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WACHOVIA

May 22, 2006

BY ELECTRONIC MAIL

Comptroller of the Currency
250 E Street, S.W.
Public Information Room
Mail Stop 1-5
Washington, D.C. 20219
Attention: Docket No. 06-04
Email: regs.comments@occ.treas.gov

Jennifer J. Johnson
Secretary
Board of Governors of the Federal Reserve System
20th & Constitution Ave NW
Washington, D.C. 20551
Attention: Docket No. R-1250
Email: regs.comments@federalreserve.gov

Robert E. Feldman
Executive Secretary
Attention: Comments
Federal Deposit Insurance Corporation
550 – 17th Street, N.W.
Washington, D.C. 20429
Re: RIN 3064-AC99
Email: comments@FDIC.gov

Regulation Comments
Chief Counsel's Office
Office of Thrift Supervision
1700 G Street, N.W.
Washington, D.C. 20552
Attention: Docket No. 2006-06
Email: regs.comments@ots.treas.gov

RE: Advance Notice of Proposed Rulemaking: Procedures to Enhance the Accuracy and Integrity of Information Furnished to Consumer Reporting Agencies

Ladies and Gentlemen:

Wachovia Corporation ("Wachovia") appreciates this opportunity to comment in response to the Interagency Advance Notice of Proposed Rulemaking: Procedures to Enhance the Accuracy and Integrity of Information Furnished to Consumer Reporting Agencies ("ANPR").

As a large user of credit reporting information, as well as a large furnisher of such information, Wachovia relies on the accuracy and integrity of the credit reporting system. We appreciate the Agencies' efforts, through this ANPR and otherwise, to gain a better understanding of the system as it works today and to examine further any potential issues, to help determine how and whether the system can be improved by additional guidelines and regulations. Although we

agree that improvements can be made to the system, we are not convinced that adding additional federal regulatory requirements will necessarily result in sufficient improvements to the system to justify the increased compliance burdens and costs. Our fear is that such requirements, if too complex, burdensome and/or costly to furnishers and credit reporting agencies, could decrease potential furnishers participation in the system, adversely affecting consumers and the system as a whole.

Wachovia's employees who work with credit reporting information collectively have many years of experience and knowledge related to the credit reporting system through their work both at Wachovia and at other institutions, as well as through their participation in industry training, workshops and seminars. The comments presented in this letter, representing the collective wisdom and knowledge of these employees, are made with regard to the industry in general and not specifically with regard to Wachovia or its policies and procedures.

Accuracy and Integrity Guidelines and Regulations

Questions A1 through A7

In Questions A1 through A7, the Agencies have requested information regarding the types of errors and omissions that may impair the accuracy and integrity of information supplied to Consumer Reporting Agencies (CRAs) and how these errors and omissions may affect the consumer, the CRA, or the credit grantor; the patterns, practices, and specific forms of activity that can compromise the accuracy and integrity of information furnished; the methods used to furnish consumer information; and the policies, procedures and methods that a furnisher uses or should use to ensure the accuracy and integrity of consumer information furnished to a consumer reporting agency.

Furnishers of credit information rely on their underlying customer records when reporting information. Regardless of a furnisher's best efforts to ensure the accuracy and integrity of its customers' records, as well as the information reported to the credit reporting agencies, errors and omissions do occur due to human error, system issues or other problems. Also, some furnishers may have policies to only report limited information, such as only furnishing negative information, and consumers often fail to provide updated information about changes in names or addresses. Common types of errors or omissions that may impair the accuracy and integrity of information supplied to CRAs include: (1) incorrect formatting, misspelling, inaccurately keyed, outdated or omitted consumer identifiable information: name, address, social security number or date of birth; (2) failure to properly code accounts at all levels of delinquency: 30, 60, 90, 120+, bankruptcy, judgment, collection, charged-off or repossessed status; (3) withholding the reporting of accounts in good standing; (4) withholding the reporting of certain data fields (i.e., credit limit).(5) failure to properly code accounts in dispute by consumer (i.e., consumer information indicators); and (6)

attempting to report delinquent accounts more than 7 years, or more than 10 years for a Chapter 7 bankruptcy.

Examples of how these errors or omissions by furnishers could affect the consumer, the CRA or the credit grantor include the following:

1. When a consumer's credit file is not updated or a new credit file is created.

    a. Consumer: File pulled by credit grantor may not be updated or may not be the full report because of multiple files. The report does not give a complete and accurate reflection of credit history.

    b. CRA: A new credit file may be created if not enough data elements are furnished to enable the CRA to determine which credit file to update. These issues result in "fragmented" or "multiple" files in the database, which increases the cost to store unnecessary files. This also increases the database maintenance cost to run merge programs to combine fragmented files to create one "full" credit file.

    c. Credit Grantor: Unless notified by the consumer or the CRA, the credit grantor assumes that all information reported to the CRA is being incorporated into the CRA's database. Credit grantors may be making lending, account management or collection decisions based on an incomplete credit file.

2. When a consumer's payment history is inaccurately reflected.

    a. Consumer: Consumer may appear delinquent or may show a higher or lower balance.

    b. CRA: Even though the CRA's database is unaffected, the CRA's consumer dispute/resolution department would be impacted by unnecessary consumer disputes.

    c. Credit Grantor: May make lending, account management and collection decisions on inaccurate data.

3. When credit grantors withhold the reporting of accounts in good standing, they are contributing to an incomplete credit file.

   a. Consumer: The consumer may become overextended if credit grantors extend additional financial obligations to the consumer without the knowledge of the consumer's complete credit history. The consumer may also be denied credit or receive less than favorable pricing based on the lack of the additional "good" payment performance.

   b. CRA: Even though the CRA's database is unaffected, the CRA's consumer dispute/resolution department would be impacted by unnecessary consumer disputes.

   c. Credit Grantor: May make lending, account management and collection decisions based on inaccurate data.

4. When credit grantors withhold the reporting of data fields, such as the credit limit, they are aiding in the miscalculation of the consumer's current debt obligations.

   a. Consumer: Depending on how each credit grantor interprets the missing data fields, the consumer may become overextended, may be denied credit or may receive less than favorable pricing.

   b. CRA: Even though the CRA's database is unaffected, the CRA's consumer dispute/resolution department would be impacted by unnecessary consumer disputes.

   c. Credit Grantor: May make lending, account management, and collection decisions based on incomplete or inaccurate data.

5. Failure to report an account with the proper consumer dispute indicator, is not only an FCRA violation, but would cause the consumer's credit file history to be incomplete and inaccurate.

   a. Consumer: If the consumer disputes an item directly with the credit grantor, the consumer has the right to have the item notated on their credit report as "in dispute". When items are marked as disputed, some scoring algorithms exclude all or parts of the item in their calculation, thus, erring on the side of the consumer.

b. CRA: Unnecessary consumer disputes and possibly negative customer service/reputation impact.

c. Credit Grantor: Since it is the credit grantor's responsibility to properly code accounts in dispute, failing to do so would be an inaccurate reflection of the consumer's activity with the credit grantor.

In addition to the challenges mentioned above, a credit grantor's and/or third party processor's failure to update to the Metro 2 format or failure to understand or follow the Metro 2 Credit Reporting Standards could also inadvertently result in forms of activity that could compromise the accuracy and integrity of information furnished to CRAs. (Problems related to the failure to update to the Metro 2 format or due to a lack of knowledge regarding the Metro 2 standards could be minimized by requiring the use of the Metro 2 Format and by further education and guidance by the CRAs regarding the recommended Metro 2 standards). Examples of such activities include:

1. The failure to report in the Metro 2 format.

2. Reporting the monthly account payment history at the time the credit file is generated and not reporting any delinquency that occurred during the month. For example, a consumer's payment due date is the 15th of the month. Thirty days from the due date, the consumer is 1 payment past due. If the consumer makes a payment after 30 days but prior to the Credit Grantor creating the file at month-end, it is possible the 30-day delinquency is never reported. Internally, the Credit Grantor knows the consumer was 30 days delinquent, but no one outside the organization does.

3. When transferring accounts to another lender or collection agency, the transferring Credit Grantors should report these accounts as "transferred or sold." However, not all Credit Grantors do this as recommended, but they assume the CRA will know to overlay the previously reported trade line with the acquiring lender or collection agency data.

   a. When acquiring accounts from another lender or collection agency, the acquiring Credit Grantor or institution should follow procedures set forth in the Metro 2 Credit Reporting Standards to properly flag these accounts. The acquiring Credit Grantor should work closely with all 3 national CRAs to ensure proper updating and to prevent duplication of debt from displaying on the consumer's file.

b. Third party software provider's incomplete or inaccurate interpretation of bureau data when translating their servicing system's master file data into the Metro 2 format could also compromise the accuracy and integrity of the data. Some third party software providers do not support all codes available in the Metro 2 format. For example, in the Metro 2 format there are codes to identify consumers recalled to active military duty and for consumers affected by a natural disaster. Even though neither code represents the consumer's payment activity, having the ability to include this information on the consumer's credit file would provide a more complete and accurate reflection of the consumer's financial situation.

c. Inaccurate and inconsistent translations of bureau data by CRAs between the multiple versions or displays of their credit report could result in inaccurate data. It is possible for a consumer to receive a copy of their credit report from the CRA's website. This version has different field interpretations from the version credit grantors receive. However, the effort to make the consumer copy more "consumer friendly," may instead mean that some data elements are misinterpreted.

It is difficult, if not impossible, to describe a "one size fits all" policy and procedure that all furnishers of credit reporting data should implement to identify, prevent and mitigate any problems. However, furnishers of data should at least establish procedures for auditing the summarized statistics of their monthly data reported to the CRAs. The furnisher should at least be verifying the number of accounts being reported and the distribution of the status of these accounts. For example, if the Credit Grantor normally reports 100,000 accounts per month but does not report any auto loan accounts, then it would clearly be a "red flag" if their credit-reporting file had only 50,000 accounts and/or some were coded as auto loans. Many large data furnishers take this a step further and also conduct annual audits with each CRA to drill down further into the accuracy and integrity of the data as reported to the CRA and as reported from the CRA to a consumer or credit grantor. However, because of the number of furnishers and the costs involved, to mandate such annual audits does not seem to be reasonable or feasible. Even with all these procedures in place, errors or omissions can still occur. For example, only the consumer would be able to confirm that their Social Security number is inaccurate , their address does not reflect their new mailing address or that payments were sent in but misapplied.

The methods used to furnish credit-reporting data to CRAs include:

1. Standardized formatting of the data. The Metro 1 format, and now the Metro 2 format, has been the industry standard for reporting data to the CRAs . Having one agreed upon format aids in the consistency of data reported to all 3 national CRAs. With the Metro 2 format, guidelines are provided to aid data furnishers in determining how to populate the data fields.

2. Electronic transmission. More and more data furnishers are providing credit reporting files in a secure, encrypted, transmission file directly to the bureaus. Electronic transmission is more secure than shipping media via overnight couriers. However, for smaller institutions electronic transmission may not be possible.

3. Account number scrambling. Mostly used by credit card issuers, the CRAs established account number scrambling routines that data furnishers could use when submitting credit reporting files. These routines were developed in the early 1980s and were designed to secure the privacy of the consumer's account number in case the media or transmission was intercepted.
4. Confirmation of receipt of data files. Some data furnishers demand to receive confirmation from the CRAs that their data was received and processed. The confirmation can be in the form of the CRA providing summarized statistics via email. This process appears to require manual intervention by the CRA to provide the information in an email to the Credit Grantor and by the Credit Grantor to concatenate confirmations from each bureau.

5. Data furnishers that have not converted to electronic transmission, may still be furnishing data via paper, tapes or discs.

Some of the methods that a large data furnisher can use to ensure the accuracy and integrity of consumer information provided to a CRA include:

1. Internally auditing the translation of their servicing system to the Metro 2 format.

2. Internally producing summarized reports of each and every data file provided to the CRA. Using these reports to monitor and track the number of records provided and the distribution of these records across several data fields.

3. Receiving some type of confirmation that the data provided was received by the CRA. At the very least, this confirmation could be tracking the receipt of the media via courier.

4. Depending on the feasibility, striving to electronically transmit the data to each CRA through secure channels.

5. Working closely with the CRA to conduct audits of the data furnished to them, which would include the CRA's translation of the Metro 2 file in their credit-reporting database.

6. Contacting the CRA or CDIA to field questions regarding the Metro 2 format.

Questions A8 and A9

The policies, procedures and processes used by data furnishers to conduct reinvestigation and those used to comply with the requirement for data furnishers to "review all relevant information provided by the consumer reporting agency" will vary based on numerous factors, such as the type of furnisher, the facts involved, the amount of information available to conduct the research and whether the furnisher responds to direct disputes from consumers.

The majority of data furnishers use E-OSCAR as the tool to receive and respond to the majority of credit bureau disputes. The availability of the CRA's automated E-OSCAR system provides a method for data furnishers to respond to a larger number of basic disputes due to the grouping of disputes into categories and the inclusion of FCRA Relevant Information provided by the consumer. A larger number of disputes can be researched and resolved by the responder based on the dispute-type grouping by enabling the responder to stay within the same systems to complete the research. Since the FCRA Relevant Information is provided through the automated E-OSCAR System, responders should be trained to view the field for all disputes and to adjust their research as needed to consider the information provided. To accurately research and respond to credit bureau disputes, the data furnisher must have properly trained employees. In addition to the initial training, on-going training should include information related to changes in internal and external processes and system changes that impact credit reporting or related research. Monitoring the quality of the research and response internally, and on a regular basis, will help identify additional training needed.

The importance of accurate credit reporting to consumers and credit grantors makes it essential for data furnishers to have policies and procedures in place to accurately report and resolve credit bureau disputes in a consistent manner for all consumers. Data furnishers should not negotiate collection of a debt for the deletion or change to accurate credit reporting.

Data furnishers must make sure that they have properly trained employees and should utilize all information available internally to research and respond to credit bureau disputes. Data furnishers can improve accuracy in responses by

utilizing the automated E-OSCAR system to receive and respond to credit bureau disputes due to the inclusion of complete account information as shown on the consumer's credit bureau file and receiving complete consumer information in disputes submitted through the system. The system's automatic notification to other CRAs, to which the furnisher provides data, of any deletions or changes made provides an efficient method for data furnishers to comply with FCRA section 623(a)(2).

If the data furnisher is unable to verify the accuracy of the disputed information provided in a credit bureau dispute due to a lack of available information, the furnisher should delete the information from the consumer's file and make sure that the furnisher does not report the information again. If the data furnisher determines that the disputed information is incomplete or inaccurate, the furnisher should update the information to ensure completeness and accuracy, as well as making any internal corrections needed to ensure that future reporting of the information is complete and accurate.

Question A10

As a Credit Grantor, we cannot address the policies and procedures used by CRAs to ensure accuracy and integrity of data provided to them from data furnishers. However, based on our experience and interaction with the CRAs, we have the following comments:

1. The CRAs have processes in place to monitor incoming credit-reporting files from data furnishers. These processes are remarkably accurate, in that they can systematically alert the CRA when variances, previously customized for the data furnisher, are triggered. For example, for a credit reporting file generated from a "collection system", depending on the Credit Grantor, it may not be possible for that system to contain newly opened accounts. If this occurs, the CRA can "kick-out" the credit-reporting file causing an analyst to review and possibly call the data furnisher to question the variance.

2. The CRAs also have checks in place to spot illogical data. For example, if someone is currently 60 days past due, you would expect the 24 month history grid to contain a 30 days past due notification in the month preceding the 60 days past due. If such data were missing, the CRAs would raise this type of question with the data furnisher.

3. The CRAs may reformat the name provided in the consumer name field to edit out professional titles, derogatory words or to simply build a search record to increase the chances of locating the consumer's credit report in their database.

4. The CRAs may reformat the consumer's address using industry standard software (i.e. PostalSoft) to increase the chances of locating the consumer's credit report and also to allow them to possibly update the consumer's credit report with a new address.

Even though the CRAs may have state-of-the-art technological procedures in place to ensure the accuracy of the data being received from the Credit Grantor and to monitor the initial processing of this data, there is concern that once the data is incorporated into their credit-reporting database, the data furnisher does not know how the CRA actually applied the data to the consumer's file and if the update was applied to the correct consumer. Situations of incorrect updates are usually brought to the attention of the data furnisher in the form of a consumer dispute. In some situations, like duplicate reporting, these may be caught when the data furnisher is conducting an onsite credit-reporting audit with the CRA.

To better serve the consumer and improve the response time, CRAs should require the consumer to be specific in his/her dispute before allowing the dispute to be processed. CRAs frequently use a vague dispute code "112 – Consumer states inaccurate information. Provide or confirm complete ID and account information." for disputes routed to the data furnisher through E-OSCAR. This vague dispute code requires the data furnisher to spend additional time to confirm every field in the dispute rather than being able to identify and address what the consumer is specifically disputing. If a consumer disagrees with the information furnished, it is reasonable to expect the consumer to be able to specifically identify the data element at issue to allow the data furnisher the opportunity to focus their research on the actual dispute.

Credit bureau disputes received through the E-OSCAR automated system should always allow the data furnisher sufficient time to research and respond to the dispute. The FCRA allows the agencies five business days from the date the dispute is received to send the dispute to the data furnisher and a total of thirty days in which to respond to the consumer. Currently, the E-OSCAR system does not have a minimum number of days that the CRA must allow the data furnisher to research and respond to automated disputes. This can prevent the furnisher from responding, which results in the CRA deleting or changing the account because the data furnisher did not respond to the automated dispute prior to the response date established by the CRA. It is a reasonable expectation that data furnishers would be allowed sufficient time in which to respond to all disputes to ensure the accuracy and completeness of the information in the consumer's file.

Some of the CRAs' policies and procedures related to loading responses to credit bureau disputes from data furnishers, while well intended, might actually contribute to inaccurate data and increased credit bureau disputes. CRAs should examine their policies, procedures and system limitations to make sure that the CRAs are not assuming the role of a data furnisher if their policies, procedures or

system limitations prevent them from accepting and loading the data exactly as requested by the data furnisher.

The CRAs jointly developed the Metro 2 Format to establish a consistent format for data furnishers to use to submit data to the CRAs, however, each CRA translates the data into CRA specific formats for the various products they sell, such as the credit reports sold to credit grantors and credit reports provided to consumers. The data provided by the data furnisher might not always be accurately translated by the CRAs into their unique formats. This results in increased frustration for consumers and an increase in credit bureau disputes.

Since the Metro 2 Format is the preferred method defined by the CRAs to submit data, the data received from the CRAs in E-OSCAR and the responses required from data furnishers using the system, should use the same Metro 2 Format for all data instead of using CRA translations or having CRA specific requirements within the E-OSCAR system. The use of one format consistently will reduce the complexity of the entire process for data furnishers and will improve accuracy and efficiency of responses.

E-Oscar does not currently provide a method for data furnishers to delete duplicate trade lines on a consumer's report. Since duplicates do not always exist on the consumer's file at all CRAs, E-OSCAR should be enhanced to allow data furnishers to submit requests for deletion of duplicate trade lines to one or more CRAs and to furnish additional relevant information to ensure that only the duplicate trade line is deleted at the specific CRAs identified. This would improve the accuracy and completeness of the consumer's file at all CRAs.

Direct Dispute Regulations

Question B1

There should be very few, if any, circumstances under which a furnisher should be required to investigate a dispute based upon a direct request from the consumer. Based on our understanding of industry practices, most data furnishers are already accepting and responding to consumer disputes received directly from the consumer by the data furnisher. However, making this a requirement is not only not necessary, such a requirement could have a negative impact on the entire credit reporting and credit bureau dispute process.

Disputes received through the E-OSCAR system include a copy of the account information on file at the CRA. Since this is the information that the consumer is viewing and disputing, having this information assists the data furnisher in understanding what is being disputed and reduces the time required to research the dispute. This method also ensures that the information needed to identify the specific consumer disputing the information is included in the dispute. The majority of consumer direct disputes do not include the account information

on file at the CRA and frequently do not include sufficient information, such as a complete name and Social Security number to enable the data furnisher to identify the consumer. The research and final response to the dispute are delayed by the additional steps required to obtain the information from the CRA or consumer.

If the Agencies determine that furnishers should be required to investigate and respond to disputes based on a direct request from the consumer under any circumstances, there should be strict requirements regarding how and when the consumer can submit such a claim. The consumer should be required to submit the dispute in writing to the specific address provided by the data furnisher for such disputes. In addition, the consumer must be required to provide sufficient information in the direct dispute to enable the data furnisher to identify the consumer, the account and the specific information and CRA at issue. The consumer should also be required to provide a detailed explanation of why the consumer disagrees with the furnished information and should include a copy of the credit report on which the data appears.

Data furnishers should not be required to investigate a consumer direct credit bureau dispute if all of the requirements mentioned in the preceding paragraph are not met or if the consumer has disputed the account directly with the data furnisher previously and does not provide any additional information in subsequent disputes. Moreover, data furnishers should not be required to investigate a consumer's direct dispute if the consumer submitted the dispute using a broad or ambiguous form letter, such as those provided by credit clinics, or the dispute is submitted on behalf of the consumer by a credit clinic. Allowing the use of broad and ambiguous form letters adds time and expense for the data furnisher, reduces available resources needed to research and respond to valid consumer credit bureau disputes and adds further delays to the resolution of legitimate disputes.

Question B2

If a consumer's dispute requires the consumer to provide copies of documentation to support their claim or if the claim is particularly complex, the consumer could benefit from filing the dispute directly with the data furnisher. Otherwise, the potential benefit to consumers of requiring such investigations based on direct disputes is outweighed by the increased costs and burden upon furnishers to comply with such a requirement. Basically, such a requirement would require each furnisher to develop two separate channels for resolving such disputes.

Consumers typically obtain a copy of their credit report prior to filing a credit bureau dispute. If the consumer has obtained a copy of their credit report and intends to file multiple disputes with multiple data furnishers, their investment of time will increase because the time required to file individual disputes with each data furnisher is greater than the time required to file one

inclusive dispute with the CRA. The consumer's monetary expense will increase with this method in relation to the notification method they choose. It is likely that the response time for all responses to be completed would also increase. If the consumer does not file the dispute directly with the CRA and has already received their free annual credit report, they would not receive a free copy of their credit report after the dispute has been resolved. Instead, the consumer would have to pay for a second copy of their credit report to confirm what changes were made. It is also likely that any additional expense incurred by data furnishers or CRAs would be passed on to the consumer since the cost associated with the products used by the consumers actually increase with the additional requirements.

Unfortunately, many consumers use the current dispute process in an attempt to have accurate and frequently derogatory information removed from their credit file by filing multiple disputes with all CRAs repeatedly. This is apparently done in hopes that the data furnisher will not respond before the response deadline established by the CRA and the FCRA. If these disputes were included in the direct disputes, the complete process would be slowed down because it requires additional time to read the letters, to determine how the account information is displayed in each CRA's records and to respond to the consumer in a letter. However, disputes received through the automated process provide a brief narrative and code related to the dispute and include a copy of the account information actually on file at the CRA; reducing the research and response time.

Question B3

Since current industry practices include responding to consumer direct disputes today, making this a requirement would not provide additional benefits to the consumer, CRAs or the credit reporting system. Instead, making this a requirement could have a detrimental impact to all for the reasons previously given. Additional regulatory requirements for reporting that is provided on a voluntary basis could also result in fewer data furnishers in the future, which would in turn, be detrimental to the entire credit reporting system.

Question B4

Requiring data furnishers to investigate consumer direct disputes will increase the cost to data furnishers. This requirement would most likely increase the volume of customer direct disputes. The entire process would take longer because data furnishers would not receive the amount of information related to the account on file at the CRA or complete consumer information. In addition, the time and skill set required to prepare and retain direct dispute correspondence is more costly than the time, skill set and retention of disputes processed through E-OSCAR.

Additional expenses to CRAs would need to be identified by the CRAs.

In this question, the Agencies ask for percentages of disputes processed in several listed categories. Due to the limited category options presented, we are unable to provide the percentages requested. However, it should be noted that a response code indicating a change or modification is not a measuring tool for inaccuracies. If any change is made to any field in a response to a dispute submitted through a CRA, the data furnisher must use the response code for change or modification. It is doubtful that data furnishers are currently tracking which disputes originated as the result of an error made by a CRA.

Consumers are very much aware of the impact outstanding or open accounts might have on their credit score. Frequently, consumers file a dispute the day after they make a payment, pay an account in full or close an account. This is usually done when the consumer plans to apply for additional credit and is attempting to increase their credit score. Unfortunately, the immediate timing of these disputes does not allow sufficient time for the normal updating of the file by the data furnisher on a monthly basis and stifles the process for legitimate disputes. Since the data on the consumer's file was accurate at the time it was furnished, it cannot be considered inaccurate. However, since the data on the data furnisher's internal systems now indicates that a change has occurred and the data furnisher responds to the dispute by updating the balance or the status to closed, the data furnisher must respond with a change/modify resolution code. If the dispute response used to indicate a change or modification is used to measure inaccuracies, this type of dispute and the use of this response code for all changes, updates and modifications skew the measurement and add to the perceptions related to reporting inaccuracies. An additional resolution code, such as "accurate and updated," could be added to further separate actual reporting inaccuracies from updating that occurs in response to a dispute related to changes that have occurred on the account since the last reporting of the information by the data furnisher.

The requirement to notify the consumer that the data furnisher has determined that a dispute is frivolous or irrelevant not later than 5 business days after making such determination should not impose additional costs to the data furnisher as long as the data furnisher is allowed to establish their own policies and procedures for making such a determination.

Question B5

Based on discussions with other data furnishers, it is common practice within the industry for data furnishers to research and respond to consumer direct disputes.

Question B5(a)

Data furnishers might not attempt to investigate a credit bureau dispute if they cannot identify the consumer or account with certainty or if sufficient information is not provided to enable the furnisher to identify what the consumer is disputing. It is a reasonable expectation for consumers to provide sufficient information to allow the data furnisher to research their dispute.

If the data furnisher has completed the research and the consumer repeatedly disputes the information furnished without providing any additional information to support his claim that the information is not accurate, it is reasonable for the data furnisher to respond by identifying the specific information or documentation the consumer must provide to dispute the information further. If the data furnisher does this and the consumer continues to dispute the information without providing the information requested, it is reasonable for the data furnisher to consider future disputes to be frivolous as described in FCRA Section 623(a)(8)(F).

Question B5(b)

Disputes submitted by credit repair organizations serve no useful purpose. Such disputes are too broad and merely slow down the process for valid credit bureau disputes. The number of disputes and the costs for dealing with them will increase dramatically, if they are able to circumvent the rules. At a minimum, furnishers should not be required to respond unless such disputes contain the same information and documentation recommended as requirements for consumer direct disputes, such as complete name, address and Social Security number, identification of what is specifically being disputed and why, a copy of the credit report showing the information for the account as it appears on the consumer's credit file and identification of the CRA on which the data appears.

It is also obvious that consumers are continuing to submit form letters that appear to have originated from these organizations. The letters are vague and frequently request an infinite amount of documentation from the data furnisher without identifying what is actually disputed or why the information is disputed. This appears to be an effort to make it costly and difficult for the data furnisher to comply with their requests. Consequently, the credit reporting system in general suffers as a result of this practice.

Question B5(c)

The research process is probably similar to the procedures used for disputes received through E-OSCAR. However, the entire process to research and respond to a consumer direct dispute is longer than the process required for automated disputes received through E-OSCAR due to the written response to the consumer and the lack of information received from consumers about the actual

data on their file for the dispute. If the requirement results in a significant increase in the consumer direct disputes, it is likely that data furnishers could incur expenses related to additional staffing and that the response time would increase.

Question B5(d)

The variances in dispute volume are more likely to be identified by separating disputes related to accounts that include derogatory information from those that do not rather than by portfolio or account type. If specific account types have a higher delinquency rate, it is likely that those portfolio types might see a higher percentage of credit bureau disputes.

Question B5(e)

Again, the costs for resolving a dispute are more likely related to whether the information reported contains derogatory information or not and what the consumer is disputing. For example, validating an entire payment history to confirm the delinquencies recorded will typically take more time to confirm versus the time it takes to confirm that an account has been paid in full. The cost can also vary depending on how much information is available and the policies and procedures defined by the data furnisher.

Question B5(f)

Based on information available from the industry, consumer direct disputes account for approximately 10% of the total disputes and disputes received directly from CRAs represent about 90%. Current reports available do not identify disputes that progress from CRA interaction to a consumer direct dispute or vice versa, but both occur.

Question B6

Since the research methodology for both types of disputes includes a thorough review of the information available, it is likely that adding the requirement would not enhance the overall accuracy and integrity of consumer reports. Instead, if the requirement results in a significant increase in the volume of consumer direct disputes, the result might actually diminish the accuracy and integrity of consumer reports due to the additional time required to process consumer direct disputes and the possibility that some data furnishers could decide to stop furnishing the data.

Question B7

If the consumer has documentation to support his claim that the information is inaccurate or needs to provide significant detailed information, it

would be beneficial for the dispute to be received directly by the data furnisher. If the consumer does not have documentation or does not need to provide a significant amount of detailed information to support his claim that the information is inaccurate, there is no benefit to sending the dispute directly to the data furnisher.

Question B8

If credit repair organizations are allowed to circumvent section 623 (a)(8)(G), we can expect an increase in activity by the organizations and an increase in the response time for all credit bureau disputes. It is also reasonable to expect these organizations to coach consumers in how to file vague or broad, all-inclusive disputes if this becomes a requirement for data furnishers.

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Wachovia appreciates the opportunity to review and comment on this proposed rulemaking, and looks forward to further discussion of these issues. If you have any questions, please contact me.

Sincerely,

Eugene M. Katz