

Credit Reports: What Information Providers Need to Know



The Fair Credit Reporting Act (FCRA) is designed to protect the privacy of credit report information and to guarantee that information supplied by consumer reporting agencies (CRAs) is as accurate as possible. If you provide information to a CRA, such as a credit bureau, be aware that amendments to the law spell out new legal obligations. These amendments were effective September 30, 1997.

DOES THE FCRA AFFECT ME?

If you report information about consumers to a CRA, you are considered a “furnisher” of information under the FCRA. CRAs include many types of databases — credit bureaus, tenant screening companies, check verification services, and medical information services — that collect information to help businesses evaluate consumers. If you provide information to a CRA regularly, the FCRA requires that the CRA send you a notice of your responsibilities.

WHAT ARE MY RESPONSIBILITIES?

The responsibilities of information providers are found in Section 623 of the FCRA, 15 U.S.C. § 1681s-2, and are explained here. Items 2 and 5 apply only to furnishers who provide information to CRAs “regularly and in the ordinary course of their business.” All information providers must comply with the other responsibilities.

1. General Prohibition on Reporting Inaccurate Information — Section 623(a)(1)(A) and Section 623(a)(1)(C).

You may not furnish information that you know — or consciously avoid knowing — is inaccurate. If you “clearly and conspicuously” provide consumers with an address for dispute notices, you are exempt from this obligation but subject to the duties discussed in Item 3.

Facts for Business

What does “clear and conspicuous” mean? Reasonably easy to read and understand. For example, a notice buried in a mailing is not clear or conspicuous.

2. Correcting and Updating Information — Section 623(a)(2).

If you discover you’ve supplied one or more CRAs with incomplete or inaccurate information, you must correct it, resubmit to each CRA, and report only the correct information in the future.

3. Responsibilities After Notice of a Consumer Dispute from a Consumer — Sections 623(a)(1)(B) and 623(a)(3).

If a consumer writes to the address you specify for disputes to challenge the accuracy of any information you furnished, and if the information is, in fact, inaccurate, you must report only the correct information to CRAs in the future. If you are a regular furnisher, you also will have to satisfy the duties in Item 2.

Once a consumer has given notice that he or she disputes information, you may not give that information to any CRA without also telling the CRA that the information is in dispute.

4. Responsibilities After Receiving Notice from a Consumer Reporting Agency — Section 623(b).

If a CRA notifies you that a consumer disputes information you provided:

- You must investigate the dispute and review all relevant information provided by the CRA about the dispute.
- You must report your findings to the CRA.

- If your investigation shows the information to be incomplete or inaccurate, you must provide corrected information to all national CRAs that received the information.
- You should complete these steps within the time period that the FCRA sets out for the CRA to resolve the dispute — normally 30 days after receipt of a dispute notice from the consumer. If the consumer provides additional relevant information during the 30-day period, the CRA has 15 days more. The CRA must give you all relevant information that it gets within five business days of receipt, and must promptly give you additional relevant information provided from the consumer. If you do not investigate and respond within the specified time periods, the CRA must delete the disputed information from its files.

5. Reporting Voluntary Account Closings — Section 623(a)(4).

You must notify CRAs when consumers voluntarily close credit accounts. This is important because some information users may interpret a closed account as an indicator of bad credit unless it is clearly disclosed that the consumer — not the creditor — closed the account.

6. Reporting Delinquencies — Section 623(a)(5).

If you report information about a delinquent account that’s placed for collection, charged to profit or loss, or subject to any similar action, you must, within 90 days after you report the information, notify the CRA of the month and the year of the commencement of the delinquency that immediately preceded your action. This will ensure that CRAs

use the correct date when computing how long derogatory information can be kept in a consumer's file.

How do you report accounts that you have charged off or placed for collection? For example:

- *A consumer becomes delinquent on March 15, 1998. The creditor places the account for collection on October 1, 1998.*

In this case, the delinquency began on March 15, 1998. The date that the creditor places the account for collection has no significance for calculating how long the account can stay on the consumer's credit report. In this case, the date that must be reported to CRAs within 90 days after you first report the collection action is "March 1998."

- *A consumer falls behind on monthly payments in January 1998, brings the account current in June 1998, pays on time and in full every month through October 1998, and thereafter makes no payments. The creditor charges off the account in December 1999.*

In this case, the most recent delinquency began when the consumer failed to make the payment due in November 1998. The earlier delinquency is irrelevant. The creditor must report the November 1998 date within 90 days of reporting the charge-off. For example, if the creditor charges off the account in December 1999, and reports this charge-off on December 31, 1999, the creditor must provide the month and year of the delinquency (i.e., "November 1998") within 90 days of December 31, 1999.

- *A consumer's account becomes delinquent on December 15, 1997. The account is first placed for collection on April 1, 1998. Collection is not successful. The merchant places the account with a second collection agency on June 1, 2003.*

The date of the delinquency for reporting purposes is "December 1997." Repeatedly placing an account for collection does not change the date that the delinquency began.

- *A consumer's credit account becomes delinquent on April 15, 1998. The consumer makes partial payments for the next five months but never brings the account current. The merchant places the account for collection in May of 1999.*

Since the account was never brought current during the period that partial payments were made, the delinquency that immediately preceded the collection commenced in April 1998 when the consumer first became delinquent.

FOR MORE INFORMATION

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit www.ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure, online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

Facts for Business

YOUR OPPORTUNITY TO COMMENT

The National Small Business Ombudsman and 10 Regional Fairness Boards collect comments from small businesses about federal compliance and enforcement activities. Each year, the Ombudsman evaluates the conduct of these activities and rates each agency's responsiveness to small businesses. Small businesses can comment to the Ombudsman without fear of reprisal. To comment, call toll-free 1-888-REGFAIR (1-888-734-3247) or go to www.sba.gov/ombudsman.

FEDERAL TRADE COMMISSION	ftc.gov
1-877-FTC-HELP	FOR THE CONSUMER

Federal Trade Commission
Bureau of Consumer Protection
Division of Consumer and Business Education

March 1999