-uses-it-why.aspx