
Fair Credit

Reporting Act

Reg V

Governing the Uses

of Credit Information

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.

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.....”

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 risk or 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 report 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 Promotional 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***
 - *With FIRM OFFER made, Prescreening becomes a Permissible Purpose.*
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Firm Offer of Credit

- *Lightening Rod for Litigation. Plaintiff's attorneys all over ambiguities of what constitutes a Firm Offer.*
 - *Recent Decisions however have clarified that a Firm Offer need not be chiseled in stone.*
 - *Failure to provide a FIRM OFFER is very costly.*
 - *Get Legal Advice*
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