



Do You Know
Your Credit
Rights?



FEDERAL RESERVE BANK OF PHILADELPHIA

Credit can play an important role in your daily life. For example, you may use a credit card to make purchases, or you may obtain a loan from your bank to finance the purchase of a car or house. The importance of credit in your life, however, is not limited to loans. If you apply for a job, a potential employer can obtain a copy of your credit report to verify your employment history. If you want to lease an apartment, the landlord can obtain your credit report to determine whether you will be a reliable tenant. Therefore, it is important that you understand how credit applications are approved or denied and what your legal rights are if you are treated unfairly. The major federal laws that regulate credit are summarized in this brochure.

FAIR CREDIT REPORTING ACT (FCRA)

Regulates the accuracy, fairness, and privacy of consumer credit information.

Most of your creditors file reports once a month with the three major credit bureaus — Equifax, Experian, and TransUnion — to let them know the status of your loan repayments. Creditors report the amount of credit originally extended, the amount of your most recent payment, whether the payment was late, the current balance owed, and the date you applied for the credit. If your loan has a credit limit, creditors also report the amount of the credit limit and whether you have exceeded it. The credit bureaus also collect negative information about you from public records, such as bankruptcy filings, tax liens, and court judgments. All of this information is included in your credit report. When you apply for credit, the information in your credit report is reviewed to determine whether you are a good credit risk.

Privacy of Credit Reports

Credit reports contain sensitive, private financial information about you. To protect your privacy, the FCRA states that credit reports can be obtained only when there is a permissible purpose. This includes obtaining your credit report when you apply for credit, a job, a lease, insurance, or a license or benefit from a government agency.

Credit Report Errors

You should review your three major credit reports at least once a year to ensure that they are accurate and do not contain any errors. Under federal law, you are entitled to one free credit report each year from Equifax, Experian, and TransUnion. If you find an error in any of your reports, you should contact the credit bureau immediately. The FCRA requires credit bureaus to investigate a consumer dispute within 30 days. If your dispute is validated, the inaccurate information will be removed. The source of the error must then notify all credit bureaus to which the information was sent. If you are not satisfied with the correction, you have the right to add a brief statement to your credit report about the nature of the dispute.

Denial of Credit

If you apply for credit, such as a car loan, and your credit application is denied because of negative information in your credit report, the lender is required to provide the name, address, and telephone number of the credit bureau that issued the report. You then have 60 days to request a free copy of the report from the credit bureau, which must disclose all information in the report, its source, and who recently received the report. In addition, you are entitled to receive a copy of your credit score whenever you apply

for credit, insurance, employment, or a government benefit and the application is denied because of your credit score.

You have the right to have the credit bureau reissue corrected reports to lenders who received an erroneous report within the past six months or to employers who received one in the past two years.

Limiting Access

You may exclude your name and address from credit bureau lists used by creditors and insurers to make unsolicited offers of credit and insurance. Requests made by telephone are good for two years. For permanent exclusion from such lists, you must complete a form available from each credit bureau. To request exclusion from Equifax, Experian, and TransUnion, call 1-888-567-8688 or fill out a form online at www.optoutprescreen.com.

If your rights under the FCRA are violated, you can file a lawsuit in state or federal court against the person who violated your rights. Under the FCRA, if you win the lawsuit, you are entitled to have your attorney's fees paid.

FAIR AND ACCURATE CREDIT TRANSACTIONS ACT (FACTA)

Combats identity theft, protects privacy, and improves consumer access to (and the overall accuracy of) credit reports. It is an amendment to the FCRA.

Free Credit Reports

Since September 1, 2005, consumers have been entitled to obtain a copy of their credit reports free of charge from each of the three main credit bureaus once every 12 months. The reports allow consumers to monitor the number of accounts and the amount of credit outstanding, so they can discover and correct errors

in their credit records and make sure that accounts have not been fraudulently opened in their names.

You can order all three reports at the same time, or you can request these reports at various times throughout the year. Some financial advisors suggest that you review one of your three credit reports every four months. This scheduled review will help you detect errors and monitor changes in your credit profile.

However, a report generated by one of the three main agencies may not contain all of the information pertaining to your credit history. If you want a complete view of your credit record at a particular moment, you must examine your report from each of the three agencies.

You can get your free credit reports under the FACTA by going to www.annualcreditreport.com. You can also obtain your reports by calling 1-877-322-8228.

Fraud Alerts

Consumers who reasonably suspect that they are victims of identity theft or are military personnel on active duty away from home can place an alert on their credit files. The alert will put potential creditors on notice that they must proceed with caution when granting credit.

Information Available to Victims

Several provisions are aimed at preventing the spread of erroneous credit information and helping consumers recover their credit reputations after they have been victims of identity theft:

- Credit bureaus must stop reporting allegedly fraudulent account infor-

mation when a consumer establishes that he or she has been the victim of identity theft.

- Creditors or businesses are required to provide copies of business records of fraudulent accounts or transactions related to them.
- Consumers are permitted to report accounts affected by identity theft directly to creditors (in addition to credit bureaus) to prevent the spread of erroneous credit information.

Credit Scores

Each of the three credit bureaus calculates a credit score for you based on information in your credit report. Credit scores measure your creditworthiness. Your credit score is presented as a number that can fall within a range — usually from 300 to 850. However, some credit scoring products use different ranges — such as 501 to 990. If you obtain multiple credit scores and the same range was not used, you cannot directly compare the scores. For example, a credit score of 720 within the 300 to 850 range is not the same as a credit score of 720 using the 501 to 990 range.

Creditors rely on credit scores when you apply for credit. Applicants with high credit scores are more likely to be approved for credit and obtain good interest rates, whereas borrowers with low credit scores are more likely to be denied credit or pay higher rates. It is important to note that your credit report does not contain your credit score. If you obtain a free credit report by calling 1-877-322-8228 or through www.annualcreditreport.com, you will be offered the option of obtaining your credit score. The charge varies depending on the credit

bureau and the credit scoring model used. However, you are not obligated to purchase your credit score in order to receive your free credit report. If you do not need to obtain your credit report but are interested in obtaining your credit score, you can contact the credit bureaus to purchase your credit score. Contact information for the bureaus is listed at the end of this brochure.

Direct Dispute with Creditors

The FACTA allows you to file a direct dispute with any source that furnishes inaccurate information about you to the credit bureaus. You can also file a dispute with the credit bureaus. The advantage of the direct dispute is that it speeds up the process of investigation because you directly notify the entity furnishing the disputed information. If you file a direct dispute, the furnisher must investigate and notify you of the results of its investigation. If the furnisher determines that the information it furnished was inaccurate, it must promptly file corrected information with all three credit bureaus.

EQUAL CREDIT OPPORTUNITY ACT (ECOA)

Prevents discrimination with respect to consumers and businesses applying for credit. It does not require creditors to have the same standards, nor does it guarantee approval of loan applications.

The ECOA prohibits lenders from discriminating against consumers and businesses in all aspects of credit on the basis of sex, marital status, color, race, religion, national origin, age, reliance on income from a public assistance program, or exercise of rights under the Consumer Credit Protection Act. Your ability and intent to repay borrowed funds are the only acceptable criteria.

Prohibited Information

Credit applications cannot ask about your sex, race or national origin, marital status, or age unless you are applying for the purchase or refinance of your principal residence. You cannot be asked your marital status if you are applying for individual unsecured credit, such as a credit card. Creditors are also prohibited from asking about childbearing plans.

Credit for Couples

Spouses have the right to have their credit histories listed separately, including the accounts they use jointly. Married people have the option of using their birth name or married name. In the case of couples who jointly established credit but whose credit appears in the name of only one spouse, the other partner has the right to rely on that credit history as well.

Divorced Individuals

You do not have to reveal income from alimony, child support, or separate maintenance unless you want the creditor to consider it in the review of your application.

Age

Creditors may ask how old you are, to be certain you have reached legal age to enter into contracts, and may consider your age in estimating how long you will continue to work. However, age may not be used to deny credit to those 62 or older or because the applicant's age exceeds that required for credit insurance.

Changed Circumstances

The terms of your credit cannot be changed simply because your life circumstances change. That is, the length, interest, or other features of loans cannot be changed; you cannot be forced to

reapply; and you may not be terminated because you change your name or marital status, reach a certain age, or retire.

Applicant Notification

Lenders must notify credit applicants of their decision within 30 days of receiving a completed application. If credit is denied, the creditor must provide a written statement of the action taken, the reason for denial (or how to request it), the applicant's rights under the ECOA, the name and address of the enforcing federal agency, and the name and address of the creditor. If you believe that discrimination has taken place, you have the right to file suit. Creditors found to have discriminated unfairly can be held liable for actual damages and punitive damages up to \$10,000.

FAIR CREDIT BILLING ACT (FCBA)

Provides for the prompt correction of errors on open-end credit accounts (department store credit card accounts, for example) and protects consumers' credit ratings while they are settling disputes.

Creditors are prohibited from reporting an account as delinquent when a consumer disputes a charge under this law, which applies to open-end credit accounts such as credit cards. Consumers who question the accuracy of an item on a periodic statement are responsible for notifying the creditor in writing within 60 days of receiving the bill. The creditor is then obligated to mail or deliver written acknowledgment within 30 days and may not do anything to damage the consumer's credit rating while the item is in dispute. The creditor must resolve the dispute within two billing cycles (but not later than 90 days) after receiving a billing-error notice from the consumer.

In addition, under the FCBA, if you use your credit card to purchase property or services and have a dispute, you can notify the credit card issuer about the dispute and withhold payment for the property or service to the card issuer as well as any finance charges that accrue while the dispute is being investigated. Also, while the dispute is being investigated, the FCBA prohibits the card issuer from reporting you as delinquent to the credit bureaus.

To invoke this right under the FCBA, you must first make a good-faith attempt to resolve the dispute with the merchant before notifying the card issuer. In addition, the amount in dispute must exceed \$50, and the disputed transaction must have occurred in the same state as your designated address with the credit card issuer or within 100 miles from that address.

FAIR DEBT COLLECTION PRACTICES ACT (FDCPA)

Promotes the fair treatment of consumers by prohibiting debt collectors from engaging in unfair, deceptive, or abusive practices.

This act applies to professional debt collectors who attempt to collect on delinquent payments to creditors. The law does not apply to the original creditor. Debt collectors are:

- permitted to contact persons other than the debtor only to locate the debtor or make a reasonable effort to communicate with the debtor about the debt.
- required to send written notice after making contact, informing the debtor of the amount of the debt, the name of the creditor, and the fact that the

debt will be considered valid unless disputed within 30 days.

- prohibited from harassing, oppressing, or being abusive in collecting a debt; using threats or obscene language; publicizing the debt; and making annoying or anonymous telephone calls. Debt collectors may not misrepresent the identity of the collector, the status of the debt, and the consequences if it is not paid unless those consequences are lawful and intended to be taken.

The FDCPA allows you to request debt collectors to stop contacting you. Although this will not eliminate your debt, it forces the debt collector to stop contacting and harassing you. To invoke this right, you must notify the debt collector in writing that you want him or her to cease further communication with you. If you invoke this right, the only permissible way for the debt collector to contact you is to file a lawsuit to collect the debt.

Consumers can sue in federal or state court for actual and punitive damages against debt collectors who violate the FDCPA. Additional information about this law and your rights under this law is available on the Federal Trade Commission's website at www.consumer.ftc.gov/articles/0149-debt-collection.

TO OBTAIN FREE CREDIT REPORTS

The credit reporting agencies (Equifax, Experian, and TransUnion) have established a single website and toll-free telephone number for requesting a free credit report once every 12 months:

www.annualcreditreport.com

Toll-free number: 1-877-322-8228

Annual Credit Report

Request Service

P.O. Box 105281

Atlanta, GA 30348-5281

TO CONTACT CREDIT BUREAUS

Equifax — www.equifax.com

1-866-640-2273

Equifax Credit Information

Services, Inc.

P.O. Box 740241

Atlanta, GA 30374

Equifax Fraud Division

P.O. Box 740256

Atlanta, GA 30374

1-800-525-6285

To place a fraud alert on your credit report, call 1-888-766-0008.

Experian — www.experian.com

Experian National

Consumer Assistance Center

1-888-397-3742

TransUnion — www.transunion.com

TransUnion Consumer Solutions

2 Baldwin Place

P.O. Box 1000

Chester, PA 19022

Obtain a free TransUnion credit report under the FACTA:
1-800-888-4213

Dispute information in your TransUnion credit report:
1-800-916-8800

TransUnion Fraud Victim Assistance Department
P.O. Box 2000
Chester, PA 19022-2000
1-800-680-7289

ADDITIONAL INFORMATION ON CREDIT

Federal Trade Commission
www.consumer.ftc.gov/topics/credit-and-loans

Federal Trade Commission Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
1-877-FTC-HELP (382-4357)

FOR MORE INFORMATION

The Federal Reserve Bank of Philadelphia has other brochures on credit topics.

To obtain copies of these brochures, or for additional copies of this one, please contact:

Federal Reserve Bank of Philadelphia Public Affairs – Publications

P.O. Box 66

Philadelphia, PA 19105-0066

215-574-6113

www.philadelphiafed.org



To view this and other consumer publications produced by the Federal Reserve Bank of Philadelphia, scan this code with your smartphone.



FEDERAL RESERVE BANK OF PHILADELPHIA

Ten Independence Mall, Philadelphia, PA 19106

8/2015