Congressional Budget Office
Cost Estimate

December 20, 2019

At a Glance

H.R. 3642, Improving Credit Reporting for all Consumers Act
As ordered reported by the House Committee on Financial Services on July 11, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	3	5	5
Revenues	*	*	*
Increase or Decrease (-) in the Deficit	3	5	5
Spending Subject to Appropriation (Outlays)	*	*	not estimated

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	No	Contains intergovernmental mandate?	Yes, Cannot Determine Costs
		Contains private-sector mandate?	Yes, Cannot Determine Costs

* = between zero and $500,000.

The bill would

- Require consumer reporting agencies (CRAs) to follow new processes to resolve credit disputes
- Require the Consumer Financial Protection Bureau (CFPB) to issue final rules and establish and maintain a publicly available registry of CRAs
- Impose intergovernmental and private-sector mandates on CRAs and other providers of consumer information
- Expand the authority of the Federal Trade Commission (FTC) to prosecute some crimes

Estimated budgetary effects would primarily stem from

- Hiring additional CFPB employees to issue rules and establish and maintain the publicly available registry of CRAs
- Increased revenues from civil penalties collected because of expanded enforcement powers for the FTC

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

H.R. 3642 would amend the Fair Credit Reporting Act to require consumer reporting agencies (CRAs) to adhere to new processes to resolve disputes and protect consumers. Title 1 would change how consumers dispute aspects of their credit file held by a CRA and would require CRAs and entities that furnish information to CRAs to hire and maintain sufficiently trained staff to handle such disputes. The bill would authorize consumers to appeal, free of charge, the results of a dispute reinvestigation by a CRA or a dispute investigation by an entity that furnishes information for their credit file. H.R. 3642 would require consumer information held by a CRA to be accurate, complete, and verifiable; consumers would be able to dispute the validity of their file on each of those grounds. Any entities that repeatedly provide inaccurate, incomplete, or unverifiable information to CRAs would be subject to corrective action by the Consumer Financial Protection Bureau (CFPB).

Under title 2, customer service representatives working for a CRA would be required to exhibit a minimum competence with consumer reporting laws and regulations and to remain available both during and outside of regular business hours. In addition, the CFPB would be required to establish and maintain a publicly available registry of CRAs and to update that registry on an annual basis. Finally, H.R. 3642 would expand the authority of the Federal Trade Commission (FTC) to prosecute negligent or willful violations of the Fair Credit Reporting Act.

Estimated Federal Cost

The estimated budgetary effect of H.R. 3642 is shown in Table 1. The costs of the legislation fall within budget function 370 (commerce and housing credit).

Table 1.
Estimated Budgetary Effects of H.R. 3642

	By Fiscal Year, Millions of Dollars											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
	Increases in Direct Spending											
Estimated Budget Authority	3	2	*	*	*	*	*	*	*	*	5	5
Estimated Outlays	3	2	*	*	*	*	*	*	*	*	5	5

* = between zero and $500,000.
Enacting H.R. 3642 would have an insignificant effect on revenues and on spending subject to appropriation.

Basis of Estimate

CBO assumes the bill will be enacted early in calendar year 2020.

Direct Spending and Revenues

Using information from the CFPB, CBO estimates that the CFPB would need 23 employees at an annual rate of $200,000 per employee for about one year to issue rules to implement the bill. In addition, CBO estimates that the bureau would need the equivalent of about two employees to establish and update the CRA registry. On that basis, CBO estimates that enacting H.R. 3642 would increase direct spending by the agency by $5 million over the 2020-2029 period. (The CFPB has permanent authority, not subject to annual appropriation, to spend amounts transferred from the Federal Reserve.)

CBO anticipates that expanding the FTC's ability to bring additional enforcement actions would increase collections of civil monetary penalties, which are recorded in the federal budget as revenues. CBO expects the increased revenues would total less than $500,000 over the 2020-2029 period.

Spending Subject to Appropriation

Using information from the FTC, CBO estimates that implementing the bill would increase the FTC's enforcement costs by less than $500,000 over the 2020-2024 period. Any spending would be subject to the availability of appropriated funds.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in Table 2.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 3642, Improving Credit Reporting for all Consumers Act, as Ordered Reported by the House Committee on Financial Services on July 11, 2019

	By Fiscal Year, Millions of Dollars											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
	Net Increase in the Deficit											
Pay-As-You-Go Effect	3	2	0	0	0	0	0	0	0	0	5	5

Increase in Long-Term Deficits: None.

Mandates

The bill contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO cannot determine whether the aggregate cost of those mandates would exceed the thresholds established in UMRA ($82 million and $164 million in 2019, respectively, adjusted annually for inflation).

In amending the process for consumers to dispute information in their credit file and for CRAs to investigate those disputes, H.R. 3642 would impose new requirements on CRAs, which CBO estimates would impose small compliance costs on them. The bill would require CRAs to:

- Ensure personnel handling reinvestigations of disputed information are located in the United States;
- Publish on their websites an overview of a consumer's right to obtain and dispute credit information;
- Place notations in consumer reports for disputed information and citing public data sources if used in a report;
- Establish electronic means for consumers to submit and track an appeal request; and
- Treat multiple inquiries by a consumer during a 120-day period for a mortgage, auto, or student loan as a single inquiry.

The bill also would prohibit CRAs from charging consumers to delete disputed information resulting from an investigation of their consumer report.

Mandate That Applies to Private Entities Only
H.R. 3642 would direct the CFPB to issue several rules that would impose additional requirements on private entities. However, because the CFPB has not yet established those rules, CBO cannot determine the costs to comply. Those new rules would specify:

- Procedures CRAs must follow to ensure the accuracy of information contained in consumer reports;
- Notices CRAs must provide to consumers regarding reinvestigations of disputed information in a consumer report;
- A maximum fee for services and products that a CRA may charge to consumers;
- Information to be disclosed on the website of businesses that resell data from CRAs; and
- Translations and formats that CRAs and furnishers must use to provide information to non-English speakers and the hearing and visually impaired.

Mandate That Applies both to Public and to Private Entities
H.R. 3642 would place new requirements on traditional and nontraditional providers of consumer information. Specifically, those providers would be required to:

- Notify consumers on the results of investigations,
- Ensure personnel involved in reinvestigations are located within the United States,
- Maintain consumer information, including payment histories, submitted to CRAs until the information is no longer used in a consumer report, and
- Verify CRAs have correct information in a disputed consumer report.

The bill would include utility providers, which can be public entities, in the definition of nontraditional providers of information. Thus, the bill imposes both intergovernmental and private-sector mandates. Under current law, those providers submit information to CRAs voluntarily; CBO cannot determine the number of providers that would continue to provide information to CRAs in light of the new notification and verification requirements in the bill. Therefore, CBO cannot determine the cost of the mandates.

Estimate Prepared By

Federal Costs: David Hughes

Mandates: Rachel Austin

Estimate Reviewed By

Kim Cawley
Chief, Natural Resources Cost Estimates Unit

Susan Willie
Chief, Mandates Unit

H. Samuel Papenfuss
Deputy Assistant Director for Budget Analysis

Theresa Gullo
Assistant Director for Budget Analysis