

Activity Guide - Podcast Transcripts



Planet Money: Bad Credit Bureau

[Episode 798, October 6, 2017](#)

Edited transcript

ROBERT SMITH, HOST: It was a big week for apologies, and they all happened to come from one person - Richard Smith.

RICHARD SMITH: I'm truly and deeply sorry for what happened. I deeply apologize. Mistakes were made which, again, I deeply apologize. I apologize for that, but that is what happened.

UNIDENTIFIED MAN #1: OK, moving on.

KENNY MALONE, HOST: Richard Smith was testifying before Congress because he is the now former CEO of Equifax, which informed us last month that basically all of us have been hacked.

ROBERT SMITH: The company announced that the information for almost 150 million Americans has been compromised. And I know you've heard this sort of thing before with other hacks. But this hack is different because for starters, you did not sign up for Equifax, which is one of the three major credit bureaus. And for basically your entire life, they have been slurping up and storing your most personal information.

MALONE: Which means that Equifax and maybe now the hackers know my Social Security number and my address, and the fact that I opened a Gap credit card, and the fact that I missed a payment last month, and the fact that I only paid \$300 towards my Subaru Impreza instead of the 400 that I normally pay.

ROBERT SMITH: Times are tight.

MALONE: They know everything.

ROBERT SMITH: One hundred and fifty million Americans looking over our shoulders for the rest of our lives, worried about someone filing our tax forms and taking our refunds.

MALONE: My personal nightmare is somebody walking into Home Depot, opening up a credit card with my name on it, grabbing a giant orange shopping cart and filling it with drills and circular saws and shop vacs.

ROBERT SMITH: And getting 10 percent off the whole thing. That's what really bugs me.

MALONE: It's my 10 percent.

ROBERT SMITH: My discount.

MALONE: At any rate, it's bad, which was pointed out to Richard Smith by a lot of our elected representatives.

GREG WALDEN: Talk about ham-handed responses. This is simply unacceptable.

ELIZABETH WARREN: Senior executives like you should be held personally accountable here.

UNIDENTIFIED MAN #2: So here in my last 13 seconds I'm going to speak to America. And I'm going to say for the 145 million people, file a lawsuit. Otherwise they're going to keep doing to you what they've been doing to you forever.

ROBERT SMITH: Hello, and welcome to PLANET MONEY. I'm Robert Smith.

MALONE: And I'm Kenny Malone. And this Equifax hack, it feels like a dystopian sci-fi future. We've got shadowy hackers roaming through our data in this central location that we didn't even sign up for. And it feels like such a modern-day problem.

ROBERT SMITH: And yet this whole mess goes back to one moment, a moment when two brothers in Brooklyn decided they were going to sell our private information to the world, and that we were not going to be the customers. We were going to be the product.

MALONE: This happened 150 years ago. And people were asking themselves the same questions we are asking ourselves now - who owns your information? Who has a right to see that information? And is there any limit on what someone is allowed to dig up on you?

ROBERT SMITH: It is quite the story. We'll have it after the break.

MALONE: Hey, Nora.

NORA LYONS: Hi.

MALONE: This is Robert.

LYONS: Nice to meet you.

ROBERT SMITH: Thanks.

MALONE: Show us the way to the secret documents.

ROBERT SMITH: We heard that one of the very first credit reports ever, precursor of this whole Equifax thing, was in the archives here at The New York Public Library. Nora Lyons helped us pull it out of storage showed us to the famous Rose Reading Room, beautiful room at the top of the library. And a research coordinator named Rebecca (ph) walks in and gently holds this little blue booklet out to us.

MALONE: I brought a pair of gloves. I didn't know if we would need them to touch - no.

LYONS: No, you don't wear them with this.

ROBERT SMITH: It's not the Gutenberg Bible.

MALONE: I thought it was.

REBECCA: Well, you wouldn't - you wouldn't wear gloves with the Gutenberg either.

LYONS: Because if it snags...

MALONE: Wait, really?

REBECCA: It's going to rip the paper.

MALONE: The front of this book says "Retail Mercantile Agency 1874."

ROBERT SMITH: It looks like a phonebook.

MALONE: There's a list of about 4,000 people who live in Brooklyn.

ROBERT SMITH: Back in the day.

MALONE: And then next to each name is an address and then some old-timey job - butchers, druggists.

ROBERT SMITH: So many grocers. And there was a sailor of some sort.

MALONE: What's his name? Oh, it's just Captain Collins (ph).

ROBERT SMITH: Captain Collins always pays his debts. He gets an A.

MALONE: Does it say that?

ROBERT SMITH: He does get an A.

MALONE: And sure enough next to each name is a letter, a letter grade that tells us just how trustworthy Captain Collins was. So we flip to the front of the book.

ROBERT SMITH: Oh, look; right here.

MALONE: So this is the key.

ROBERT SMITH: An A means that the captain pays his debts right away. If there had been a B there, it would mean that he always paid in cash. Letter C would mean perhaps he didn't always pay his debts on time.

MALONE: And then there's one final code, and it's an ampersand or, like, the...

ROBERT SMITH: And.

MALONE: Like an and. And it basically means we're not going to put this person's rating in this book. Come talk to us. There's some stuff you should probably know about this person.

ROBERT SMITH: We had some questions about how the book worked in real life in Brooklyn back in the day, so we went to an expert, Josh Lauer. He wrote a book.

JOSH LAUER: My book is called "Creditworthy: A History Of Consumer Surveillance And Financial Identity In America."

MALONE: You went - you went for broke on that subtitle.

LAUER: I did.

ROBERT SMITH: Josh explained to us that credit in the early 1800s, it was not what we think of today. It wasn't credit cards or auto loans because, like, obviously those did not exist back then.

MALONE: What credit meant was a tab at your town store. So let's say that Robert Smith, you are a farmer and it's 1825. What crops are you...

ROBERT SMITH: Farm apples.

MALONE: Apples, OK. So Robert goes into the grocery store to pick up whatever he needs, maybe like some butter, some cigars. And Robert tells the grocer...

ROBERT SMITH: Yeah, I don't have any money. The apple crop hasn't come in yet. And so I'm going to need you to extend me some credit.

MALONE: And I, as the grocer, I look at Robert and I say, oh, Mr. Smith. Well, I know your uncle and I've known your

father, and darn it if I don't trust the Smiths more than I trust myself.

LAUER: And he says, take your butter, take your cigars. I know you'll come back next week and you'll settle. And...

ROBERT SMITH: And good day, sir.

LAUER: And good day.

MALONE: And that system worked for a long time. But after the Civil War, people started moving around, heading to cities, especially Brooklyn, N.Y.

ROBERT SMITH: Give me a little sound effects from Brooklyn.

LAUER: How about this? Extra, extra, read all about it - population of Brooklyn booming.

MALONE: Love it.

ROBERT SMITH: Love it. This created a problem. More strangers were showing up at the grocery store looking to buy things on credit, and the grocer needed to answer a pretty simple question - will this person pay me back? I know nothing about him.

MALONE: Enter the Cells (ph) brothers.

LAUER: Herman (ph) and Conrad (ph) Cells. And there isn't a lot of evidence that survives about them and about who they are.

ROBERT SMITH: So for the purposes of this story, we can imagine them however we like. You know, handlebar mustaches, blue velvet vests.

MALONE: Maybe some monocles, maybe pocket watches.

ROBERT SMITH: A jaunty cane.

MALONE: Cane - yes, yes. The Cellses were Mr. Peanutses.

ROBERT SMITH: They were two Mr. Peanuts.

MALONE: The Cells brothers were in Brooklyn in 1869. And they start going around to the butchers and the druggists and the tailors.

LAUER: And saying, we're organizing a list of all customers in our neighborhood.

MALONE: So it would be great, dear cobbler, if you would let me look at your books and find out who's in there, who pays cash, who uses credit, who pays back that credit. And that way if a stranger named Robert Smith walks into my store, I would just pull out the Cells book.

ROBERT SMITH: Oh, yeah, look right here - Robert Smith, plumber, 1102 Lafayette Avenue, B-A. Always pay in cash, always pay on time.

MALONE: Robert Smith.

ROBERT SMITH: Smith motto.

MALONE: Is that true?

ROBERT SMITH: That's - no. No. The one thing that struck us when we looked at this little pamphlet is you could

almost feel the Cells trying to be as careful as humanly possible to give the minimum amount of information. They're not judging people. They're not slandering them. They just put down the name, the job and a simple little rating.

MALONE: It was almost as if the Cells knew that if they were going to create an industry where people's information was the product that maybe, like, just maybe you should be careful with that information.

ROBERT SMITH: So we should note it says confidential on here.

MALONE: Yeah. Which means sitting here, reading these names and these ratings, this is the equivalent of an 1874 Equifax hack.

ROBERT SMITH: (Laughter) We're hacking 18-something-something Brooklyn.

MALONE: And leaking everybody's credit rating.

ROBERT SMITH: (Laughter).

MALONE: The Cells' idea was a huge success. It was obviously good for retailers who could lend more credit and sell more stuff.

ROBERT SMITH: And it was also good for people who wanted to buy things, people like my doppelganger from the 1800s, Bob Smith the plumber. He could get credit almost anywhere because it said in a little book that he always paid his debts. And frankly, he could probably get a discount on the things he bought because he was not a risk.

MALONE: These credit reports were such a big success that over the next century, thousands of credit bureaus were established all over the country. And like any competitive marketplace, these bureaus tried to have the best product, which in this case means that there was market pressure for more and more information.

ROBERT SMITH: Yeah, the Cells brothers just gave you a letter grade. But imagine some other credit agency says, well, you know, we have a bunch of personal information about Robert Smith the plumber. Don't you want to buy our book instead?

MALONE: And so a lot of information ended up in people's credit files.

ROBERT SMITH: Marital status.

LAUER: Marital status. Married men were...

MALONE: Married men were considered less risky, needed to remain upstanding and pay their debts.

ROBERT SMITH: Do I want to know medical conditions?

LAUER: If you could know something about that...

MALONE: If you have a broken foot and can't work, that'd be good to know, might not pay back your debts. What about vices - drinking, gambling, philandering?

LAUER: Absolutely. So...

MALONE: Over time, credit bureaus realized that these dossiers, they weren't just useful for lenders. Insurance companies and employers might also like to see them. And so they kept growing and building their consumer reports.

ROBERT SMITH: Consumers sort of knew the information was being collected. But the full extent of this collection came out in 1966 because of an almost offhand comment in Washington, D.C.

MALONE: What had had happened was the Congress was holding a totally unrelated set of hearings. The Bureau of

Labor Statistics and the U.S. Census Bureau were proposing a computerized centralized database.

ROBERT SMITH: And the representatives were losing their minds. I mean, this was Big Brother. This could not stand. So they held hearings. And during one of those hearings a computer expert was testifying. And he was like, you guys are worried about collection and centralization of data? You do know that's already happening - right? - with the credit bureaus?

MALONE: And Congress was like, what? We need new hearings right now.

ROBERT SMITH: More hearings.

MALONE: Let's do it. It actually took two years. But let's do it.

ROBERT SMITH: And the news coverage of the time, it could have come from this week.

UNIDENTIFIED REPORTER: In Washington, another day of hearing on the behavior of the credit bureaus who keep records on almost everyone.

MALONE: And it is eerie to listen to these old hearings. Nothing has changed. They trot out a figurehead from one of these credit bureaus.

UNIDENTIFIED ATTORNEY: And we received him courteously. And we discussed...

ROBERT SMITH: This Jimmy Stewart-talking gentleman was an attorney for the Retail Credit Company. The Retail Credit Company was one of the largest bureaus at the time.

MALONE: And this next piece of tape has no relevance, but just listen to how he talks.

UNIDENTIFIED ATTORNEY: And I don't blame them a bit, see?

ROBERT SMITH: See?

MALONE: See?

ROBERT SMITH: See, at this hearing, what came out was this pretty damning copy of someone's credit report.

MALONE: We have a copy of this because it was filed during the hearings. It's for a woman named Mary Wilson. And she was having trouble finding a job, she learned, because of what the Retail Credit Company put in this report. It says here that Mary is, quote, "dominating."

ROBERT SMITH: Peculiar.

MALONE: And worst of all, quote, "neurotic or psychotic."

ROBERT SMITH: And it does not say who said this about her. Maybe it was her neighbor or someone she worked with. For sure we know it was not a doctor diagnosing her as psychotic. It was essentially a piece of hearsay.

MALONE: The 1960s senators were outraged at the Retail Credit Company. But instead of apologizing...

UNIDENTIFIED ATTORNEY: What's wrong with hearsay?

MALONE: The Retail Credit Company's lawyer dug in his heels.

UNIDENTIFIED ATTORNEY: Hearsay is bandied around in these hearings as though it was a dirty word, and it isn't.

ROBERT SMITH: I don't know, Congress seemed to think it was a dirty word because these hearings spawned the first

major piece of legislation to finally regulate credit bureaus. It's called the Fair Credit Reporting Act of 1970.

MALONE: That law and some of the amendments that would come later, they would effectively stop credit bureaus from collecting hearsay and rumors. They would allow consumers to see their own credit files. They would attempt to fix errors and to limit some of the reasons that people could pull your consumer report.

ROBERT SMITH: The credit reporting industry changed pretty quickly after this. Computers meant that data could be centralized and spread more easily, which meant you didn't need small regional bureaus in every town to collect gossip on people. The industry consolidated, it consolidated, it consolidated until eventually there were only three big credit reporting bureaus.

MALONE: And Josh Lauer, our credit historian, says the Retail Credit Company took such a beating during these hearings and in the years to come that it decided to change its name to something more equal-sounding, more fact-based.

ROBERT SMITH: Equal and fact-based.

MALONE: They changed their name to Equifax.
(edited - ends at 13:30)

Breach Podcast: Equifax Data Breach - What Went Wrong

[Season 2, Episode 3](#)

Edited transcript

(edited - starts at 6:05)

ALIA: So I know it's far more complicated than this, but I kind of like Rick Smith's umbrellas of "Human Error" and "System Error" - I mean, it's kind of like Humans v. Machines, who's messed up more?

BOB: You can't really separate humans and machines. They're intertwined in a way that you can't break them out separately. Um, the machines only work as well as the humans tell them to and that's just how it- that's the truth. If there's a mistake that's made, they make it together.

ALIA: And oh my gosh did these co-dependent humans-plus-machines make some mistakes. Let's. Get. Into it!

NICK: So back in march of 2017, just to kind of step back from the breach itself back to what was happening at the time-

ALIA: There's a federal agency called -

NICK: US Computer Emergency Readiness Team, the US CERT.

BOB: So US CERT -- It's part of the Department of Homeland Security.

NICK: Which has responsibilities for cataloging vulnerabilities and then communicating that out to federal agencies and to the public -

BOB: And they do this so that private companies are aware when there's any weaknesses that have been discovered in the software that they rely on.

ALIA: Ok that's really cool. I don't think I knew that that was a thing.

BOB: This is an early warning system that's actually been around for a long time.

NICK: And so back in 2017, in March of that year, um, US CERT had actually put out a notice that had identified, um, that there had been a vulnerability in a type of software, actually a framework that's used, an open source framework, for, um, setting up sort of web traffic, if you will. And that's called the Apache Struts web framework.

ALIA: So, this is just a tool Equifax uses, a software framework that's called Apache Struts, right?

BOB: Yeah that's right, a lot of people use Apache Struts. Equifax used it in their online disputes portal. We talked about that last week, that's the part of Equifax's website where customers dispute inaccuracies in their credit report, all Big 3 Credit Reporting Agencies have one. What this means, if Struts has a vulnerability, that this part of Equifax's site also has a vulnerability - there's essentially an unlocked, open door in this Apache Struts software -

NICK: So they had notified everybody that this vulnerability existed, and a patch was available, which basically is a fix for that software to then work properly to kind of close the door where they had identified it being open.

BOB: So this notice is sent via email early March of 2017, it's sent to Equifax's "Global Threat and Vulnerability Management Team" and to CSO Susan Mauldin, along with the patch.

ALIA: "Hey your stuff's broken, here's how to fix it."

NICK: A couple days later -

ALIA: Still early March -

NICK: Attackers had, uh, been scanning out to, uh, identify any situations where the vulnerability had not been fixed and had encountered that equifax had servers that had been unpatched.

ALIA: So if you notify everybody that a vulnerability exists and that it needs patching, you're also kind of notifying the hackers.

BOB: It's a race between people--the good guys who fix computers and the bad guys who exploit them.

ALIA: So hackers are poking around discovering Equifax's unpatched servers as early as March-

NICK: It wasn't until May of that year in 2017 that the attackers actually started to use, that vulnerability.

ALIA: Are these the same hackers poking around in March and then breaching the data in May?

BOB: Maybe, maybe not, we don't actually know.

ALIA: But there were months in between -- Equifax could have patched those servers in early March and avoided this, right? I mean how long does it take to patch something?

BOB: Not that long. I mean, the patching itself could happen in instance. The process might take a day or two.

ALIA: Well why didn't they take that day? Why not do something about this in March?

RICK SMITH: I'm looking forward to answering your questions. Thank you.

BOB: In his written testimony to the House on October 3rd, Smith says that the government notified Equifax of the software bug on March 8, and the company notified all the relevant employees on March 9 - and Equifax policy is they had 48 hours to repair the software -- but, he says that no action was taken in response to this notification.

ALIA: Just...no one updated that one particular server.

NICK: Well, apparently the, um, the list of administrators, individuals that actually have the responsibilities for updating servers across equifax's company wasn't up to date. And so it had, uh, not included that the contact information for

some administrators that had come on board and had responsibilities in particular for the server that we, that we mentioned,

ALIA: The email list just wasn't up to date.

BOB: So approximately 430 individuals and distribution lists received this email - it instructed "Personnel responsible for Apache Struts installations to upgrade" appropriately.

But (some argue) the right people (whose job this was) weren't on the listserv.

And no one, presumably, noticed that and sent it to those people and said "fix this".

ALIA: When I think about the sexy world of cyber-security, I don't necessarily associate it with the administrative work of keeping your email listserv up to date when a new hire comes on, or someone leaves the company.

So all of you out there should be thanking those administratively gifted humans at your office who might be saving you from a breach.

(edited - ends at 11:13)