

CONSUMER LAW CENTER LLC

Phillip Robinson*

* Admitted in MD

A Consumer Rights Law Firm
10125 Colesville Road, Suite 378
Silver Spring, MD 20901

Phone (301) 448-1304
www.marylandconsumer.com

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The Honorable C.T. Wilson, Chair
Members of the Maryland House Economic Matters Committee
231 Taylor House Office Building
6 Bladen St.
Annapolis, MD 21401

Re.: **HB 251: Consumer Protection - Maryland Consumer Reporting Act - Registration of Consumer Reporting Agencies and Regulations**
PLEASE VOTE FAVORABLE (WITH AMENDMENT)

Dear Chairman Wilson and Members of the House Economic Matters Committee:

On behalf of my clients and your constituents who have been subjected to inaccurate consumer data reported by various furnishers to the credit reporting agencies, I provide this **written testimony in support of H.B. 251** and encourage this committee to **VOTE FAVORABLE (WITH AMENDMENT)** on the legislation.

Last week the Consumer Financial Protection Bureau release a report condemning the practices of the credit reporting agencies' publication of inaccurate consumer data and failure to respond to disputes and complaints. CFPB's Director Rohit Chopra explained:

"America's credit reporting oligopoly has little incentive to treat consumers fairly when their credit reports have errors. "Today's report is further evidence of the serious harms stemming from their faulty financial surveillance business model."

<https://www.consumerfinance.gov/about-us/newsroom/cfpb-releases-report-detailing-consumer-complaint-response-deficiencies-of-the-big-three-credit-bureaus/>

H.B. 251 will help address these problems by requiring the Commissioner of Financial Regulation to establish regulations at the state level to help your constituents who have been subjected to inaccuracies on their credit reports. In the area of mortgage data it is widely recognized that the data and information sold on the secondary mortgage market is inaccurate. For example,

- The Mortgage Servicing Collaborative ("MSC") of the Urban Institute's Housing and Finance Policy Center has identified in its comprehensive report, [*The Case for Mortgage Servicing Data Standards* \(Urban Institute, 2018\)](#) (the "MSC Report") that "[D]uring the foreclosure crisis when hundreds of billions of dollars of servicing portfolios were

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transferred from one servicer to another in a short period...Some [transfers between servicers] were affected by widespread data errors that led to borrower harm through missed opportunities for loss mitigation, misapplication of escrow payments, or erroneous fees. Servicers incurred significant financial costs, penalties, and reputational harm.” Id. at 6 (citations omitted).

- The credit rating agencies who review the secondary mortgage market of residential mortgage-backed securities for investors also account that loans available on the secondary market are characterized by “impaired payment histories [which impact]...the servicer’s ability to foreclose and liquidate the property.” FitchRatings: Structured Finance, U.S. RMBS Non-performing Loan Criteria – Effective Aug. 12, 2016 to Dec. 1, 2016 at Page 6.
- The problems involved in the integrity of loan data in servicing transfers is well known by state-based regulators (including DONI’s regulators as a licensed collection agency and mortgage lender) as well. *See e.g. Conference of State Bank Supervisors’ Proposed Regulatory Standards for Non-Bank Mortgage Servicers at Page 5, 11* (“Regulators and the industry have also recognized widespread data quality and integrity issues, especially in the context of transferring servicing rights. Non-bank mortgage servicers often struggle to integrate acquired loan portfolios, and to locate legal and collateral documents associated with the transferred loans. All of these issues are exacerbated if a servicer’s operational capacity has not kept pace with its growth...[these issues involve not only] data mapping problems so often experienced during a large transfer, but also the compatibility of the data”).
- A 2017 market survey of the servicing industry conducted by the Federal Housing Finance Agency, i.e. Future of Mortgage Servicing: Market Survey Results (Apr. 2018), identified the known challenges faced by the mortgage servicing market including that “[a]pproximately 60% of respondents indicated the key challenges for servicing transfers are ensuring data accuracy and completeness, and minimizing borrower impacts.” Id. at 6.

To further strengthen HB 251, we recommend the Committee amend the bill to further require the Commissioner to issue additional regulations related to regulations

Amendment to HB 251

Insert on Page 5, Line 27 after the word “agency” the following:

AND REQUIRING THE FURNISHERS OF THE FACTUAL AND LEGAL INFORMATION TO THE CREDIT REPORTING AGENCY TO REASONABLY INVESTIGATE AND CORRECT CONSUMER DISPUTES.

PLEASE VOTE FAVORABLE ON HB 251 (WITH AMENDMENT)