



The American  
Antitrust Institute

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FOR IMMEDIATE RELEASE  
September 8, 2003  
Washington, D.C.

**AAI Report on Mortgage Credit Reporting Cites Anti-Competitive  
Price Squeeze by National Credit Information Repositories**

The American Antitrust Institute (“AAI”) issued a report today on competition in the mortgage credit reporting industry. The report finds that smaller, independent credit agencies are disappearing, in large part because of anti-competitive conduct by the three national credit bureaus, Equifax (Atlanta, Georgia), Experian (Orange County, California) and Trans Union (Chicago), also called “repositories.”

The report, co-authored by AAI Research Fellow Jonathan L. Rubin and AAI President Albert A. Foer, charges that the large credit bureaus are attempting to “control and dominate the mortgage credit reporting servicing market” through “price squeezes and other exclusionary means.” A price squeeze occurs when suppliers charge higher prices to wholesale distributors than they charge to in-house distributors or directly to end-user customers.

In a letter to the Chair and the Ranking Member of the Senate Banking, Housing, and Urban Affairs Committee, Senators Richard C. Shelby and Paul S. Sarbanes, respectively, the Consumer Federation of American notes that the practices and trends outlined in the report “raise very serious concerns for consumers.” CFA urges the committee “to investigate the impact of these questionable practices on consumers as Congress considers action on the Fair Credit Reporting Act.”

Smaller local credit reporting agencies (called “resellers”) operate in a service-intensive niche market, in which personal service and professional expertise provide mortgage brokers and lenders with an alternative to the automated regurgitation of consumer credit information typical of the national bureaus and larger resellers. From approximately 1,500 local credit reporting agencies in the mid-1990’s, the ranks of the resellers has shrunk to around 200 today. Smaller agencies routinely review credit reports for errors



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and stale information and typically work with their customers to get problems cleared up quickly.

The report contends that consumers have a strong interest in maintaining a high level of hands-on service within the mortgage credit reporting industry, so that those involved in supplying, collecting, and retaining consumer credit information will have adequate incentives to assure the currency and correctness of their information. Credit information is used in calculating a credit risk score, which often determines the interest rate at which borrowers may obtain mortgage financing, or whether they will be offered a mortgage loan at all.

The AAI report recommends that revisions to the Fair Credit Reporting Act now under consideration in Congress include provisions prohibiting price discrimination by the national credit bureaus and eliminating restrictions on the purposes for which resellers may otherwise lawfully provide credit reports. The report also urges that the rules for charging consumers for rapid re-scoring services be clarified. At present, the national bureaus provide services designed to correct errors quickly for a fee (typically in 2-3 days, as opposed to the 30 days allotted to the bureaus to correct errors for no charge under the Fair Credit Reporting Act). Resellers are allowed to offer such services to their lender and broker customers, but are prohibited by the credit bureaus from passing these costs on to consumers, either directly or indirectly. Rapid re-scoring is often the only means by which consumers can complete transactions that are stalled due to low risk scores arising from erroneous or stale information in their credit files.

The American Antitrust Institute is an independent Washington-based non-profit education, research, and advocacy organization. Further information about AAI and a link to download the report may be found on the AAI's home page: [www.antitrustinstitute.org](http://www.antitrustinstitute.org).

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