



UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Division of Financial Practices

April 4, 2001

Glenn A. Mitchell, Esq.
Stein, Mitchell & Mezines
100 Connecticut Avenue NW
Washington, D.C. 20036

Re: Southern Management Corporation

Dear Mr. Mitchell:

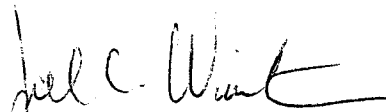
As you know, staff of the Federal Trade Commission has conducted an investigation of your client, Southern Management Corporation ("SMC"), for possible violations of the Fair Credit Reporting Act ("FCRA"). The purpose of the investigation was to determine whether SMC, a real estate management company, violated the FCRA by furnishing derogatory information -- "I-9" credit ratings, which denote debts that have been charged off to profit or loss -- to a consumer reporting agency while knowing or consciously avoiding knowing that the information was inaccurate. 15 U.S.C. § 1681s-2.

Staff has serious concerns about whether SMC's practices violated the FCRA. From our investigation, it appears that SMC, upon a renter's termination of a lease with an outstanding debt, automatically reported an I-9 rating within approximately thirty days (and sometimes fewer) of the renter's move-out date. In many instances, it appears that SMC failed to determine that the debt was uncollectible -- the accounting basis for charging it off -- before using the I-9 rating, even though less derogatory ratings indicating that the debt was overdue but not yet uncollectible were available and may have been more accurate. The I-9 rating is the most adverse credit rating available, and its presence on a credit report can contribute to a creditor's decision to deny credit to a consumer.

Despite our concerns, we have determined to close the investigation at this time. It appears that SMC reported the I-9 ratings for only a very short period of time. This action to close the investigation should not be construed as a determination that a law violation did not

occur, in the same way that the pendency of an investigation should not be construed as a determination that a violation did occur. The Commission reserves the right to take such further action as the public interest may require.

Sincerely,



Joel C. Winston
Acting Associate Director