



This class addresses the Fair Credit Reporting Act which governs the collection and use of information considered in connection with granting credit, providing insurance or offering employment.



## Basics of Reg. V

- ✓ Originally about credit reporting
- ✓ FACT Act is only an amendment to the Fair Credit Reporting Act (FCRA)
- ✓ Effective date of most changes was December 1, 2004
- ✓ Reg Flag items will be November 1, 2008
- ✓ Enforced by the Federal Trade Commission
- ✓ Effects both Operations and Lending

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**DOUBLE CHECK CIF SCREENS FOR NAMES AND FOR PERSONAL/BUSINESS CODES!!**

FCRA was substantially amended in 2003 by the FACT ACT which was passed to prevent identity theft, improve resolutions of consumer disputes, improve the accuracy of consumer records, make improvements in the use of and consumer access to credit information.

If out side sources were used in denying a loan, FCRA requires those sources to be provided. The FCRA section of the denial is the portion that lists the credit bureau. **BUSINESS DENIALS SHOULD NOT BE MADE ON THE CONSUMER ADVERSE ACTION NOTICE.**

- Appraisals
- NADA
- Other third party

FCRA set guide lines for handling disputes

The bank **CAN NOT** give out more information about a customer other than the transaction history. Otherwise, we become a credit reporting agency governed by stricter laws.

Can't report obsolete information

- Bankruptcy – 10 years
- Adverse information (collections, liens, crimes) – 7 years



## Requirements

- ✓ Fraud Alerts
- ✓ Truncation of Numbers
- ✓ Summary of Victim's Rights
- ✓ Providing Information to Victims
- ✓ Blocking Information & Re-pollution
- ✓ Investigation Co-ordination
- ✓ Enhanced Disclosure on Opt Out for Prescreened Lists
- ✓ Debt Collector Communications

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The FACT Act (Fair and Accurate Credit Transactions) was created in 2003 and became effective 12/1/04.



## Requirements (cont'd)

- ✓ “Free” Credit Reports
- ✓ Notice of Action Taken Regarding Pricing\*
- ✓ Responsibilities of Furnishers of Credit Information
- ✓ Disclosures of Credit Scores
- ✓ Notice of Negative Information
- ✓ Disposal of Consumer Report Information
- ✓ Medical Information
- ✓ Reconciling Addresses
- ✓ Red Flag Guidelines

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## Fraud Alerts

### ✔ Initial Fraud Alert:

- When a consumer asserts in good faith a suspicion that he/she has been or is about to become a victim of fraud. Alert goes on credit report for no less than 90 days.

### ✔ Extended Fraud Alert:

- When a consumer submits an identity theft report to a credit bureau. Alert goes on credit report for 7 years.

### ✔ Active Duty Alert:

- An alert for active duty military consumer. Alert goes on credit report for no less than 12 months.

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Need to pull reports to be aware of alerts.

CSR staff will pull credit reports on all new accounts.

ANY alert on a credit report will need to be handled PRIOR to generating the loan.



## Fraud Alerts (cont'd)

### ✔ Credit Freeze:

- When a consumer has the credit bureau block their account from being viewed. Must be completely removed before a credit report will generate.

### ✔ Generate an Alert:

- A consumer can contact any one of the three major credit bureaus to send an alert to all three. TransUnion's number is 1-800-680-7289.

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# Alert Examples

## Initial Fraud Alert

**Consumer Statement:** Initial Fraud Alert#HK#IFCRA-INITIAL FRAUD ALERT: ACTION MAY BE REQUIRED UNDER FCRA BEFORE OPENING OR MODIFYING AN ACCO Initial Fraud AlertUNT. CONTACT CONSUMER AT -----

## Extended Fraud Alert

**Consumer Statement:** Consumer was a victim of true-name fraud: #HK# ID FRAUD VICTIM ALERT. FRAUDULENT APPLICATION MAY BE SUBMITTED IN MY NAME USING CORRECT PERSONA Consumer was a victim of true-name fraud: L INFORMATION. DO NOT EXTEND CREDIT WITHOUT FIRST CONTACTING ME PERSONALLY AND VERIFYING ALL APPLICA Consumer was a victim of true-name fraud: NT INFORMATION. VERIFY AT DAYTIME PHONE NUMBER: OR EVENING PHONE NUMBER: Consumer was a victim of true-name fraud DATED 03/23/2004.

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## Truncation of Numbers

- ✓ Any machine that generates a receipt for an electronic transaction with a debit or credit card must have all but the last five digits truncated.
  - ATM
  - Point of Sale
  - Internet purchases

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In the old days, every time you used your debit or credit card, the receipt would print out your entire account number. Since some people are trash bugs and other people are thieves, it was easy to abscond with information to steal from accounts.





## Summary of Victim's Rights

- ✓ Rights can be found on the Federal Trade Commission's Website at [www.ftc.gov](http://www.ftc.gov)
- ✓ Responsibility of providing these rights fall upon the Credit Bureau.
  - Copy attached

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## Providing Information to Victims

- ✓ If a customer comes into the bank stating they are a victim of ID theft, they have a right to FREE copies of ALL business transactions.
- ✓ Must verify who is requesting information.
  - ✓ Copies of business transactions :
    - Bank Statements plus copies of all checks
    - Loan Documents plus copies of proceed checks
- ✓ Copies must be provided within 30 days.
- ✓ Follow procedures in ID Theft – FACTA Procedures book

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Each branch has a red ID Theft – FACTA Procedures book. This book is complete with every step needed to follow in regards to ID theft.



## Blocking Information & Re-Pollution

- ✓ If a loan is a fraud, we must not only **stop** reporting it to the credit bureau, we must also **block** and remove any false information
- ✓ If a loan is a fraud, we cannot “sell, transfer for consideration, or place for collection”

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## Investigation Co-ordination

- ✓ If a customer feels they are a victim of Identity Theft, they only need to contact one number to notify all three major credit bureaus:

**1-877-ID-THEFT**

**(1-877-438-4338)**

This information is also provided on the form “ID Theft Affidavit”, located on the FTC website.

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## Debt Collector Communications & Prescreening Lists

- ✓ FNBT does not send collections out to a third party, nor do we request a pre-screened solicitation list from the credit bureau for marketing so neither of these sections apply to our bank.

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## FREE Credit Reports

- ✓ Free Credit Reports since December 2004
  - ✓ The FTC Website has the application that consumers will need to complete for the free credit report. They can request online, by mail or by phone.
  - ✓ If a consumer is denied credit or feels they are a victim of ID Theft, they will obtain a free report.

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The bank CANNOT pull this report for them. There's a huge difference in the style of credit reports for creditors and consumer reports – there's has more “user friendly” information to help them understand their data.

When they attempt to get their report, they'll be asked questions that only they can answer, such as how much is the amount of mortgage payments.



## Consumer Websites

- ✔ To Opt out from phone solicitations:
  - [www.donotcall.gov](http://www.donotcall.gov)
  - 1-888-382-1222
- ✔ To Opt out from mailed solicitations:
  - [www.optoutprescreen.com](http://www.optoutprescreen.com)
  - 1-888-567-8688
- ✔ Obtain free credit reports:
  - [www.annualcreditreport.com](http://www.annualcreditreport.com)
  - 1-877-322-8228

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Do Not Call is permanent.

Prescreen is 5 years for electronic and permanent for mailed in opt out



## Notice on Pricing\*

This is a new notice that is \* currently in proposal stages...

- Can be given at time of application to ALL consumer applicants, or
- Can be given at closing when applicable.

“...a provision of credit on material terms that are materially less favorable than the most favorable terms available to a substantial proportion of consumers from or through that person (the bank) based in whole or in part on a consumer report.” ??

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## Responsibilities of Furnishers

- ✓ This is a more enhanced policing of banks to ensure that information reported on consumers is accurate.
  - Any error resolutions for credit reporting must be directed to the Loan Credit Department at Chickasha.
  - E-Oscar was created as a mediator between consumers and creditors over reporting disputes.

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## Credit Score Disclosures!!

- ✓ Any time a loan is made or denied to a **CONSUMER** that is secured with a 1-4 **FAMILY REAL ESTATE** transaction, this disclosure must be provided within **15 days of pulling the credit report.**
  - Either obtain form through the credit bureau, or
  - Generate a Notice to Home Loan Applicant on GulfPak

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If you failed to ask for the credit score disclosure on the credit report and must create the form on GulfPak, ALL DATA must be typed on the form to be acceptable.



## Notice of Negative Information

- ✓ We are in compliance with this section.
  - GulfPak provides a notice on all new customers;
  - NICOLA provides a notice on all existing customers.

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## Disposal of Consumer Reports

- ✓ Any confidential, personal credit information on any and all customers must be destroyed in an approved and expedited manner.
  - Printed reports are scanned and then shred in six months
  - Imaged reports are not accessible to unauthorized employees

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## Sharing Information with Others

- ✔ This is not the same Opt-Out that is included with the bank's Privacy Notices.
- ✔ This rule specifically addresses provisions governing marketing solicitations *with affiliates* and the information **MAY NOT** be shared unless the consumer is given the opportunity to opt-out.
  - According to OCC definitions, FICAP and First Star Insurance are not affiliates but are considered a wholly owned subsidiary.

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## Medical Information

“A creditor shall not obtain or use medical information pertaining to a consumer in connection with any determination of the consumer’s eligibility, or continued eligibility, for credit.”

There are times the bank obtains medical information both orally or recorded in a form or medium from either a healthcare provider or the consumer.

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## Medical – Examples

- ✔ The bank can only use the medical information if it relates to debts, expenses, income, benefits, collateral, or the purpose of the loan, including the use of proceeds.
- ✔ The bank can use the information in a manner and to an extent that is no less favorable than it would use comparable information that is not medical in a credit transaction.
- ✔ The bank can not take the consumer's physical, mental, or behavioral health, condition or history, type of treatment, or prognosis into account as part of any such determination.

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## Reconciling Addresses

- ✓ If you pull a credit report and you type in an address that is “substantially different” from what’s on record, an alert will appear.
- ✓ You must verify that you have the actual customer, not an ID thief.
- ✓ Law states that you must verify address BEFORE opening the account.

Personal Information Since 3/1/2000 FAD 5/5/2008		
		Reported
Name		
SSN		
Address	1, RR 1 BOX 118C, I	8/1/2000
Address	1, PO BOX 1, I	8/1/2000
Address	509, NORTH, Personal	
Phone		
Address		

**ID Mismatch Alert [Trans Alert]**  
Current Address - House Number Mismatch: Mismatch - input does not match file  
Inquiries in last 60 days: 0

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Must verify according to BSA/AML requirements (see CIP policy)

- Use internal records
- Use third party records
- Verify directly with customer (use out of wallet questions)
  - What is your mortgage payment (as provided on Credit Report)
  - Where is your car financed (as provided on credit report)





## Red Flag Guidelines

- ✔ New program for detecting, prevention, and mitigation of ID Theft on a covered account.
- ✔ Applies to all creditors such as financial institutions, car dealers, insurance (life policies), mortgage companies.
- ✔ May apply to all the bank's subsidiaries.
- ✔ New address change procedures.
- ✔ New program to pull credit reports from GulfPak (including deposit accounts).
- ✔ Detailed steps to take if a Red Flag appears prior to opening an account.

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“For the 7<sup>th</sup> straight year, ID theft topped the FTC’s list of consumer complaints. ID Theft reportedly costs American businesses and consumers \$50 billion a year, impacting nearly 10 million US victims annually. In fact, approximately 23,000 people become victims of ID theft *EVERY DAY!*”

What is a covered account?

How does Reg Flag and BSA compare in compliance?

What is identity fraud?



## Red Flag (cont'd)

- ✓ What to do if someone asks for a replacement card following an address change.
- ✓ Training class on CoNetrix website.
- ✓ ID Theft – FACTA Procedures
- ✓ ID Checking Guide 2008
- ✓ ID Theft prevention items offered with Sisk
- ✓ Fraud Watch Plus
- ✓ Transaction Monitoring Service (logins, access, POS)

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Procedures covers:

- Alerts
- Suspicious documents
- Suspicious ID's
- Unusual suspect activity
- Notices from customers or law officials about a fraudulent account



## Kroll Factual Data

- ✔ Credit reports can now be accessed directly through GulfPak via Kroll Factual Data.
- ✔ All debts from the credit report will populate on the credit application.
- ✔ New ability to provide a consumer report from this website.
  - Training will be provided as soon as the setup is complete.
  - Both lending and CSR staff will pull credit reports.

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