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HEADLINE: Firms' Tweak to Lift **Credit** Scores

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BODY:

Many tax liens and civil judgments soon will be taken off people's **credit reports**, the latest move to omit **negative** information from the powerful financial scorecards.

The decision by the three major **credit**-reporting firms -- Equifax Inc., Experian PLC and TransUnion -- could help boost **credit** scores for millions of U.S. consumers, but could pose risks for lenders. The **reports** and scores often help decide how much consumers can borrow for a new house or car as well as determine their **credit**-card spending limit.

The unusual move by the influential firms comes partially in response to regulatory concerns. The three reporting bureaus rarely tinker with the information that goes on **credit reports** and that lenders consult to gauge consumers' ability and willingness to pay back debts.

Equifax, Experian and TransUnion recently decided to remove tax-lien and civil-judgment data starting around July 1, according to the Consumer Data Industry Association, a trade group that represents them. The firms will do so if those data don't include a complete list of at least three data points: a person's name, address and either a social security number or date of birth.

Manyliens and mostjudgments don't include all three or four. This change will apply to new tax-lien and civil-judgment data that are added to **credit reports** as well as existing data on the **reports.**

The result will make many people who have these types of **credit-report** blemishes look more creditworthy.

The Consumer Financial Protection Bureau earlier this month released a **report** citing problems it found while examining **credit** bureaus and changes it is requiring. Issues the agency cited included improving standards for public-records data byusing better identity-matching criteria and updating records more frequently.

Inaccurate information on **credit reports**, especially if it is **negative** information, can derail consumers from being able to gain access to **credit** and even lead to other setbacks like not being able to rent an apartment or get a job.

One in five consumers has an error in at least one of their three major **credit reports**, according to a 2013 Federal Trade Commission study mandated by Congress. The three **credit** bureaus received around eight million requests disputing information on **credit reports** in 2011, according to the CFPB.

In 2015, the **credit**-reporting firms reached a settlement with New York's attorney generalover severalpractices, including how they handle errors. This was followed by one with another 31 states. One more state, Mississippi, followed last year.

The state settlements already had prompted the **credit**-reporting firms to remove several **negative** data sets from **reports.** These included non-loan related items that were sent to collections firms, such as gym memberships, library fines and traffic tickets. The firms also will have to remove medical-debt collections that have been paid by a patient's insurance company from **credit reports** by 2018.

Such changes might help borrowers and could spur additional lending, possibly **boosting** economic activity. But it could potentially increase risks for lenders who might not be able to accurately assess borrowers' default risk.

Consumers with liens or judgments are twice as likely to default on loan payments, according to LexisNexis Risk Solutions, a unit of RELX Group that supplies public-record information to the big three **credit** bureaus and lenders.

"It's going to make someone who has poor **credit** look better than they should," said John Ulzheimer, a **credit** specialist and former manager at Experian and **credit**-score creator FICO. "Just because the lien or judgment information has been removed and someone's score has improved doesn't mean they'll magically become a better **credit** risk."

Removing this information from **credit reports** also will lead to changes in people's **credit** scores. Roughly 12 million U.S. consumers, or about 6% of the total U.S. population that has FICO **credit** scores, will see increases in those scores as a result of this change, according to the company that created the FICO system, which is used by lenders in most U.S. consumer underwriting decisions.

For most of these consumers, the score increase will be relatively modest. FICO projects that just under 11 million people will experience a score improvement of less than 20 points. FICO scores range from 300 to 850. The higher the score, the more creditworthy a consumer generally is.

Scores are projected to rise by at least 40 points for around 700,000 consumers, according to FICO. In many cases, that can mean the difference between getting approved for **credit** or denied it.

Civil judgments include cases in which collection firms take borrowers to court over an unpaid debt. Ankush Tewari, senior director of **credit**-risk assessment at LexisNexis Risk Solutions, says that nearly all judgments will be removed and about half of tax liens will be removed from **credit reports** as a result of the changed approach. He says LexisNexis will continue to offer the data directly to lenders.

In addition, if public court records aren't checkedfor updates on lien and judgment information at least every 90 days, they will have to be removed from **credit reports**.

Lenders will still be able to check public records on their own to find this information.

NOTES:
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