

## **NOTICE TO USERS OF CONSUMER REPORTS: YOUR OBLIGATIONS UNDER THE FAIR CREDIT REPORTING ACT**

The federal Fair Credit Reporting Act (FCRA)<sup>1</sup> protects the privacy and accuracy of the information in a consumer report. If you use these reports, the FCRA charges you with some important responsibilities. The text of the FCRA is set forth in full at the Federal Trade Commission's website at [www.ftc.gov/credit](http://www.ftc.gov/credit). In addition, rules and guidelines of the FTC and financial regulators issued pursuant to the FCRA may also be applicable; a list of these is available at the end of this notice. State law may impose additional responsibilities. If you provide information to a consumer reporting agency (CRA), you have additional obligations and will receive a separate notice from the CRA describing your duties as a furnisher of information.

Here is a summary of your responsibilities as a user of consumer reports:

### **OBTAINING CONSUMER REPORTS**

**You can obtain a consumer report only if you have a “permissible purpose.”** Under the FCRA, permissible purposes are:

- to extend credit in response to an application or to review or collect on a customer's credit account
- to hire or promote an employee, if the employee has given consent in writing
- to provide insurance in response to a consumer application
- in connection with a business transaction initiated by a consumer, when there is a legitimate need
- as ordered by a court or a federal grand jury subpoena
- as instructed by a consumer in writing
- for government officials:
  - to determine a consumer's eligibility for a license or other benefit, where the law requires you to consider the consumer's financial responsibility or status;
  - in connection with child support payments;
  - in connection with government-sponsored individually-billed travel charge cards;
  - or
  - in preparation for or in connection with the resolution or liquidation of a failed financial institution by the Federal Deposit Insurance Corporation or the National Credit Union Administration



- for current insurers or potential investors or servicers:
- in a valuation or assessment of the credit or prepayment risks associated with an existing credit obligation

**You must certify why you are requesting the report and that you will not use it for any other purpose.**

## **USING INFORMATION IN A CONSUMER REPORT**

**You must notify consumers if you take an adverse action against them based on information in their report.** An adverse action is one with a negative impact – for example, denial or cancellation of credit or insurance, or denial of employment or promotion.

**If you take an adverse action based either in whole or in part on information in a consumer report,** you must notify the consumer, in writing, orally or electronically, and include:

- the name, address and telephone number of the CRA that supplied the report. If it is one of the three nationwide CRAs – TransUnion, Experian, or Equifax – you must include its toll-free telephone number;
- a statement that the CRA that supplied the report did not decide to take the adverse action and that it cannot give the specific reasons for the adverse action; and
- a notice of the consumer’s right to a free report from the CRA if they ask for it within 60 days, and the right to dispute the accuracy or completeness of any information the CRA provided.

**If you deny credit – or increase its cost – for personal, family, or household purposes based either in whole or in part on information about a consumer from a source other than a CRA,** you must tell the consumer about the right to know the nature of the information you used to take the adverse action as long as the consumer asks for it in writing within 60 days. For example, you may have gotten the information from a reference – like a landlord or employer – that the consumer listed on an application for credit. If the consumer asks in writing about the nature of the information you used to make your decision, you have to respond within a reasonable time. If the adverse action is based on information from an entity affiliated with you by common ownership or control, you have to respond within 30 days.

**If you use a consumer report to determine the cost of credit,** you may be required to

provide a “risk-based pricing notice.” If the terms of the offer of credit are less favorable than the terms available to a substantial portion of the consumers to whom you extend credit (such as offering credit with a higher APR), you generally must give the consumer a “risk-based pricing notice.” As an alternative to providing risk-based pricing notices, you may provide all consumers who apply for credit with a free credit score and information about their score.

**If you use credit scores to make or arrange loans secured by certain residential real property,** you must provide consumers with their credit score for free, along with a “Notice to the Home Loan Applicant.”<sup>2</sup> If you also choose to provide consumers with a notice of their credit score as an alternative to the “risk-based pricing notice” as described above, you generally must combine these credit score notices into a single notice.

**If you see a “fraud alert” or “active duty military alert” on a consumer report, you may not extend credit, unless you take reasonable steps to verify the applicant’s identity.** For a consumer report with an “initial” fraud or active duty alert, you must have reasonable policies or procedures in place to verify the applicant’s identity or you must contact the consumer who placed the alert at a telephone number in the fraud alert. When consumer reports have “extended” fraud or active duty alerts, you cannot extend credit unless you have called the consumer who placed the alert at the telephone number provided.

**If a nationwide CRA says the address you provide about a consumer is not the same as the address in the consumer report, you must follow reasonable procedures to verify that the consumer report relates to the right consumer.** Reasonable procedures could include comparing the information in the consumer report with information (1) in your own files, (2) obtained by third party sources, or (3) that you get directly from the consumer. If you have confirmed that the address the consumer provided is accurate, and you regularly furnish information to the CRA, you may have additional obligations.

**You must take reasonable precautions when you dispose of consumer report information.** Reasonable measures include:

- burning or shredding papers that have consumer report information;
- destroying or erasing electronic files or media with consumer report information so the information can’t be read or reconstructed; and
- hiring a reputable document destruction contractor to dispose of relevant material.

**If you receive medical information,** there are limits on how you can use it. For example, you may not use it to take someone’s health, condition or history, type of treatment, or prognosis into account in determining eligibility for credit. But you may use it to make such a determination if the information is the kind routinely used to do that – for example, information related to medical debts or expenses. You may not share medical information except when the

disclosure is necessary to determine eligibility or is otherwise allowed by law, and you may not share someone's medical information among affiliates, except under specific circumstances.

## **FOR EMPLOYERS**

**Before you order a consumer report about a current or potential employee**, you must:

- give the consumer a written notice that a report may be used (the notice should not deal with any other subject);
- get the consumer's written permission to ask a CRA for the report; and
- certify to the CRA that you have given the consumer notice, that you have gotten the consumer's permission, that you will not use the information in violation of any federal or state equal opportunity law or regulation, and that you will provide the consumer with a copy of the report and a summary of their FCRA rights before you take any adverse action based on the consumer report.

**Before you take an adverse action**, you must provide a copy of the consumer report to the consumer, as well as the summary of rights and notice of the adverse action.

**If you are an employer in the trucking industry**, special rules apply if the only interaction between you and the consumer is by mail, telephone or computer. In these cases, the current or potential employee may give consent orally or electronically, and you may provide adverse action notices orally, in writing or electronically. The consumer may contact you for a copy of any report you use to make a decision.

**If you intend to use an investigative consumer report** – where personal interviews are the source of information about someone's character, general reputation, personal characteristics and mode of living – you must:

- give written notice to the consumer that you may request or have requested an investigative consumer report, and include a statement that the consumer has a right to request additional disclosures of the nature and scope of the investigation and a summary of their rights (the CRA that conducts the investigation provides the summary);
- certify to the CRA that you have made the disclosure and that you will make additional disclosures about the nature and scope of the investigation if the subject asks; and
- mail or deliver the additional disclosures to the consumer within five days of a request.

If you suspect misconduct by an employee, including violations of any laws or of your

written rules or policies, the report of your investigation is not treated as a consumer report, as long as you do not share it with anyone except the employee, a self-regulatory agency, a governmental organization, or as otherwise required by law. If you take an adverse action as a result of your investigation, you must provide the employee with a summary of the inquiry.

#### **FOR THOSE WHO USE “PRESCREENED” LISTS:**

If you use limited consumer report information to make unsolicited “prescreened” offers of credit or insurance, you must:

- establish the criteria you will use both to make the offer and to grant credit or insurance before you make the offer;
- maintain the criteria on file for three years from the date the offer is made; and
- provide a clear and conspicuous statement on each written solicitation that:
  - information in a consumer report was used in connection with the transaction;
  - the consumer received the offer because they met the criteria for credit worthiness or insurability used to screen for the offer;
  - the consumer may not get credit or insurance if you determine that they don’t meet your pre-established criteria or furnish the required collateral; and
  - the recipient may choose not to receive prescreened offers in the future by contacting the CRA at an address or toll-free number established for this purpose, and that to opt out of offers from all the nationwide CRAs, the toll-free number is 1-888-5-OPT-OUT.

The FTC has requirements for the format, type, size and manner of this statement in its “Pre-Screen Opt-Out Notice” Rule.

#### **FOR RESELLERS:**

**If you obtain a consumer report for resale**, you must:

- disclose the identity of the end-user to the CRA;
- tell the CRA each permissible purpose for which the report will be furnished to the end-user; and
- establish and follow reasonable procedures to ensure that (1) reports are resold for permissible purposes only, including procedures to obtain the identity of all end-users and their certifications of each purpose for which the reports will be used; and (2) the reports will not be used for any other purpose. Resellers must make reasonable efforts to verify this information before selling a report.

**If a consumer disputes the accuracy of information in a consumer report you prepared**, you must determine who is responsible within five business days of receiving the notice of dispute. If you are responsible for the mistake, you must correct or delete the information. If you aren't, you must send the dispute to the source CRA. When that CRA notifies you of the results of an investigation, you must convey the information to the consumer immediately.

**If you receive fraud alerts or active duty alerts from another CRA**, you must include them in your reports.

**Here are the citations for certain rules that apply to users of consumer reports:**

Risk-Based Pricing Notices Rule	16 CFR 640.1 - 640.6, 698; 12 CFR 222.70 - 222.75
Address Discrepancy Rule	16 CFR 681.1; 12 CFR 41.82; 12 CFR 222.82; 12 CFR 334.82; 12 CFR 571.82; 12 CFR 717.82
Medical Information Rules	12 CFR 41.30 - 41.32; 12 CFR 571.30 -571.32; 12 CFR 222.30 - 222.32, 232.1 - 232.4; 12 CFR 334.30 - 334.32; 12 CFR 717.30 - 717.32
Pre-Screen Opt-Out Notice Rule	16 CFR 642.1 - 642.4, 698

**This notice is only a summary of your responsibilities under the FCRA. You must comply with all applicable provisions of the FCRA and the appropriate rules of the FTC and the federal financial regulators, including those issued after this notice was prescribed in 2010. You should become familiar with the laws and may want to consult with a lawyer to ensure your compliance. Failure to comply with the FCRA can result in state or federal government enforcement actions, as well as private lawsuits. In addition, anyone who knowingly and willfully obtains a consumer report under false pretenses may face criminal prosecution. The FTC's Web site, [www.ftc.gov/credit](http://www.ftc.gov/credit), has more information about the FCRA, including publications for businesses, information about the FTC's and other regulators' jurisdiction, and the full text of the FCRA.**

**Endnotes**

1. 15 U.S.C. 1681-1681x.

2. The text of this notice can be found in Section 609 of the FCRA, 15 U.S.C. 1681g.