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The National Consumer Law Center Urges Support for HB4507

We urge you to vote in support of HB4507, which amends the Credit Services Organizations Act to protect consumers by updating how Illinois regulates the credit repair industry.

Credit repair organizations (CROs) claim to be able to help consumers improve their credit by removing negative items from their credit report. While consumers are entitled to dispute inaccurate or incomplete information on their report,¹ consumers can easily do that for free by themselves. Instead, CRO advertisements promote misconceptions and false hope, leading consumers to waste thousands of dollars on dispute letters that credit reporting agencies often throw in the trash. In particular, CROs advertise widely with claims that encourage consumers to believe they can get *any* negative information removed through their “service.”

Although state and federal laws enacted decades ago address some CRO abuses, the industry has adapted to evade them. Most CROs advertise on the internet now, evading the restrictions in the federal Telemarketing Sales Rule. The federal Credit Repair Organization Act bans charging fees before the credit repair service is complete. But disreputable CROs now claim that their “service” is to mail a few letters each month, so they can charge their customers monthly—regardless if they get any results. And if a CRO does get accurate negative information removed from a credit report through abusive tactics, it charges for it immediately, even though the information is often re-inserted within months when the creditor re-reports it as accurate.

HB4507 updates state law to end those evasions by making the following changes:

- **Applies the protections of the federal Telemarketing Sales Rule (TSR) to all CROs, including those that use the internet instead of telemarketing;**
- **Prohibits CROs from charging until they get results and prove that the results are permanent, by showing the consumer a credit report issued 6 months after the results are achieved;**
- **Eliminates outdated provisions of Illinois law that have been preempted by federal law;**
- **Strengthens consumers’ ability to enforce the law; and**
- **Gives the Department of Financial & Professional Regulation authority to issue regulations governing credit repair, so the law may continue to adapt to new business practices and abuses.**

These changes will protect consumers and enable law-abiding CROs to continue doing business.

¹ 15 U.S.C. § 1681i(a). With exceptions, information is typically considered “obsolete” if it is 7 to 10 years old.