**Overview**  
In 2006, the Federal Trade Commission and the Board of Governors of the Federal Reserve System have released their Report to Congress on the Fair Credit Reporting Act Dispute Process. The report provides tons of must-know information on how the dispute process actually works.  
  
In 2003, the FACTA (commonly referred to as “FACT ACT”) was passed as an update to the Fair Credit Reporting Act (FCRA). One of the provisions was for a study to be performed by the FTC and the findings reported to Congress.  Mostly an exercise in bureaucracy, the conclusion of the report “…finds that, although the materials that the FTC and the Board reviewed indicated that most disputes seem to be processed within the statutory time frame, there is disagreement as to the adequacy of the CRAs’ and furnishers’ investigations.”  
  
In English, this means that the credit reporting agencies (CRAs) do a good job keeping the dispute letter paperwork flowing but a bad job when it comes to actually investigating disputes.  
  
Some interesting facts pulled out of the report are that Equifax, Experian, and TransUnion (the three major CRAS) maintain a massive amount of data. This includes 1.5 billion accounts for over 210 million individual credit reports. More than 4 billion (yes billion) information updates are sent to the CRAs every month by more than 30,000 creditors (also called furnishers). That is a ridiculous amount of data to maintain.  This is also one of the main reasons there are so many errors in credit reports.  
  
Another interesting section is on public records. It is fascinating to know how public records, such as bankruptcies, liens and judgments, actually get on a credit report.  Many people believe that the court system reports the data to the credit bureaus, which is inaccurate.  The report says “…because some public record information is accessible only by visiting courthouses and other government buildings in person, the repositories sometimes hire contractors to gather the information.”  
  
That is powerful knowledge to use when disputing public records. Does the CRA send a contractor back to the court house to verify the accuracy of the public record item when it is disputed? This is HIGHLY unlikely considering the cost that would be involved in doing that. Although the report does not address how public record disputes are investigated, if leaves you wondering if the CRAs can verify disputes at all when public records are involved.  
  
Since the reports main focus is on the dispute process, it goes into detail on the technicalities of that process.   
  
**Step A: Consumer Reviews Consumer Report and Conveys Dispute to CRA**  
In 2003, 57.4 million consumers were issued their credit reports. Of those 57.4 million reports issued, consumers entered disputes 21.8% of the time. So already we can see that 1 out of 5 reports were perceived by consumers to contain errors in need of correction.  
  
**Step B: CRA Processes Dispute**  
 The CRAs have 30 days to investigate the dispute and they are supposed to consider all relevant information supplied by the consumer. However, in a joint letter by numerous well-known consumer rights organizations, it is “asserted that CRAs fail to conduct meaningful reinvestigations and merely ‘parrot’ information received from furnishers as ‘verified’, without independently investigating the accuracy and completeness of such information.”  
  
**Step C: CRA Forwards Dispute to Furnisher**  
The credit reporting agency then supposedly, provides notice of dispute to the company that furnished the credit data within five business days of receipt of the dispute.  
  
**Step D: Furnisher Investigates and Sends Response to CRA**  
This is where the system is truly broken. The law says that the furnisher is supposed to actually conduct an investigation in response to the dispute. So what constitutes an investigation? According to the watch-dog consumer groups, “furnishers are simply not conducting meaningful reinvestigations; they do not train their employees on effective reinvestigation procedures; and they repeatedly default, simply to verifying the existence of an account.” In plainer language, when the original creditor gets a dispute notice from a CRA, they have some low-paid clerk verify that an account exists with the consumer. Then they respond to the CRA and say, “Yes, this person owes us money; verified as reported.” And the CRA leaves it at that. This can be extremely frustrating to the consumer who has a real dispute regarding a negative credit entry. That is why persistence is so important when it comes to credit repair.  
  
**Step E: CRA Communicates Reinvestigation Results to Consumer**  
In one government study, of the consumers who filed disputes, 69% reported that the disputed information had been removed from their credit files. That’s pretty good odds in favor of the consumer who takes action to dispute the inaccurate junk on their credit report. Another interesting tidbit is that TransUnion reported that about 5% of disputes were repeats, where the consumer simply repeated the dispute with no new information. However, the fact that they claim “no new information” is sent, does not seem accurate. That would mean the consumer (or credit repair company) just mailed the same letter again.  In reality, the truth is the CRA is probably just claiming the letter to be a “repeat.”  
  
**Step F: Consumer Disputes Information Directly to Furnisher**  
The FACT Act requires credit furnishers to investigate disputes conveyed to them directly by consumers and it will be illegal for furnishers to report information they have determined to be inaccurate.   
  
**Conclusion**  
Although this report does not break any new ground or even recommend any specific actions, it provides a fascinating look at the tug-of-war going on between consumers and the financial industry. The bottom line is that the creditors and the CRAs don’t want the burden of having to properly investigate disputes, to the extent of providing supporting documentation.