ED WALLACE

# Credit Where Credit is Due

BY ED WALLACE
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Three years ago a hacker broke into the credit files of Equifax and made off with critical information on most of us, leaving everyone vulnerable to identity theft in the future. Info Security reported that hackers broke into the credit files at Experian, stealing information on 24 million South Africans, while recently millions of Texans had their drivers' license information stolen from a company in Denver that works with the insurance industry. Of course, in 2014 the same thing happened at JP Morgan Chase, and that episode affected the banking files of 83 million account holders.

For those who have forgotten, Equifax offered $125 as a settlement to those who had their credit files stolen, but the paperwork was so onerous most settled for free credit reports and monitoring. Reflect on the irony of that. Equifax was incapable of monitoring their computer system or the hackers never could have broken in. To this day JP Morgan Chase has never notified their clients as to what was stolen, or even an apology. But these are crazy, crazy days. Does anyone remember a few years ago, when LifeLock CEO and founder Todd Davis did commercials featuring a traveling billboard with his real social security number on it, to prove how great his ID theft security company was? Wired magazine pointed out in 2010 his personal identity had been stolen 13 times. And yet his company is still in business; they just don't do ads with his social security number anymore.

Still, something strange is going on. Ever since the Equifax breach of 2017 I've been getting credit score updates from Experian. For the record I'm old, have zero debt, but I remember being young and living paycheck to paycheck. I still have empathy for those in that situation, particularly if they are still raising kids. So recently Experian emails suddenly started pushing a new line claiming that my credit score could be much better if I just had more credit cards. Of course, not to use them, just to increase my "unused credit limit" to improve my credit score. As someone who spent decades taking credit applications from consumers wanting to purchase cars, that logic was lost on me.

That is because I've seen credit buyers get nervous about people with too many credit cards (even if they weren't carrying huge balances), knowing that tomorrow those same individuals could max those credit cards out and then take refuge in bankruptcy. But now Experian's emails are pushing the concept that more credit cards help your Beacon score.

Oddly enough, on Experian's own website the section explaining how to improve your Beacon score warns about having too many inquiries on your credit files — which happens when you apply for new credit cards you don't need. Worse, follow the link on that Experian email to see your new credit score, and you'll find the list of credit cards they think would be perfect for you. Each one of mine had a Discover Card as the first choice; I think having a Discover Card is actually a disqualifier for those who would like to join Colonial Country Club.



Then a couple of weeks ago those Experian emails turned dark. Now my credit score was falling and something needed to be done. Previously it had been 832, then came a 20-point drop, days later a few more points, and within 10 days I was below 800. Now, for the record, that's still good. But as someone who spent years as a dealership finance manager, I knew this wasn't right. With zero debt and a long history of loans paid off, there is no justification for anyone's credit scores' dropping that quickly, or at all. So a week ago with Dane Minor, general manager of Freeman Toyota, who was about to go on my show, I discussed that very issue only to have Minor say he's getting the same emails claiming his scores are falling.

So it was brought up on air; and sure enough, listeners are emailing the same story, some forwarding their Experian emails identical to the ones I've received. And one gentleman, whose wife is an underwriter for a local mortgage company, complains about customers' credit information fluctuating while she's trying to underwrite a new mortgage.

Here's why I find this troubling. Again, I'm an old guy and at this point in my life a credit score is of no concern to me. But coming out of the auto industry I know it's critical for the vast majority of car buyers. Particularly when sometimes the biggest incentives on a new vehicle might be zero percent financing for extended terms, and maybe even deferred payments. If you recall, every one of those ads state, "with approved credit;" the nicer ones say, "for well-qualified buyers." And that means that if your credit score fell 40 points for no reason whatsoever, that might make the difference between being approved for a zero percent loan or declined. If your credit is a little sketchier, that 40-point drop might throw you into subprime. Only you are not going to be mad at Experian for that drop in credit worthiness; no, you're going to think you're being worked over by the dealership's finance director.

Two points, if you missed a couple of payments your credit score will fall. That's not what we're talking about here; it's credit scores' falling for no apparent reason. Second, there are some finance directors who will work you over. But again, we're talking about the best dealerships and their practices.

Still, whether you have flawless credit, you're average, or you've hit hard times in the past, everyone needs to know where they stand in order to ensure decent interest rates for future loans by improving your credit scores, thereby controlling your financial future. You can check out your credit report for free once a year at a government-created website, annualcreditreport.com. At the moment all three credit reporting companies are allowing free weekly access to check one's credit.

You also need to know if your email address and passwords at any given company has been stolen and is up for grabs on the Dark Web. One can do that at haveibeenpwned.com. According to this website my Gmail account has been breached once, but so far no pasting of that or the associated password has shown up on the Dark Web for sale. My SBC-Yahoo email address has been stolen at seven breached websites and one pasting of that data for sale online. Both of these customer websites are free services, but critical to ensuring your ability to protect your information going forward.

We live in strange times. Business ethics at the corporate level are sometimes just outrageous. JP Morgan Chase, where I bank, regularly calls or sends emails to me to push their wealth management program. Last week the Comptroller of the Currency fined Chase a quarter of a billion dollars for "a pattern of misconduct in their wealth management division." Bummer; glad I said no. A couple of months ago it was nearly a billion-dollar fine for, again, manipulating markets by the bank. And $300 million five years ago for clandestinely moving clients' money into higher fee accounts. One group totaled JP Morgan Chase's government fines at over $30 billion over the past seven years, although $13 billion of that was for selling fraudulent securities prior to the Financial Meltdown. Yet today many CEOs in America don't lose their job over ongoing fines for fraudulent behavior. They get stock options instead.

Come to think of it, why did no one go to jail for selling fraudulent securities at any of the international banks? You or I can go to jail for bouncing a check.

Worse, where are you going to move your money? Wells Fargo? Not according to the media stories I've read over the past few years. And now we have credit reporting companies working to convince Americans they desperately need a Discover card to improve their credit score. But credit reporting companies are not supposed to be in that business. Their mission statement is simple; compile your real-world credit history, keep it secure and report it to other potential lenders in the future. And for the average American family, credit scores are critically important.

Now imagine if you will if a large national car dealership chain was fined $250 million for fraudulent transactions in their finance departments. That would be front-page news in business sections across America for weeks. Maybe the CEO of that company would be forced out, or not, but all sorts of promises would be made that it would never happen again; and the public would still shun their stores for some time to come. In the late Eighties over 1,000 bankers went to prison for the Savings & Loan and scandal and bank failures. Almost thirty years ago a local Ford dealership's employees showed up to work one morning, and minutes later management left in handcuffs. And that store was closed.

So, the question is, why doesn't that happen anymore? I know we're in an age of anything goes, anti-government, anti-regulation mode; and I can't answer for you, but I would rather not be a mark for the taking. And when it happens we're blaming the wrong people for it.

*Ed Wallace is a recipient of the Gerald R. Loeb Award for business journalism, bestowed by the Anderson School of Business at UCLA, and hosts the top-rated talk show, Wheels, 8:00 to 1:00 Saturdays on 570 KLIF AM. Email: edwallace570@gmail.com*

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