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# Credit Reporting and The Fair Credit Reporting Act

Presented by  
General Revenue Corporation  
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Hosted by  
Evelyn Capodanno,  
Senior Director of Compliance



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# Agenda

- Fair Credit Reporting Act (FCRA)
- Credit Reporting
- Credit Reporting Disputes
- Upcoming Changes and Consumer Reporting Agency Business Rules
- What the FCRA Means To You As A Creditor
- Questions & Answers



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# Fair Credit Reporting Act (FCRA)



# Fair Credit Reporting Act - History



The concept of "credit reporting" dates back to the middle of the nineteenth century, if not earlier. Local businesspeople cooperated with one another by sharing information about individuals in the community, and whether they paid their bills on time.

Over time, local businesspeople banded together, sometimes through a board of trade or chamber of commerce, to build "credit bureaus" that would collect, organize and store information about the individuals in the community. As the economy expanded and merchants and banks became regional (and then national), the credit bureaus expanded too, and community credit bureaus began sharing information with one another and building networks of credit bureaus.

In the late 1960's, Congress became concerned that credit reporting companies were collecting a great deal of information about American consumers without their knowledge, and that these "secret" files were being used to make important decisions about consumers, such as whether they got credit, insurance or a job. Congress also recognized, however, the enormous benefits that the credit reporting system had provided for the economy and consumers - primarily in facilitating the mobility of the population and supporting reliable access to credit and other products for creditworthy consumers. Congress did not want to jeopardize these benefits, and enacted the **FCRA** in response.



# Fair Credit Reporting Act

Congress enacted the Fair Credit Reporting Act (“FCRA”) in 1970 to protect consumers from the misuse of information contained in consumer reports and to ensure the accuracy of the information contained in those reports. The Fair and Accurate Credit Transactions Act of 2003 (“FACT Act”) amended the FCRA and established the “Accuracy and Integrity” and “Direct Dispute” Rules imposed on Data Furnishers.

The FCRA today provides **consumers with important rights**, and **imposes certain duties** on Consumer Reporting Agencies (“CRAs”), Users of Consumer Reports (“Data Users”), and Data Furnishers.

## Key Definitions:

- 1) Consumer Reporting Agencies: *Individual companies that collect, store, maintain and distribute information on consumer credit history.*
- 2) Data Users: *Entities that use consumer reports to determine a consumer’s eligibility for credit, insurance, employment, etc.*
- 3) Data Furnishers: *Entities that furnish information about consumers to Consumer Reporting Agencies to be included in a consumer report*
  - ▶ *This includes General Revenue Corporation*
4. Consumer Report  
*Any written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer’s credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer’s eligibility for:*
  - ▶ *credit or insurance to be used primarily for personal, family, or household purposes;*
  - ▶ *employment purposes; or*
  - ▶ *any other purpose authorized under FCRA*



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# Consumer Rights

**Below are a summary of a consumer's major rights under the FCRA:**

- ✓ Told if information in their credit file has been used against them
- ✓ Know what is in their credit file
- ✓ Receive free credit reports annually from each nationwide consumer reporting agency
- ✓ Dispute incomplete or inaccurate information
- ✓ Accessibility to credit files is limited
- ✓ Limit "prescreened" offers of credit and insurance
- ✓ Give consent for consumer reports to be provided to employers
- ✓ Consumer Reporting Agencies (CRA) must correct or delete inaccurate, incomplete, or unverifiable information
- ✓ CRAs may not report outdated negative information
- ✓ Identity theft victims and active duty military personnel have additional rights
- ✓ Seek civil damages from violators



# Duties of Data Users and Furnishers

Data Furnishers	Data Users
Report with Accuracy and Integrity – Provide required personal and account level information	Must have a <b>Permissible Purpose</b> to use a credit report (including account review, collections, with customer permission, employment, licensing)
Report Accounts Monthly and Include the Name of the Original Creditor	Deliver adverse action and/or risk based pricing notices to consumers when required
Utilize industry reporting format and follow established reporting guidelines	Certify to the CRA who delivers the credit report how it will be used
Report accounts as disputed where appropriate	Must resolve fraud alerts and address discrepancies
Investigate and respond to disputes and consider all relevant information included with the dispute	
Maintain written policies and procedures for accuracy/integrity and direct disputes	
Promptly correct inaccurate or incomplete information that was previously furnished	
Provide notice of closed accounts and a notice of negative reporting	
Furnish the date of first delinquency	
Reasonably respond to claims of identity theft and provide information to victims	

Not an all-inclusive list



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# Credit Reporting Disputes





# Credit Reporting Disputes

Consumers have the right under the Fair Credit Reporting Act to dispute information in their credit report by contacting the CRA's or the Data Furnishers.

There are two methods by which a consumer can dispute inaccurate or incomplete information in their credit report:

1. Directly with the Consumer Reporting Agencies ("CRAs")

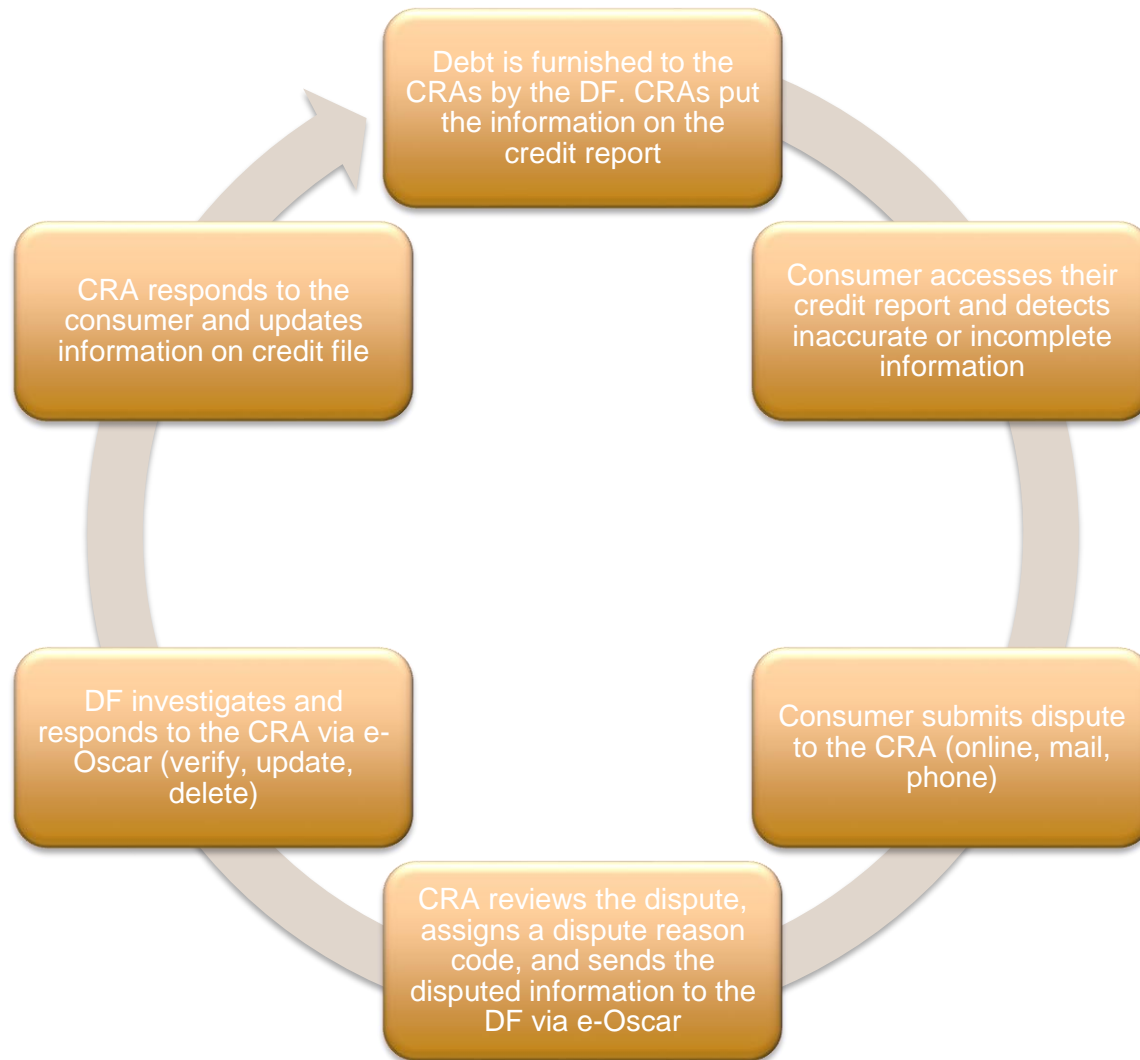
- Online, Phone, Writing
- When a CRA forwards a consumer's dispute to the Data Furnisher, the preferred method of delivery is through an electronic system known as "**e-Oscar**":
  - *the **Online Solution for Complete and Accurate Reporting**, is a browser-based, Metro 2 compliant system that has been developed by Equifax, Experian, Innovis and TransUnion. This system was designed to provide data furnishers with an online solution for processing **Automated Credit Dispute Verifications (ACDVs)**.*

2. Directly with the Data Furnisher

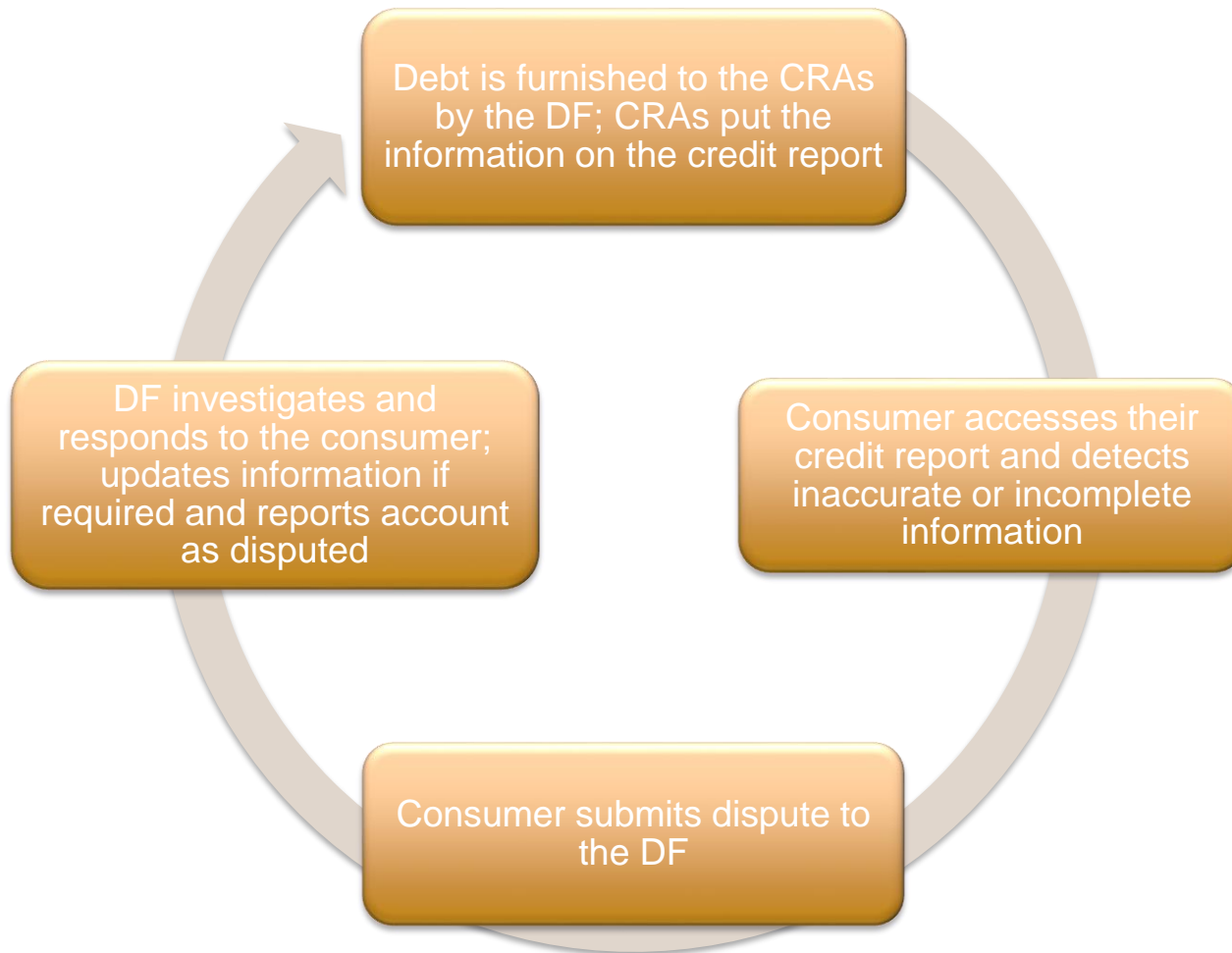
- DF determines the method(s)
- GRC is notified Online, Phone, Writing



# Credit Reporting Disputes – CRAs (“ACDV”)



# Credit Reporting Disputes – Direct



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# Upcoming Changes and CRA Business Rules



# CRA Business Rules

In addition to following the requirements in the FCRA and the Metro 2 reporting guidance, CRAs will also apply unique “business rules” to information that is reported and may change the way information appears on a credit report. These rules may also prohibit accounts that trigger these business rules from being reported at all.

Examples – One or more CRAs:

- ✓ Do not accept any debt furnished with a “medical term” in the creditor’s name field.
- ✓ Do not accept accounts where the date of first delinquency is within 90 days of the account open date.
- ✓ Do not accept newly reported accounts where the balance is less than \$50.

In 2015, the CRA’s launched the “National Consumer Assistance Plan” to enhance credit reporting accuracy, and provide consumers more transparency when interacting with CRAs about their credit reports.

The below items impact “Collection Agencies and Debt Buyers”

What is Required?	Effective Date
Do not report debt that did not arise from a contract or agreement to pay	6/15/2016
Do not report medical debt collection accounts less than 180 days old	6/15/2016
Report using the newly established minimum reporting requirements for consumer personally identifiable information	9/15/2017
For newly opened accounts, must report full name (First, Middle, Last Name and Generation Code/Suffix), address, full Social Security Number and <b>Date of Birth</b> .	9/15/2017



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# Fair Credit Reporting Act:

What it means to you as a creditor.....



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# Credit Reporting Advantages

Consumer data reporting is essential for a healthy credit ecosystem, helping to improve lending decisions, on-time payments and customers' experiences. By furnishing information to CRAs lenders can:

- **Minimize delinquencies and collections** – Other credit grantors may offer credit to your customer, not knowing that the customer already has an obligation to you. This may result in your customer getting over-extended and negatively impact their ability to pay you.
- **Increase on-time payments and collect bad debt** – When consumers know their lender reports to the CRAs, they are more likely to pay on time. You can also encourage late payers to resolve outstanding debts before delinquency affects their credit.
- **Reduce risky lending decisions** – With access to more comprehensive credit data, lenders have a more accurate picture of a consumer's behavior and can make more informed – and less risky – decisions.
- **Improve your customers' experiences and cross-sell** – By reporting positive data about your customers, you can reward good behavior and extend additional credit for other products and services.
- **Align with regulatory expectations and industry best practices** – While credit data reporting is generally voluntary, you can align with regulatory priorities and best practices to help and protect the customer throughout their financial journey.



# How You Can Make a Difference....

Our Clients are instrumental in assisting us with complying with the requirements to report information with Accuracy and Integrity. Here is how you can help:

General Revenue Corporation	Our Clients
Report with Accuracy and Integrity – Provide required personal and account level information	Provide full name, DOB, address, SSN and date of first delinquency ( <b>DOB is becoming a <u>required</u> field</b> )
Investigate and respond to disputes and consider all relevant information included with the dispute	Provide prompt debt validation and identity theft decisions
Furnish the date of first delinquency	Provide the date of first delinquency





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# ***Frequently Asked Questions on Credit Reporting & FCRA as of 06/2016***

**1. Some of my accounts do not have the DOB, will those accounts be reported to the credit reporting agencies?**

Since we have until 09/2017 to make the DOB a required field, the credit reporting agencies will accept our records for now without that information. However, we will begin asking you to start sending the DOB with new business placements this year so we are prepared when the requirement is placed into production. Remember the DOB is another factor to identify that the data submitted by Data Furnishers is being matched to the appropriate file.

**2. Why are the credit reporting agencies making all these required changes this year and next year when nothing changed with their practices for so many years in the past?**

These changes are part of the National Consumer Assistance Plan created by Experian, TransUnion and Equifax to enhance their ability to collect complete and accurate consumer information and provide consumers with more transparency when interacting with consumer reporting agencies about their credit reports. This new plan builds on years of work by the consumer reporting agencies to enhance accuracy and extends consumer protections beyond the requirements of state and federal law.

**3. What information is required for the credit reporting agencies to report on my accounts?**

Currently, the CRAs will accept accounts with First and Last Names and Full Addresses. Full Social Security Number and Date of Birth are “highly recommended”. The date of first delinquency, where applicable, is required. After 9/15/2017, in addition to the above required information, the date of birth will also be required.

**4. How could special “Business Rules” for the credit reporting agencies impact the reporting of my accounts?**

The CRAs reserve the right to apply individual business rules to a data furnisher’s information which may determine if the account information is placed on the consumer’s file. We will notify you as we are made aware of such circumstances.



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# ***Frequently Asked Questions on Credit Reporting & FCRA as of 06/2016 Continued***

**5. How should the date of delinquency be calculated and why is it important?**

The date of first delinquency is the earliest 30-day delinquency which led to the account being reported as a collection account. If the account is brought current, and is subsequently delinquent, the date of first delinquency starts over with the new first delinquency date. This date is important to ensure compliance with the Fair Credit Reporting Act

**6. As a creditor, once I have informed GRC which accounts should be credit reported, can I then pick and choose which accounts I no longer want to credit report? For example, if a consumer is being credit reported and they have complained to our Bursar, can we stop credit reporting on just that account.**

Under the Fair Credit Reporting Act, deleting accounts that have been previously reported is only permissible if the reported information was inaccurate or incomplete. If you request us to close and return the account, the account would be deleted from the consumer's credit report.

**7. If I do not have a written agreement to validate the debt, will you continue to credit report on that account?**

Accounts that did not arise from a consumer contract or agreement to pay can't be reported. Individually, if this agreement can't be produced to provide to the consumer, the debt is required to be deleted from the credit report.

**8. How long will the trade line appear on the consumer's credit report once the account has been paid in full or settled in full?**

Paid in full (PIF), Balance in full (BIF) and Settled in full (SIF) will all continue to appear on the consumer's credit report for a period of time not to exceed 7 years from the date of first delinquency; not the first date of reporting to the consumer reporting agencies but based on the date of first delinquency.



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# ***Frequently Asked Questions on Credit Reporting & FCRA as of 06/2016 Continued***

**9. When will GRC report to the credit agencies for my accounts?**

GRC can begin reporting accounts 30 days after placement but may extend this reporting up to 120 days based on your preference.

**10. Will GRC report to the credit agencies on bankruptcy accounts? Do the same guidelines apply to discharged accounts?**

GRC will delete our trade line from every credit reporting agency on bankruptcy accounts, however once the bankruptcy has been dismissed or discharged we will begin reporting again on that account.

**11. How is it fair that consumers who pay their debt in full have the trade line updated as paid in full however those who have not paid have the trade line deleted when the account is returned to me?**

GRC will delete the trade line once the account has closed for retention or requested closed by our client. This practice is followed because we are no longer servicing the account and therefore should not continue to report it on behalf of our client. It is also possible you could forward or sell the debt to another entity (collection agency or debt buyer) who may report the same debt which would unduly harm the consumer. After a period of time inactive accounts are purged from the credit report by the consumer reporting agencies. When the consumer pays or settled the debt in full, GRC has an obligation to accurately report this status to the credit reporting agencies under the FCRA. This data helps other creditors when making a decision on extending credit to this consumer. Having a status of “collection debt – paid or settled in full” portrays the fact the consumer paid their delinquent debt as opposed to disregarding their financial obligation.



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# Questions???



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# Contact Information

Please feel free to contact your  
**Client Services Representative**  
at 800/234-1472, Option #2  
should you have questions.

This PowerPoint presentation will be emailed to all participants.



