

Before the Fair Credit Reporting Act was passed in 1970, companies like Equifax frequently refused to show consumers the contents of their files. But with the law now firmly on our side, we sent a letter to the companies demanding a reinvestigation of the prejudicial information, and asking that it be removed within a 30-day

roll up my sleeve so he could take a vial of blood. He also weighed me, took my height measurements, and asked me for a sample of urine.

In the age of AIDS and other diseases, this is all part of the life-insurance-policy application process. According to Paul Vaskas, a spokesperson for Sun Life, my

blood was to be tested for HIV, cholesterol, nicotine, liver function, and blood-sugar levels. The urine, of course, was a flat-out drug test. There was even a little thermometer inside the vial to make sure the urine was fresh, and not some drug-free sample I happened to have sitting around my house.

The lab work on my blood and urine was completed by a Sun Life contractor. Equifax, however, wants this busi-

ness to replace the chart in my doctor's office with a few blocks of storage spinning in some computer. To that end, AT&T will set up a sophisticated network allowing my medical records to be accessed and downloaded by any doctor or specialist I wish to visit. If AT&T and Equifax are successful, they will control the nation's largest networked repository of medical records, storing the entire patient chart from cradle to grave, and collect a fee every time someone sees a doctor. Both companies say the venture will cut medical costs while improving patient care. Because the project is still in its infancy, Equifax doesn't yet know how it will charge for the service.

Underlying all these acquisitions and mergers is one strategic goal: to make Equifax the premier information storage, processing, and retrieval company for the 21st century. Unlike the customer databases of companies like Citibank or Microsoft, there's something fundamentally different about the Equifax databanks: stored here is personal and private information on just about every man, woman, and child in the United States, which is sold as widely as possible to make money.

So what's in these credit files anyway? Most Americans still don't know. But it's easy to find out: A credit history can be ordered from Equifax for just \$8 in most states, or free to anybody who has been denied credit in the last 60 days; nevertheless, few people request a report unless they have major credit problems.

A typical Equifax credit report contains a list of credit cards, bank loans, student loans, and other credit a person has been granted over the past 7 years. (Negative credit assessments remain on the report for 7 years, bankruptcy proceedings for 10 years, and all "good" credit behavior stays on your record for life.) For each loan you take out, the report records your payment history - how many times you paid on time, when you were late, and whether you were 30, 60, or more than 90 days behind with your payment.

Creditors pull a copy of your credit report and use the information to help them decide whether to grant a loan. Still

Are You in an Equifax Database?

Here's a sample of the company's database operations:

- Consumer Credit Database
- Equifax Check Services - check payment histories
- CLUE - property and auto claims on homeowner insurance policies
- Additional Driver Discovery - number of drivers in a household
- Medical Credentials Verification Service
- Physician Profiling
- Motor Vehicle Records - from states' departments of motor vehicles
- Computerized Patient Record (coming soon) - a series of local databases, which AT&T will help to network

Equifax at a glance:

1994 operating revenue: US\$1.5 billion
 1994 operating income: \$214 million
 Assets: \$1 billion
 Employees: 14,200

period if accuracy could not be verified.

I got my second call from Equifax a few weeks later, in early March. A nice woman asked me detailed questions about my health, age, parents, and dangerous hobbies. It was a matter of minutes before I figured out what was going on. A few weeks earlier, and separate from my mortgage request, I had applied for a US\$250,000 life insurance policy. The insurer, Sun Life Assurance Company of Canada, had hired Equifax to verify the information on my application.

About a month later, I got another phone call, this time from a paramedic working for Physical Measurements Inc., another Equifax subsidiary. He came to my house a few days later and spent an hour taking another detailed medical history. After the questions, he asked me to

ness - and badly. Last November, it purchased Osborn Laboratories, a large facility just outside Kansas City. Equifax plans to offer insurance companies one-stop-shopping for checking out its potential customers. And Osborn isn't the only company Equifax has acquired in the health field: in May 1994, it bought HealthChex Inc., a Rochester, New York, company that specializes in physician profiling and claims reviews. Hot on the heels of this deal, Equifax took over Electronic Tabulating Services, a health-claims clearinghouse in Atlanta.

Equifax has also been pushing hard into the area of consumer medical records. At a March 1995 press conference in Atlanta, Equifax and AT&T announced the launch of a joint "information assault" on national health care problems. Equifax appar-

owe money to J C Penney for that microwave oven you bought the first year out of college? You probably won't be able to get a car loan until it's paid off. Doesn't matter if the oven was a dud that you refused to pay for – all a potential creditor sees is an unpaid balance. And most American businesses are unwilling to extend credit if they know you're in arrears elsewhere.

But the report lists more than just unpaid bills. Equifax also notes each time you report a lost or stolen credit card – yet another thing that makes you a potential credit risk. The report includes your previous addresses and lists other company requests for your credit history in recent years. And don't be surprised to see the name of your employer, your spouse, your date of birth, and much, much more.

Equifax receives this information directly from your lenders. Each month, banks, stores, and other businesses send off reports – good and bad – of their active accounts. Those reports then go straight into the databanks of Equifax, TRW, and Trans Union.

But of the Big Three, Equifax stands alone. Besides credit, the company runs huge databanks for the auto and home insurance industry. Called CLUE, short for Comprehensive Loss Underwriting Exchange, this database system tracks your auto accidents, the number of drivers in your household, and claims on your homeowners insurance. Among other things, CLUE helps spot people who lie on their insurance applications. Also, Equifax recently acquired new databanks to keep tabs on the medical profession, allowing hospitals and health maintenance organizations to screen doctors for malpractice suits and suspect medical degrees before hiring decisions are made.

"It's what I call an information conglomerate," says Robert Smith, publisher of *Privacy Journal*, based in Providence, Rhode Island. "No other American company has such a widespread collection of personal information."

Smith's beef with Equifax is a simple one: accuracy. Although much of the information in the company's databases is accurate, some clearly is not. And that kind of misinformation can disqualify

people from credit cards, insurance, jobs, and even – be still, my beating heart – buying a new house.

Last year was the best ever for Equifax. The company introduced 25 new products, 23 of the company's 29 business units gained market share, and the slump-

tigative consumer, medical, and insurance records Equifax is involved with."

Even Equifax doesn't seem to know. Between February and May of this year, I asked Equifax repeatedly for a list of all the consumer databases the company maintains. It never provided such a list. Instead, Equifax spokesperson John Ford

supplied me with a list of the company's many business units, and the kind of information each of their databases contain.

Privacy activists, meanwhile, have concentrated their attention on the company's consumer files. Their first contention is that certain information in these files is invalid (loans long since repaid, or one person's debts showing up on another person's report). The second point of issue is that Equifax makes its information widely available rather than restricting access to people with legitimate need for it. And thirdly, that the company has inadequate procedures to counteract credit fraud.

"Their gross economic incentive is to sell the bits and pieces of data that make up your life as widely as possible," says Stephen Shaw, a Washington-based

journalist who unwillingly became an expert on the company after an Equifax report was used to steal his identity.

Shaw's problems started during the summer of 1991, when a car salesman from Orlando, Florida – also named Stephen but spelled Steven Shaw – obtained the other Shaw's credit report. That report contained Shaw's Social Security number and the account numbers of all of his major credit cards. "He used my information to open 35 accounts and racked up \$100,000 worth of charges," says Shaw. "He tagged me for everything under the sun – car loans, personal loans, bank accounts, stereos, furniture,

Major Operations:

Equifax Credit Information Services

Equifax operates the largest credit-reporting network in the United States. The database is used by credit card companies, stores, and mortgage companies to decide who should receive credit. The same data source is used for credit "scoring," to decide who should be sent credit card offers through the mail. Revenue in 1994: US\$446 million.

Equifax Payment Services

Equifax is one of the nation's leading guarantee companies. The company operates a point-of-sale network, which allows merchants to authorize checks with a single phone call. If the check is returned for insufficient funds, Equifax will purchase the check from the merchant at face value. Last year, Equifax Check Services authorized checks valued at \$12 billion. The company also offers high-volume transaction processing services, used mostly by national retail chains, banks, and credit unions. Revenue in 1994: \$247 million.

ing Insurance Information Services division became one of its best revenue producers. Equifax has managed to sustain this growth, according to the company's 1994 annual report, "as it moved deeper into the inner workings of a global information economy."

This very "deepness" frightens and intimidates many privacy activists, who are more interested in Equifax now than during its entire history.

"It's a very murky company," says Edmund Mierzwinski, consumer program director at the US Public Interest Research Group in Washington, DC. "No one has any idea just how many different inves-

appliances, clothes, airline tickets."

Credit fraud is a federal crime, and many of these cases span several states by their nature. Nevertheless, Shaw says, most victims never get the assistance of the federal government in tracking down their assailants because most "US attorneys have a \$100,000 cutoff - if your loss falls below that figure, you're very likely to get screwed."

It took Shaw more than four years to resolve his problems. Equifax fought him every step of the way. Finally, last year, the two parties settled for an undisclosed amount but, says Shaw, "with numerous questions still unanswered."

"Their incentives are not to protect your privacy or to ensure the accuracy of the data," he explains. Instead, it's to sell personal information as widely as possible without controlling its dissemination. Furthermore, Shaw says, the company has no inducement to ensure the absolute accuracy of its data: if a few questionable people don't get their loans approved, Equifax still gets paid.

Indeed, it is unclear just how accurate Equifax databanks are. According to the Associated Credit Bureaus, an industry trade organization, more than 550 million credit reports are sold each year. Errors critical to the decision to offer credit, according to a 1991 study funded by Associated Credit and conducted by Arthur Andersen & Co., turn up in fewer than 1 percent of consumer files.

Privacy activists, however, counter that more than 50 percent of Americans who get to see their reports find inaccuracies. In 1991, *Consumer Reports* published a study by James Williams of Consolidated Information Service, a New York-area mortgage reporting firm, which analyzed 1,500 reports from TRW, Trans Union, and Equifax, and found errors in 43 percent of the files.

Some errors were minor, such as an incorrect address. In other cases, the files mixed credit information from two people with similar names.

Equifax spokesperson John Ford criticizes the Williams study, saying "the analysis done by Consolidated was based on a nonrandom, nonrepresentative

sample of credit reports. The only scientific study on the accuracy of credit reports was the one sponsored by Associated Credit and conducted by Arthur Andersen."

However widespread the inaccuracies, critics maintain that Equifax should do more to clean up its files. "They haven't done an all-out blitz to correct their

Equifax Insurance Information Services

Equifax provides information to virtually all of the nation's major insurance companies and agents. Equifax databases are used for auto, life, health, and home insurance. The company has an army of claims investigators equipped with laptop computers who will travel to the scene of a claim, type up a report, and file it electronically. Revenue in 1994: US\$453 million.

Equifax Healthcare Information Services

Equifax offers a series of products for the health care industry, including systems for the credentials of doctors, physician profiling, claims administration, utilization management, and managed-care-plan services. The company is aggressively developing a system for computerized patient records. In the coming years, Healthcare may be the largest growth area for the company. Revenue in 1994: \$133 million.

records," says *Privacy Journal's* Robert Smith, who has followed Equifax for more than 20 years. Smith suggests a few simple remedies: Equifax could send out a free credit report to every individual in the country, asking them to check for errors. The company could institute a system of random checks. At very least, it could alert consumers whenever a business pulls up their credit report.

Equifax CEO and Chair C. B. "Jack" Rogers believes such measures would be unnecessary. "Any consumer denied credit has free access" to the report, he says. Guilty until proven innocent.

While sending out a free report to everyone in the country, Rogers adds, "is certainly something that could be done, we frankly feel that we are better off spending our money on various systems

and software protocols that make sure of the accuracy" of the reports.

Rogers acknowledges the company's past problems and says he's worked hard to overcome them. "Years ago, the credit reporting company did not look upon you the consumer as anything but a number. Our customer was the bank, the lender,

the insurance company." But that has changed, insists Rogers. "We took the position, and it is in the *Congressional Record*, that we intended to treat the consumer like a valued customer."

Even critics admit that Rogers has worked hard to make Equifax more aware of consumer concerns. "Without question, Equifax has made a commitment to be a good corporate citizen in the information business," says Marc Rotenberg, director of the Electronic Privacy Information Center. Nevertheless, Rotenberg and others say that many problems remain; and meanwhile, privacy activists are opposing the Equifax push into medical

records, a move seen by Rogers as key to the company's future growth.

A trim, smiling, well-meaning industrial powerhouse, Jack Rogers came to know Equifax when he was setting up IBM's General Systems Division in Atlanta, which produced both the IBM PC and the AS/400. Back then, in the early '70s, Equifax was one of Rogers's best customers and in 1977, the credit company even asked Rogers to join its board.

Ten years later, Rogers was head of IBM's US operations, and the then-Equifax chair W. Lee Burge approached him to take over. By the end of 1987, Rogers was Equifax's president and COO. And two years later, he was CEO.

Rogers said the first change he made was redefining the core products of the



company. When Rogers took over, the Equifax credit and insurance reports were commodities: a report from Equifax contained the same information as a report from TRW or Trans Union. The companies competed on price alone. To differentiate his product, Rogers turned the report process into a sophisticated system for “risk management” – one that included models to determine who should be offered credit, who was likely to repay a loan, and who was likely to accept a new credit card. The models were tailored for each customer, allowing, for example, Bankers Trust to target one kind of customer while Citibank targeted another.

Rogers also went after related fields. Equifax now offers credit card and debit-card processing for small- to medium-sized banks and credit unions. And the company has moved into check authorization; last year, Equifax Check Services authorized checks valued at \$12 billion.

By the late 1970s, the nation’s three big credit reporting businesses were largely regional operations: Equifax handled the Southeast, Trans Union the Northeast and central states, and TRW the West Coast. Rogers’s second big push was to turn Equifax into a national company, then into an international company. Rogers achieved this by partnering: instead of simply hanging up a shingle in England or Spain, Equifax joined up with existing firms in those countries to create new businesses. For example, in May 1994, Equifax entered into a joint venture with Asociación Nacional de Entidades de Financiación to operate a Spanish credit reporting company; a similar arrangement exists in Chile. But Equifax plays to win. Many of these partnerships are eventually purchased outright by Equifax when the foreign partner decides to refocus on its core business.

Another institutional change, Rogers explains, was to create a rewards system at Equifax based on performance rather than entitlements or seniority. “What we have done is taken two layers of management out of the organization,” he says. In the new Equifax, “just sticking around is not the way to success.” The whole company’s performance is computed using a

system called Economic Value Added, which weighs efficiency, profit, capital investment, and expenses.

Rogers also declared that Equifax would shed its past and become "the Tiffany of the industry" with respect to personal privacy. He had a set of consumer principles drafted, cast in bronze, and posted at

Equifax International Operations

Equifax is the largest information services company in Canada, offering credit reporting, check authorization services, accounts receivable, and collection services. Equifax is also bringing American-style credit reporting to Europe and South America. Revenue in 1994: US\$143 million.

By the Numbers

Call up Equifax for your credit information and you'll hear: "Thank you for calling Equifax. Due to the confidential nature of credit information, your credit report cannot be discussed over the phone."

Nevertheless, you can order an Equifax report over the phone by calling the company's special 800 number. You can even have the credit report delivered the next day by FedEx. To order an Equifax report call (800) 685 1111; for an Equifax CLUE report call (800) 456 6004.

the front door of the company's corporate headquarters. (See page 107.) Equifax began sponsorship of an annual study by Louis Harris and Associates on American attitudes toward privacy. The company also sponsored the 1992 through 1994 conferences on Computers, Freedom, and Privacy that took place in New York, San Francisco, and Chicago.

But perhaps Rogers's most significant change was hiring one of the company's most vocal critics, Columbia University's Alan Westin, as a privacy consultant.

Rogers gave Westin a mission: fix the Equifax privacy problem. Westin was given the right to question any Equifax worker, conduct spot privacy audits, and suggest changes to products and procedures under development. In this role, Westin would report directly to Rogers.

As Westin's relationship with Equifax intensified, he scaled back his work at Columbia. Today, he teaches just one course a year at the university.

Meanwhile, Equifax is a big sponsor of Westin's latest venture, a newsletter called *Privacy & American Business*, based in Hackensack, New Jersey.

Of course, Equifax is still not immune to the occasional privacy blunder. Take the case of Lotus Marketplace, a cooperative project between Equifax and Lotus Development Corp. that set out to put the names, addresses, and profiles of more than 100 million consumers on a single CD-ROM. Using this system, an ambitious marketer could print up a mailing list of, say, every woman aged 30 to 50 with a household income of more than \$50,000 within a five-mile radius.

Privacy advocates vehemently attacked the product, saying it would be just as easy for, say, burglars to print up lists of wealthy women over 80 living alone. More than 30,000

people wrote to Lotus demanding their names be removed from the database. Lotus and Equifax finally canceled the product in January 1991.

Westin told Equifax to give up on target marketing. The company followed his recommendation later that summer, shutting down a \$12-million-and-growing business unit. (Eventually the Federal Trade Commission agreed in January 1993 that target marketing was an inappropriate use of credit reports; Equifax competitor Trans Union is fighting the commission to keep its own target marketing business intact.)

"I admire what Westin has done and what he tried to do with Equifax in the US and Canada," says David Flaherty, information and privacy commissioner for British Columbia and one of Canada's

leading privacy advocates. "In both countries he's made the Equifax name synonymous with legitimate, respectable privacy surveys. In both countries, he has audited Equifax's fair information practices, which I can only view as a positive step.... He has been a strong force for good."

But are the files accurate? "Inaccuracy is endemic in large databases; whether it's the National Crime Information Center run by the FBI, or Equifax's credit reporting service," says Flaherty. "I think the usual Equifax type of defense makes sense: that they store and report only information the consumer gave to the credit grantor in the first place, plus detailed information that is supposed to reflect the realities of credit performance. Thus, it's imperative for consumers to check their own credit reports regularly to make sure the information is accurate."

Maybe consumers *should* do their own checking, but this February, the Federal Trade Commission took up the baton by announcing an investigation of Equifax for violations of the Fair Credit Reporting Act. The commission reported that Equifax had failed "to assure the maximum possible accuracy of the consumer credit information it compiles and sells nationwide to credit grantors, employers, and others." The trade commission went on, saying that Equifax had maintained "mixed files" containing information on someone other than the person named on the report; that it had failed to promptly delete inaccurate information disputed by consumers; that information deleted from reports had a curious way of reappearing on future reports; and that Equifax had "furnished consumer reports to those who had no permissible purpose under the Fair Credit Act to obtain them."

After the commission's February announcement, the clock started to tick on a 60-day period of public comment. In press reports, Equifax brushed aside the commission order, saying that the Federal Trade Commission's action would only codify practices that Equifax had already adopted. Ironically, most of the written comments the commission received agreed on this point - and they criticized

the commission for not forcing Equifax to adopt substantive changes in the way it does business.

"Equifax announced that the order will not cause it to change its operation," wrote David Szwak, an attorney in Shreveport, Louisiana, who has been in litigation with Equifax several times. "The trade commission should begin taking real steps toward enforcing the Credit Act and other Truth in Lending legislation. The bureaus, including Equifax, reap extraordinary profits while consumers bear the brunt of their secret operations."

Szwak has spent years fighting Equifax on behalf of consumers who claim they found inaccurate information on their credit reports. "Probably the worst thing they do," says Szwak, "is grind on you and your client by using 'burdensome discovery,'" the process of declaring facts to be used in a trial. Basically, "they try to conduct a full audit of your life, every aspect. They want all of your banking records, telephone records, and tax records."

Unlike a criminal case, in which people are innocent until proven guilty, victims of credit fraud often need to prove they are not the individuals who fraudulently obtained the credit cards and ran up the bills. This spring, Equifax said it would stop printing a person's complete credit card number on the report to help reduce fraud. (Credit card numbers are still clearly printed on personal reports and reports to mortgage companies and collection agencies.)

"The bottom line is that people need legal protection, and they still don't have it in two central areas: credit reporting and medical records," says Evan Hendricks, publisher of *Privacy Times*, a Washington, DC, newsletter. "You can stand up for your rights against Equifax, but I have seen cases where you lose more privacy by doing it."

The Fair Credit Reporting Act makes it illegal to disclose credit information for impermissible purposes. But with its existing technology, Equifax cannot enforce that requirement. Instead, Equifax merely makes its clients promise not to use the credit reporting system for

unauthorized purposes. Privacy advocates say that Equifax should track the name of the person or company making the request to catch people who abuse the system. As it stands, Equifax computers merely record the name of the company on whose terminal the request is typed. That is, the system notes that J C Penney made a credit inquiry, but not that Heather in accounting decided to pull a report for some guy she met the previous night at a bar. A system that assures personal accountability would better serve the public, but it is not technically required under the Fair Credit Reporting Act.

Indeed, in many ways, Equifax now uses the Fair Credit Reporting Act as a shield - a written standard, which attests to the care and diligence required of the company to exercise and assure complete consumer privacy as well as the accuracy of its records. With this in mind, it's not hard to understand why Rogers has been calling for legislation to set comparable national standards for medical record privacy - the next big data market Equifax wants to penetrate.

"Our studies say that consumers trust the doctors with medical records, but the chain of information custody from the doctor, to the nurse, the office manager, the pharmacist, the insurance company ... then consumers become concerned. And they should," says Rogers.

A national standard could go a long way toward reassuring people that it is safe to let Equifax have a copy of their cradle-to-grave medical history. Without an important benchmark, Equifax will write its own standards - and become accountable only in situations like accidental disclosure.

Many privacy activists say Rogers's argument misses the point. Besides the need for a national standard, it's important that no single company, à la Equifax,

holds the key to personal records. "I don't think the American people have begun to consider what it would mean for a credit-reporting company to be able to read through their mental-health records," says privacy watchdog Rotenberg. And Americans certainly haven't considered what it would mean to have that same

From the Bronze Plaque at Equifax Corporate Headquarters:

Our Commitment to Integrity

- Every person has the right to be considered for credit, insurance, employment, and other benefits on his or her own merits.
- Every person who seeks to qualify for any transaction should be treated with respect and fairness.
- Every person has the right to know what information has been reported on him or her so that its accuracy can be assured, amended, or explained as needed in fairness to all involved.
- Every person has the right to personal privacy consistent with the demands and requests he or she makes of business.
- Every person is entitled to have his or her data safeguarded through the secure storage and careful transmission of information.

company track their driving histories or their home insurance claims, not to mention the results of their blood tests.

Americans haven't considered it because they simply don't know about it. Equifax is a national enigma. Despite the fact that the company holds files on nearly every American, most people seem unaware of the company's existence. And that's a problem; to downsize government, make medical delivery more efficient, and generally stamp out fraud, more and more databases are going to be created, centralized, and made accessible through networked computers. And Equifax will be there running the show. ■ ■ ■

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