



## FAIR CREDIT REPORTING ACT

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## FAIR CREDIT REPORTING ACT

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### 1. Overview

The Fair Credit Reporting Act (FCRA), as amended by the Fair and Accurate Credit Transactions Act (FACT Act), is intended to ensure that:

- Consumer reporting agencies fairly and accurately prepare and disclose credit information with appropriate regard for the confidentiality of the information. We carefully restrict our activities in this area so we are not considered a consumer reporting agency.
- Furnishers of credit information provide accurate and up-to-date information to consumer reporting agencies.
- Users of information (like us) provided by consumer reporting agencies handle the information with care.
- All participants in the process take measures to prevent identity theft.

The FCRA limits who can receive consumer credit reports and imposes numerous requirements on users of the reports and furnishers of information, including lenders.

### 2. FCRA Provisions

#### [1] In General

We comply with FCRA provisions that affect our obtaining of consumer reports, obtaining of information and sharing it with our affiliates, making required disclosures to customers, furnishing information to others, and handling consumer alerts and identity theft complaints. These requirements are described below.

#### [2] Adverse Action (Denial Letter)

When we make a decision adverse to an applicant or borrower based on information obtained from a consumer credit report, we advise our customer of the adverse action and supply the name and address of the consumer reporting agency that provided the report to us. Likewise, when we make a decision adverse to an applicant or borrower based on information obtained from a person other than a consumer reporting agency, we advise the customer that he or she may ask us to disclose the nature of that information. Our notices of adverse action have a paragraph in which we include the name and address of any credit reporting agency that provided us with a credit report. Our notices also contain another paragraph, if applicable, in which we mention the customer's right to request disclosure of the nature of any information we received from a person other than a consumer reporting agency.

#### [3] Permissible Purpose for Obtaining Credit Report

Before we obtain a credit report on a customer, we must have a business relationship with the customer. For example, we may not obtain a credit report on someone we plan to ask about applying for a loan. Rather, we need to wait until the customer has expressed an interest in applying for a loan. Our general policy is to wait until the customer's application information has entered our standard process flow before requesting a credit report.



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### [4] Providing Information to Others

If we provide credit information about a customer to another person or company, the information must be accurate and only relate to our own credit experience with the customer. The information may not include information we obtained from other persons or companies, including the customer, such as information we found in the customer's credit report or on his application.

Our policy is to provide information about our customers only through our Servicing Department, and then we only provide information regarding the customer's payment history on our own loans. Otherwise, we might be considered to be a consumer credit reporting agency under the FCRA, and then we would be required to follow some fairly strict FCRA rules regarding keeping our data current and accurate.

*Note.* This rule does not apply to information we provide our vendors (e.g., appraisers and private mortgage insurance companies) involved in processing a loan application submitted by the customer

### [5] Prescreening

If we want to conduct a direct mail or telemarketing campaign aimed at persons who meet certain criteria, we may not obtain credit reports on the consumers before we begin the campaign. However, we are allowed to hire a credit reporting agency or other third party to provide us a list of persons meeting our specifications, if we agree to mail to everyone on that list and make a firm offer of credit to everyone on that list. The rules governing these "prescreened unconditional offers" are complicated' so Citadel Servicing Corporation's Legal Department must be involved in planning for any of these campaigns.

#### Investigative Consumer Reports

If we request an investigative consumer report on the applicant, we must disclose within three days after requesting the report that we have requested the report and that the applicant has the right to ask us for a description of the nature and scope of the investigation. An "investigative consumer report" is obtained through personal interviews with neighbors, friends, associates, or other persons who know about the applicant's character, general reputation' personal characteristics, or mode of living.

### [6] Medical Information

We may not obtain or use medical information pertaining to a consumer in connection with any determination of the consumer's eligibility, or continued eligibility, for credit, except under one or more of the following exceptions:

- *Forbearance practice or program.* This exception would include circumstances in which we allow a consumer to skip one or more scheduled payments because the consumer is hospitalized for a medical condition.
- *Receiving unsolicited medical information.* This exception would apply if we receive the information without specifically asking for it, such as if we receive the information in response to a general inquiry that does not specifically request medical information or if the consumer voluntarily provides the information on an unsolicited basis. After we receive unsolicited medical information, we may use the information in connection with any determination of the consumer's



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eligibility, or continued eligibility, for credit so long as: (1) the information is the type of information routinely used in making credit eligibility determinations, such as information relating to debts, expenses, income, benefits, assets, collateral, or the purpose of the loan, including the use of proceeds; (2) we use the information in a manner and to an extent no less favorable than we would use comparable information that is not medical information; and (3) we do not take the consumer's physical, mental or behavioral health, condition or history, type of treatment, or prognosis into account as part of any determination.

- *Comparable use.* We may obtain and use medical information to help determine eligibility for credit if: (1) The information relates to debts, expenses, income, benefits, collateral, or the purpose of the loan, including the use of proceeds; (2) We use the information in a manner and to an extent no less favorable than we would use comparable information that is not medical information; and (3) We do not take the consumer's physical, mental, or behavioral health, condition or history, type of treatment, or prognosis into account as part of any determination.
- *Administrative use.* We may use medical information to determine whether the use of a power of attorney or legal representative is necessary and appropriate. For example, we may verify that the consumer's medical condition has triggered the exercise of a power of attorney or legal representative.
- *Legal compliance.* We may use medical information to comply with applicable requirements of local, state, or federal laws.
- *Uncoded medical information.* We may use medical information to the extent it is included in a consumer report from a consumer reporting agency and is used for the purpose(s) for which the consumer provided specific written consent.
- *Anti-fraud.* We may use medical information for purposes of fraud prevention and detection.
- *Loan purpose.* In the case of a loan for the purpose of financing medical products or services, we may use medical information to determine and verify the medical purpose of a loan.
- *Special written consent by consumer.* We may use medical information if the consumer or the consumer's legal representative has requested, on a separate form signed by the consumer or the consumer's legal representative, that we use specific medical information for a specific purpose in determining the consumer's eligibility for credit, to accommodate the consumer's particular circumstances. The signed written request must describe the specific medical information and the specific purpose for which the information may be used. This exception should only be used to accommodate the particular medical condition or circumstances of the individual consumer.
- *Regulatory order.* We may use medical information as permitted by order of an appropriate federal regulator.

### [7] Risk-Based Pricing Notice

We provide risk-based pricing notices (RBPNS) when we:

- Use a consumer report in connection with an application for a loan, extension or modification, and
- Based in whole or in part on the consumer report, we provide credit to the consumer with an APR less favorable than the most favorable APR available to a substantial proportion of our customers.

We may compare APRs to determine whether a consumer has received an APR less favorable than APRs other consumers have received. The FCRA regulation provides two alternative methods for determining which consumers must receive RBPNS if we prefer not to directly compare the APRs offered our consumers.



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- *Credit score proxy method.* The first alternative, the credit score proxy method, permits us to select a cutoff credit score representing the point at which approximately 40 percent of our consumers have higher credit scores and 60 percent of our consumers have lower credit scores, and provide an RBPB to each consumer who has a credit score lower than the cutoff score. If credit has been given with the most favorable APR to more than 40 percent of consumers, we may set our cutoff score at a point at which the approximate percentage of consumers who historically have been assigned APRs higher than the most favorable APR would receive RBPBs. The rules require periodic updating of the cutoff score.
- *Tiered pricing method.* Under the second alternative, the tiered pricing method, if we set APRs by assigning each consumer to one of a discrete number of pricing tiers based in whole or in part on a consumer report, we may provide an RBPB to each consumer who is not assigned to the top pricing tier or tiers. The number of tiers of consumers to whom the notice is required to be given depends on the total number of tiers.

We provide the RBPB after the terms of credit have been set, but before the consumer becomes contractually obligated on the credit transaction. For closed-end credit, the RBPB is provided before consummation of the transaction, not earlier than the approval decision is communicated to the consumer. In the case of open-end credit, we provide the RBPB before the first transaction is made under the plan, not earlier than the time the approval decision is communicated to the consumer.

If we are the person to whom the obligation is initially payable, we must provide the RBPB even if the loan is assigned to a third party or that person is not the funding source for the loan. The various parties involved in a credit extension may determine by contract who will send the RBPB, but the person to whom the obligation is initially payable remains legally responsible.

In a transaction involving two or more consumers, we must provide an RBPB to each consumer. If the consumers have the same address, we may satisfy the requirements by providing a single RBPB addressed to both consumers. If the consumers do not share the same address, we must provide an RBPB to each consumer. For credit score disclosure exception notices, described below, a separate notice must be provided to each consumer, whether or not the consumers have the same address, because the notice contains private information about individual credit scores. Each separate notice must contain only the credit score(s) of the consumer to whom the notice is provided, and not the credit score(s) of the other consumer.

*Exceptions.* The rules provide several exceptions to the RBPB requirement, including the two statutory exceptions: (1) when a consumer applies for, and receives, a specific APR (*not* a range of alternatives); and (2) when a consumer has been or will be provided a notice of adverse action in connection with the transaction. The agencies created two additional credit score disclosure exceptions:

- For credit secured by one to four units of residential real property, we may provide a consumer with a notice containing the credit score disclosures required by the FACT Act, along with certain additional information that provides context for the credit score disclosure. For credit not secured by one to four units of residential property, we may provide a consumer with a notice of the credit score and certain additional information. If a consumer's credit file does not contain sufficient information to permit calculation of a credit score, we may comply by providing an alternative narrative notice that does not include a credit score.



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- We are not required to provide an RBP if we obtain a consumer report that is a prescreened list and use that consumer report to make a firm offer of credit to consumers, regardless of how the APR in that offer compares to the terms we include in other firm offers of credit.

The notices provided under these two credit score disclosure exceptions are not considered RBPNs and, unlike RBPNs, do not give rise to the right to a free consumer report. Instead, a consumer who receives a credit score disclosure notice that identifies a consumer reporting agency or other third party as the source of the credit score could request the free annual consumer report that is available from each of the three nationwide consumer reporting agencies.

### **[8] Notice of Furnishing Negative Information**

Whenever we furnish negative information about a consumer to a nationwide consumer reporting agency, we must provide a Notice of Furnishing Negative Information to the consumer either prior to furnishing the negative information or no later than 30 days after furnishing the information. (The term "negative information" means information concerning a customer's delinquencies, late payments, insolvency, or any form of default.)

### **[9] Fraud Alerts**

If we intend to use a consumer report, or a credit score generated using the information in the file of a consumer, that includes a fraud alert or active duty alert, we must use reasonable policies and procedures to form a reasonable belief that we know the consumer's identity before approving a loan. If the alert is an extended fraud alert, we must contact the consumer in person or use the contact method designated by the consumer when he or she requested the extended fraud alert to confirm we are not facilitating identity theft.

### **[10] Card Number Truncation**

When we accept credit cards or debit cards for the transaction of business, we must not print more than the last 5 digits of the card number or the expiration date on any receipt provided to the cardholder at the point of sale or transaction. (This rule does not apply to transactions in which the sole means of recording an account number is by handwriting or by an imprint or copy of the card.)

### **[11] Disposal of Consumer Credit Records**

We must properly dispose of any consumer information in accordance with federal regulations, which require us to integrate into our information security program a risk assessment of the reasonably foreseeable internal and external threats associated with the methods we use to dispose of consumer information, and to adjust the risk assessment in light of relevant changes relating to these threats.

### **[12] Identity Theft**

After receiving a proper request from a purported victim of identity theft, we must verify the identity of the victim and the claim of identity theft and, not later than 30 days after receiving the request, provide a copy of the application and other records in our control evidencing any transaction alleged to be a result of identity theft, free of charge, to: (1) the victim; (2) any law enforcement agency or officer specified by the victim in the request; or (3) any law enforcement agency investigating the identity theft



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and authorized by the victim to take receipt of the records. We may refuse to provide our records if, in the exercise of good faith: (1) we determine that the FCRA does not require disclosure of the information; (2) we do not have a high degree of confidence in the true identity of the individual requesting the information; (3) the request is based on a relevant misrepresentation of fact by the individual requesting the information; or (4) the information requested is Internet navigational data or similar information about a person's visit to a Web site or online service.

### **[13] Accuracy**

When we furnish information to a consumer reporting agency, we must not provide information that we know or have reasonable cause to believe is inaccurate.

When we report information to a consumer reporting agency, we must promptly notify the agency of corrections when we discover we have reported incomplete or inaccurate information. We also must report any additional information necessary to make the information complete and accurate. We then may not furnish any of the information that remains incomplete or inaccurate.

Whenever the completeness or accuracy of any information furnished by us is disputed by a consumer, we must not furnish the information without including a notice mentioning that the consumer disputes the information.

We must notify the consumer reporting agencies we use regarding any voluntary closure of a credit account, by including this notice among the information we regularly furnish for the period in which the account is closed.

If we report information to a consumer reporting agency regarding a delinquent account placed for collection, charged to profit or loss, or subjected to any similar action, we must notify the agency of the date of delinquency not later than 90 days after furnishing the delinquency information.

When reporting information to consumer reporting agencies, we must follow the applicable federal guidelines regarding the accuracy and integrity of the information we furnish, including written policies and procedures we have established and implemented concerning the accuracy and integrity of the information furnished.

We must furnish accurate information about loans or other relationships with a consumer, so the furnished information identifies the appropriate consumer, reflects the terms of and liability for those loans or other relationships, and reflects the consumer's performance and other conduct with respect to the loan or other relationship.

We must furnish information about loans or other relationships with a consumer that has integrity, so the information is substantiated by our records at the time it is furnished, is furnished in a form and manner designed to minimize the likelihood that the information may be incorrectly reflected in a consumer report, and includes the credit limit, if applicable and in our possession. The information should include appropriate identifying information about the consumer to whom it pertains and be furnished in a standardized and clearly understandable form and manner and with a date specifying the time period to which the information pertains.

We must conduct reasonable investigations of consumer disputes and take appropriate actions based on the outcome of the investigations.





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We must update the information as necessary to reflect the current status of the consumer's loan or other relationship, including, for example, any transfer of a loan to a third party (e.g., by sale or assignment for collection) and any cure of the consumer's failure to abide by the terms of the loan or other relationship.

### **[14] Dispute Resolution**

#### **[A] Indirect Notices of Dispute**

Whenever we receive notice of a dispute from a consumer reporting agency, we conduct an investigation and report back to the agency. If our investigation finds that the disputed information is incomplete or inaccurate or cannot be verified, we modify the item of information, delete the item, or permanently block our reporting of the item.

We comply with the FCRA by:

- Maintaining a system reasonably capable of receiving information regarding disputes, including supporting documentation.
- Conducting an investigation of the disputed information, including reviewing all relevant information forwarded by the consumer reporting agency and our own information with respect to the dispute.
- Reporting the results of the investigation to the consumer reporting agency.
- Providing corrected information to every nationwide consumer reporting agency that received the information if the information is inaccurate or incomplete.
- Modifying or deleting the disputed information, or permanently blocking the reporting of the information if the information is incomplete or inaccurate or cannot be verified.

#### **[B] Direct Notices of Dispute**

Whenever a customer directly notifies us of a dispute, we conduct a "reasonable investigation" if the dispute relates to any of the following circumstances:

- The consumer's liability for a loan with us, such as direct disputes relating to whether identity theft or fraud has occurred, whether the customer has individual or joint liability on an account, or whether the consumer is an authorized user of a credit account.
- The terms of our loan, such as direct disputes relating to the type of account, principal balance, scheduled payment amount, or the amount of the reported credit limit on an open-end account.
- The consumer's performance or other conduct concerning our loan, such as direct disputes relating to the current payment status, high balance, date a payment was made, the amount of a payment made, or the date an account was opened or closed.
- Any other information contained in a consumer report regarding an account or other relationship with us that bears on the consumer's creditworthiness, credit standing, character, general reputation, personal characteristics, or mode of living attributed to the furnisher on the consumer report.





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The regulations list exceptions that we are not required to handle as direct disputes:

- Disputes regarding the consumer's identifying information (other than a direct dispute relating to a consumer's liability for our loan), such as name, date of birth, Social Security number, telephone number, or address. (We must investigate a direct dispute that relates both to identifying information and a consumer's liability for a loan, such as in cases of identity theft.)
- Disputes regarding the identity of past or present employers.
- Disputes regarding inquiries or requests for a consumer report.
- Disputes regarding information derived from public records, such as judgments, bankruptcies, liens and other legal matters (unless that information was originally provided by us).
- Disputes regarding information related to fraud alerts or active duty alerts.
- Disputes regarding information provided by another furnisher.
- Disputes reasonably believed to have been submitted by, prepared on behalf of the consumer by, or submitted on a form supplied to the consumer by, a credit repair organization.

We must investigate a direct dispute only if a consumer submits a direct dispute notice in writing to us at:

- Our address provided by us and set forth on a consumer report relating to the consumer (for example, on the consumer file disclosures consumer reporting agencies are required to provide consumers).
- An address we clearly and conspicuously specified in writing or electronically (if the consumer has agreed to the electronic delivery of information).
- Any or our business addresses, if we have not specified and provided an address for submitting direct disputes.

A notice of dispute must include:

- Sufficient information to identify the account or other relationship that is in dispute, such as an account number and the name, address, and telephone number of the consumer' if applicable.
- The specific information the consumer is disputing and an explanation of the basis for the dispute.
- All supporting documentation or other information reasonably required by us to substantiate the basis of the dispute, such as a copy of the relevant portion of the consumer report that contains the allegedly inaccurate information, a police report, a fraud or identity theft affidavit, a court order, or account statements.

After receiving a valid dispute notice, we must:

- Conduct a reasonable investigation with respect to the disputed information.
- Review all relevant information provided by the consumer with the dispute notice.
- Complete our investigation of the dispute and report the results of the investigation to the consumer before the end of the 30-day period that begins on the date on which the furnisher received the notice of dispute (or 45 days if we receive relevant information from the consumer during the 30-day period).
- If the investigation finds that the information reported was inaccurate, promptly notify each consumer reporting agency to which we provided inaccurate information of that determination and provide to the agency any correction to that information necessary to make the information provided by us accurate.



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We are not required to investigate a dispute we reasonably determine to be frivolous or irrelevant, including (but not limited to) situations involving:

- The failure of a consumer to provide sufficient information to investigate the disputed information.
- The submission by a consumer of a dispute substantially the same as a dispute previously submitted by or on behalf of the consumer, either directly to us or through a consumer reporting agency, with respect to which we already completed our investigation duties (but not if the dispute includes information not previously provided to us).
- A situation we are not required to investigate because one or more of the exceptions to the direct dispute investigation duty applies.

We must notify a consumer of our determination that a dispute is frivolous or irrelevant not later than five business days after making the determination. The notice must include the reasons for the determination and identify any information required to investigate the disputed information.

### **[15] Notice of Address Discrepancy**

We must follow reasonable policies and procedures when a consumer reporting agency notifies us that our request for a consumer report includes an address different from the addresses in the files of the consumer.

### **3. Penalties For Noncompliance**

If we do not comply with the FCRA, we may be liable for up to \$1,000 for any actual damages a consumer suffers and, in addition, any punitive damages the court may allow (punitive damages are amounts of money we must pay as punishment for our violation), court costs, and attorneys' fees.