



September 21, 2006

The Honorable Richard C. Shelby
Chair, Senate Committee on Banking,
Housing and Urban Affairs
Washington, DC 20510

The Honorable Paul S. Sarbanes
Ranking Member, Senate Committee on Banking
Housing and Urban Affairs
Washington, DC 20510

**RE: NATIONAL CONSUMER ORGANIZATIONS URGE OPPOSITION TO BENNETT/
JOHNSON CREDIT REPAIR ORGANIZATIONS ACT BILL (S. 3662)**

Dear Chairman Shelby and Ranking Member Sarbanes:

The undersigned national consumer organizations strongly urge you to oppose S. 3662, the Credit Monitoring Enhancement Act of 2006. **This bill would undermine a viable and important consumer protection law – the Credit Repair Organizations Act -- going far beyond the stated purpose of relieving credit monitoring activities from coverage under the Act.**

Currently, CROA broadly applies to any person who, in return for money, provides services to improve a consumer's credit record. Only non-profit organizations and a few other entities are exempted. In addition to requiring key disclosures, and mandating important contract terms, the Act prohibits credit repair agencies from violating standards of truthfulness, fraud or deception.

Advocates for consumers have found CROA a useful tool in dealing with a range of bad actors in the credit marketplace, a tool which will no longer be available if S. 3662 is enacted. Below are some examples of the consumer protections in the current law that would not be available under this amendment.

- When run-of-the-mill *credit repair businesses* deceptively advertise their ability to improve consumers' credit scores by exaggerating what they can accomplish, CROA offers protections against this deception.

- When *debt collectors* collect debts by deceptively promising improvement of a consumer’s credit rating, CROA’s prohibition against deception can be brought to bear.
- Some *payday lenders* are now advertising themselves as credit repair specialists to evade state restrictions on interest rates; activities to which CROA’s protections clearly apply.

The amendment to CROA in S. 3662 for credit monitoring activities includes broad and sweeping exemptions. It would allow anyone who characterizes their services as providing “access to credit reports, credit monitoring notifications, credit scores . . . , any analysis, evaluation or explanation of credit scores” to be *exempted* from coverage under CROA as long as they provide a new disclosure and cancellation rights for credit monitoring services. In other words, any business that is currently defined to be a credit repair organization under CROA can simply escape the coverage of CROA by slightly changing the description of what they do from promising to “improve credit” to providing – for example – analyses and projections of a person’s credit score. CROA’s current strict prohibition against deception and fraud would no longer apply to that business.

The bill also appears to be intended to foreclose existing lawsuits by consumers against credit monitoring companies for violating CROA’s prohibitions against deception. The bill would completely exempt credit monitoring services from current rules against deception, and seems to be intended to provide retroactive relief for past deception by these companies.

This proposal weakens an important law available to consumers to address predatory lending activities. We strongly urge your opposition. For more information, please contact Travis Plunkett of the Consumer Federation of America at 202-387-6121.

Sincerely,

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National Consumer Law Center

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Consumer Federation of America

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Association of Community Organizations for Reform Now (ACORN)

cc: Members of the Senate Banking Committee