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*Fair Credit*

*Reporting Act*

*Reg V*

*Governing the Uses*

*of Credit Information*

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# *Statement of Findings & Purpose*

- *There is a need to insure that a consumer reporting agency (CRA) exercises its responsibilities with Fairness, Impartiality, and a Respect for a consumer's Privacy.*
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# *FCRA Findings & Purpose*

- *FCRA is designed to “meet the needs of commerce for consumer credit.....in a manner which is **fair and equitable** to the consumer, (and) with regard to the **confidentiality, accuracy, relevancy and proper utilization**” of credit information in the marketplace.*
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# *Important Terms / Definitions*

- Consumer Reporting Agency (*the Who*)
  - Consumer Report (*the What*)
  - Permissible Purpose (*the Why*)
  - Prescreening (*the How*)
  - Firm Offer of Credit (*the Are You Sure ?*)
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# *Definitions*

- *Consumer Reporting Agency*

*Any person who regularly engages in the assembly or evaluation of consumer credit information for the purpose of furnishing consumer reports to third parties.*

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# *Definitions*

- *Consumer Report*

*“Any written, oral or other communication of any information by a Consumer Reporting Agency” discussing creditworthiness, “credit standing or capacity.....to be used for the purpose of establishing a consumer’s eligibility for Credit.....”*

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# *Furnishers & Users*

- *Furnishers provide data to a CRA relative to specific bits of credit information, in a manner prescribed to meet FCRA requirements.*
  - *Users accept, analyze and apply that information to measure creditworthiness.*
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# *Permissible Purpose (Sec 604)*

- *Credit Information is Private Information and is not available to the public.*
  - *FCRA identifies specific circumstances under which an entity may obtain a Consumer Report.*
  - *No Other Reasons Are Acceptable.*
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# *Permissible Purpose (Sec 604)*

- A CRA may furnish a Consumer Report:
    - *In response to an appropriate Court Order;*
    - *With the Consumer's Written Permission; or,*
    - *If the User has a Permissible Purpose.*
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# *Permissible Purpose (Sec 604)*

- *Lenders/Creditors are viewed to have a Permissible Purpose if they*

*“intend to use the information in connection with a credit transaction involving the consumer on whom the information is to be furnished....”*

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# *Permissible Purpose (Sec 604)*

- *Actual Application for Credit in hand;*
  - *Existing Credit Relationship;*
  - *Potential Investor / Purchaser / Servicer*
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# *Content*

- *FCRA contains directions for what kind of information is found in a report, how accurate it must be, and how long it can be maintained.*
  - *FCRA does not REQUIRE creditors to furnish information to the CRA.*
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# *Prescreening*

- *Allows Lender to apply greater focus in selection of a marketing audience, improving likelihood of mailing to qualified consumers.*
  - *Lenders submits specific criteria to CRA, who responds with names of individuals that satisfy those criteria.*
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# *Prescreening*

- *Even though Prescreening does not provide full credit info to Lender / User, it is considered to be access to Credit Report without a standard Permissible Purpose.*
  - *Prescreening Activity will not affect Credit Score, but will show up on Consumer Report prepared for the Consumer as a Credit Inquiry.*
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# *Prescreening*

- *In return for the opportunity to advertise to these “Pre-selected” consumers, the lender/advertiser must provide each consumer with a **FIRM OFFER OF CREDIT***
  - *In this manner, Prescreening becomes a Permissible Purpose.*
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# *Firm Offer of Credit*

- *What is a “FIRM OFFER?”*
  - *Exclusions/Exceptions*
  - *Failure to provide a FIRM OFFER*
  - *Get Legal Advice*
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