Congressional Budget Office
Cost Estimate

December 20, 2019

At a Glance

H.R. 3622, Restoring Unfairly Impaired Credit and Protecting 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	4	5
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	3	4	5
Spending Subject to Appropriation (Outlays)	0	0	0

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

The bill would

- Reduce the amount of time adverse information may appear on consumer reports, establish processes for certain consumers to remove adverse information from their consumer reports, and expand fraud and identity theft protections for consumers
- Impose intergovernmental and private-sector mandates on consumer reporting agencies, other businesses, and states

Estimated budgetary effects would primarily stem from

- Hiring additional Consumer Financial Protection Bureau employees to issue final rules and conduct ongoing outreach to borrowers who were defrauded

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. 3622 would reduce the length of time that adverse credit information may appear on consumer reports assembled by consumer reporting agencies (CRAs) from 7 years to 4 years and shorten the period of time that adverse bankruptcy information may appear on such reports from 10 years to 7 years. The bill would require CRAs to remove fully paid or settled debt information from consumer reports after 45 days. H.R. 3622 also would disallow CRAs from assembling consumer reports that contain adverse information about noncontractual debt (such as fines or tickets); debt arising from medical costs placed for collection in the past year; debt arising from medically necessary procedures; and private education or residential mortgage debt resulting from unfair, deceptive, or abusive acts or practices or the fraudulent, discriminatory, or illegal activities of a financial institution.

Under the bill, the Consumer Financial Protection Bureau (CFPB) would establish processes by which borrowers with fraudulent private education loans could remove adverse information regarding those loans from any consumer report. The CFPB would conduct ongoing outreach to inform consumers about their right to remove such information. H.R. 3622 would allow victims of financial exploitation to apply to a court to remove adverse credit information that resulted from such exploitation from any consumer report.

Finally, H.R. 3622 would create additional and expand existing fraud and identity theft protections for consumers. Under the bill, if a business transacts with a person who uses a fraudulent identity, that business would be required to notify both the victim of that transaction and law enforcement. Among various other provisions, H.R. 3622 would require CRAs to offer free electronic credit monitoring services to certain consumers, including victims of identity theft, the unemployed, those on public welfare assistance, and the elderly.

Estimated Federal Cost

The estimated budgetary effect of H.R. 3622 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. 3622

	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	1	*	*	*	*	*	*	*	*	4	5
Estimated Outlays	3	1	*	*	*	*	*	*	*	*	4	5

* = between zero and $500,000.

Basis of Estimate

For this estimate, CBO assumes that the bill will be enacted early in calendar year 2020.

Using information from the CFPB, CBO estimates that enacting H.R. 3642 would increase direct spending by $5 million over the 2020-2029 period. About 18 full-time CFPB employees would be required to issue final rules over the 2020-2021 period. The CFPB also would hire one employee to spend a portion of their time implementing outreach initiatives to defrauded private education loan borrowers. CBO estimates the cost of each CFPB employee is about $200,000 per year.

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. 3622, the Restoring Impaired Credit and Protecting 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	1	0	0	0	0	0	0	0	0	4	5

Components do not sum to totals because of rounding.

Increase in Long-Term Deficits: None.

Mandates

The bill contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates the cost to comply with the intergovernmental mandates would not exceed the threshold established in UMRA ($82 million in 2019, adjusted annually for inflation). Because implementation costs would depend on rules to be established by the CFPB, CBO cannot determine whether the cost of the private-sector mandates would exceed the threshold established in UMRA ($164 million in 2019, adjusted annually for inflation).

The bill would impose a number of new requirements on CRAs. Those requirements, which CBO estimates would impose small compliance costs on CRAs, include:

- Meeting shorter deadlines to remove paid tax liens from consumer reports;
- Removing adverse credit information from a consumer report when that issue has been resolved either through completed payment or a court settlement;
- Inserting fraud alerts in the files of consumers affected by the unauthorized disclosure of personally identifiable information; and
- Editing their webpages to inform consumers of the availability of one-year fraud alerts, seven-year fraud alerts, active duty alerts, and credit security freezes.

Further, the bill would prohibit credit scoring models (including educational credit scores developed by CRAs) from attributing a consumer's participation in credit restoration or rehabilitation as adverse information. H.R. 3622 would prohibit people who obtain consumer reports from using credit restoration and rehabilitation information when establishing a consumer's eligibility for credit or for employment purposes. According to industry sources, the incremental cost to comply with these prohibitions would be small.

The bill also would require businesses to disclose to law enforcement and the victim records of fraudulent commercial transactions. The incremental cost of the mandate would be small because the mandated entities already collect or possess the records.

In addition, H.R. 3622 would direct the CFPB to issue several rules that would impose new requirements on CRAs. Because CFPB has not yet established those rules, CBO cannot determine the aggregate cost to comply with those mandates. Specifically, the bill would direct CFPB to:

- Define the scope of identity theft protection and credit monitoring services that would be offered free of charge by CRAs to some consumers;
- Establish classes of consumers that would be eligible for free identity theft protection and credit monitoring services from CRAs; and
- Approve borrowers claiming fraud in private education loan transactions to have adverse loan information removed from their consumer report by a CRA.

Finally, the bill would preempt state laws governing security freezes, credit monitoring, and identity theft protection of a consumer's credit. Although the preemption would limit the application of state laws, CBO estimates that it would impose no duty on state governments that would result in additional spending or a loss of revenues.

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