LEGAL CONSIDERATION PART TWO: CREDIT REPORTING FRAMEWORK IN THE UNITED STATES

EGYPT FINANCIAL SERVICES PROJECT
TECHNICAL REPORT #55

January 18, 2006
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DATA PAGE

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Task:	Task 4: Establish a Broad- Based Credit Information System.
KRA:	KRA: 4.2: Private Sector Credit Bureau(s) Operational
Activity:	Activity 4.2.08: Provide Guidance and participate in legal committee formed by ESTEALAM abd Central Bank
Author:	Oscar Marquis, Legal/Regulator Adviser
Date:	January 18, 2006

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Program Title and Outline

Training Program Title	**The Credit Reporting Framework in the United States**
Duration:	January 16 – January 18, 2006
Training Venue:	Semiramis Intercontinental, Cairo, Lotus Room
Training Hours :	8 :30 am – 4 : 30 pm
Language of Instruction:	English, with simultaneous translation to Arabic
Training Materials:	English. Some materials will be translated to Arabic
Trainer:	Mr. Oscar Marquis**,** International Legal Adviser, Partner in Oldaker, Biden and Belair, LLP Mr. Marquis is a specialist in legal issues related to privacy and consumer reporting. Mr. Marquis was Vice President and General Counsel of Trans Union, one of U.S leading reporting agencies for over 20 years. He is a recognized expert in consumer reporting, credit, privacy and data protection. As General Counsel at Trans Union, Mr. Marquis managed the law and government affairs departments, and started a compliance department. He focused on legislative affairs relating to privacy and credit reporting, as well as general contract, technology and litigation matters. Mr. Marquis is familiar with the credit bureau project in Egypt as he was also consultant to Egypt Financial Services Project
Participants	ESTEALAM (The Egyptian Credit Bureau), Banks, Central Bank of Egypt, Mortgage Finance Authority, Ministry of Investment, Mortgage Finance companies, Microfinance Institutions, Egyptian Banking Institute & Social Fund for Development.
Number of Participants	40
Training Objectives	▪ This program seeks to equip participants with credit bureau knowledge of related issues as per the American model with a comparison to be made with the Egyptian model. The training will discuss issues related to privacy, consumer protection, the role of regulator and others. ▪ At the end of this training, legal directors from banks are expected to be able to draft contracts within the Egyptian legal context. However, all participants are encouraged to attend the third day which is dedicated to review of the contracts, as this will reinforce the learning of the prior two days especially if their organizations are expected to enter into contractual arrangements with the credit bureau in the future.

Training Outline

Day One and Two

1. **Purpose Of Credit Bureaus in the United States**

    A. Overview
    B. History of Credit Bureaus in the US

2. **Uses of consumer reports for proposes other than credit**
    - **a.** Employment
    - b. Insurance
    - c. Rental
    - d. Other business transactions
        - i. See documents 2-5

3. **Overview of the US Fair Credit Reporting Act**
    - a. Privacy, Accuracy, Fairness
    - b. How the law works in operation

4. **The Regulatory Framework**
    - **a.** Federal Trade Commission
        - **i.** Rules & Regulations
            - **1.** See document 6
        - **ii.** Informal advice and opinions
            - **1.** See document 7
        - **iii.** Enforcement Actions
            - **1.** See document 8
        - **iv.** Studies and education
            - **1.** See documents 9 and 10
    - **b.** Litigation
        - **i.** See document 11
    - **c.** Involvement of the Federal Reserve Bank
        - i. Privacy regulations
            - 1. See documents 12 and 13
        - ii. Credit Regulations

5. **Additional Services provided by Credit Bureaus**
    - **a.** Credit scoring
    - **b.** Insurance scoring
    - **c.** Prescreening

6. **Credit Bureaus and Data Furnishers**
    - a. Information Sources
        - i. Private Companies
        - ii. Public Records
        - iii. Utilities, landlords
    - b. Recording Credit Report Information
        - i. Inaccuracies and the Data Furnishers
        - ii. Standardized formats
            - 1. See document 14

7. **Credit Bureaus and Data Users**
    a. Credentialing Users
        i. See document 15
    b. Obligations of Report Users
    c. Employment Reports
    d. Mixed Use Users

8. **Liabilities and Court Decisions**
    a. Credit Bureau
    b. Data Furnishers
    c. Data Users

9. **Where it leads- New Developments in the US**
    a. Nationwide vs. Nationwide Specialty CRAs
    b. Prohibitions on the Inclusion of Medical Information in Consumer Reports
        i. Limitations on Reporting Medical Debts
        ii. Exceptions
    c. Identity Theft
        i. Solutions
            1. Fraud Alerts
            2. Tradeline Blocking

        ii. Fraud prevention tools
            1. See document 16
        iii. Security breaches
    d. Disclosure to Consumers
        i. See document 17
    e. Dispute Investigations
        i. Required notices to Data Users and Furnishers
            1. See document 20
        ii. Dispute process
            1. See documents 21, 22, 24, 25

10. **Consumer rights**
    a. The principles involved in consumer protection rights
    b. The European Union Privacy Principles
    c. How should credit bureau personnel handle complaint?
    d. Why is consumer protection essential to the success of credit bureaus
    e. The role of the regulator in handling consumer complaints. What should the regulator be involved in, when and when should the regulator stay away?
    f. Types of Litigation faced by credit bureaus

11. **Issues of Concern**
    a. Credit Dependency
    b. Fraud
    c. Bankruptcy
    d. Collections
    e. Credit Clinics

12. **Comparison to the Egyptian Model and Framework**

13. **Summary and Questions/Answers**

Day Three:

Review of Contract Forms

a. See documents 18-19, 23, 27-29

List of Participants

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Attachment 1: The Credit Reporting Framework in the United States Presentation

The Credit Reporting Framework in the United States

Cairo, Egypt

January 2005

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Oscar Marquis 1a

Part I

Purpose of Credit Bureaus

Oscar Marquis 2a

Purpose of Credit Bureaus

- The financial services sector is information driven
- Credit, investment, insurance, other financial transactions require information
  - Who are you dealing with?
  - Can they be trusted?
  - How can you know?

Oscar Marquis 3

Purpose of Credit Bureaus

- US Experience
  - Over 200M credit applications per year
    - Credit cards (70% of applications; 10% of $ volume)
    - Home mortgages (6.3%--68%)
    - Auto loans (6.4%--7%)
    - Installment loans (12%--6%)

Oscar Marquis 4

Purpose of Credit Bureaus

- US Experience
  - Lenders
    - Commercial Banks
    - Credit Unions
    - Finance Companies

Oscar Marquis 5

Purpose of Credit Bureaus

- All have experiences with and information about consumers
- All are users and sources of information
- Plus:
  - Public records
  - Collection agencies

Oscar Marquis 6

Purpose of Credit Bureaus

- Credit Bureaus are independent third parties
- Centralized source
- Impartial
- No incentive other than
  - Accuracy
  - Customer service
  - And Profit

Oscar Marquis 7

Purpose of Credit Bureaus

- Profit constraints
  - Competition
  - General delinquency rate
  - New products and services

Oscar Marquis 8

Purpose of Credit Bureaus

- Accuracy constraint
  - What is accuracy?
  - Cost
  - Legal and regulatory requirements
  - Quality of the information sources
  - Completeness of the request for information

Oscar Marquis 9

Purpose of Credit Bureaus

- Benefits of Consumer Reporting in the US
  - Consumer loans constitute 60% of GDP (highest in the world)
  - Over $6T in consumer loans
  - Impact on economic boom and standard of living

Oscar Marquis 10

Purpose of Credit Bureaus

- Consumer benefits
  - More credit, greater variety of sources, more quickly, lower cost
  - Information helps pool or securitize portfolios
    - Reduces risk to lenders
    - Liquidity makes more money available
  - All consumers can shop for credit based on portable credit history
  - Even marginal risk consumers may qualify

Oscar Marquis 11

Purpose of Credit Bureaus

- Benefits to institutions
  - Consumer lending is the leading revenue generator for may US banks
  - Institutions can manage their risks and fine tune changes
  - Institutions other than banks can lend confidently
  - Mergers and acquisitions can be made with true evaluation of portfolios
  - securitization

Oscar Marquis 12

Purpose of Credit Bureaus

- Benefits to institutions
  - Credit reports have proved predictive of insurance losses
  - Credit Reports are also used by
    - Landlords
    - Merchants accepting checks
    - Collection agencies
    - Government agencies

Oscar Marquis 13

History of Credit Bureaus in the US

- Organic growth
  - Merchant exchanges
  - Banks added
  - Thousands of “Merchant Bureaus”
  - Automation
  - Centralization and the end of the small bureaus

Oscar Marquis 14

History of Credit Bureaus in the US

- New Credit Bureaus
  - Resellers
  - Mortgage Bureaus and the merged reports
  - Background screening companies
  - Check verification companies
  - Utility exchanges

Oscar Marquis 15

Part II

Credit Reports for purposes other than credit

Oscar Marquis 16a

Non-credit purposes

- Employment—background screening
- Insurance underwriting
- Other business transactions

Oscar Marquis 17

Background Screening

- **Demand exceeds all previous levels**
  - **40 million adults expected to be screened**
    - **1998 – 44% of employers did backgrounds**
    - **2000 – 61% of employers did backgrounds**
    - **Today -- 70% of large employers do some backgrounds**

Oscar Marquis 18

Background Screening

- **Private companies perform the service:**
  - **ChoicePoint reports 30% increase since 2001**
  - **Hirecheck reports 25% growth**
  - **Kroll reports 20% growth**
  - **Rechecks of existing employees**
  - **More job categories covered**

Oscar Marquis 19

Background Screening

- **Purposes**
  - **Fraud**
  - **Licensing**
  - **Due diligence**

Oscar Marquis 20

Background Screening

- **Information in Background Reports**
  - **Credit Report**
  - **Criminal Records**
  - **Residence information**
- **All are "consumer reports" covered by same law as credit reports**

Oscar Marquis 21

Background Screening

- **Benefits of credit reports**
  - **Predictive**
  - **Objective**
  - **Reliable**

Oscar Marquis 22

Background Screening

- **Individuals accept the practice**
  - **53% of employees support more thorough background checks**
  - **92% support using commercial vendor**
  - **91% support obtaining convictions**
  - **56% support obtaining arrest only**
  - **62% support obtaining driving records**
  - **82% support using biometric IDs**

Oscar Marquis 23

Insurance purposes

- **Underwriting only**
  - **Property and casualty**
- **Primarily scores**
- **Used for marketing purposes**

Oscar Marquis 24

Other legitimate purposes

- **Rental**
  - **Includes information from prior lessors**
- **Check verification**
  - **Separate databases**
- **Same law applies**

Oscar Marquis 25

Part III

The Legal Framework in the United States:

The Fair Credit Reporting Act

Oscar Marquis 26a

The Fair Credit Reporting Act

- No law existed prior to FCRA (1971)
- Problems FCRA intended to address
  - Privacy
  - Accuracy
  - Fairness

Oscar Marquis 27

The Fair Credit Reporting Act

- Privacy—before FCRA
  - There were no restrictions
  - Consumers did not know why they were rejected for credit
  - Credit card use was starting to expand

Oscar Marquis 28

The Fair Credit Reporting Act

- Accuracy--before FCRA
  - Mercantile agency protections
  - No redress
  - Discrimination

Oscar Marquis 29

The Fair Credit Reporting Act

- Fairness--before FCRA
  - Any information could be included
  - Reliability of sources was not an issue
  - No time restrictions
  - No consumer disclosure

Oscar Marquis 30

The Fair Credit Reporting Act

- Findings
  - The banking system is dependent upon fair and accurate credit reporting. Inaccurate credit reports directly impair the efficiency of the banking system, and unfair credit reporting methods undermine the public confidence which is essential to the continued functioning of the banking system.

Oscar Marquis 31

The Fair Credit Reporting Act

- Findings
  - Consumer reporting agencies have assumed a vital role in assembling and evaluating consumer credit and other information on consumers.
  - There is a need to insure that consumer reporting agencies exercise their grave responsibilities with fairness, impartiality, and a respect for the consumer's right to privacy.

Oscar Marquis 32

The Fair Credit Reporting Act

- Purpose
  - It is the purpose of this title to require that consumer reporting agencies adopt **reasonable procedures** for meeting the needs of commerce for consumer credit, personnel, insurance, and other information in a manner which is fair and equitable to the consumer, with regard to the confidentiality, accuracy, relevancy, and proper utilization of such information in accordance with the requirements of this title.

Oscar Marquis 33

The Trade Off

- The trade off between agencies and consumers
  - Disclosure to consumers
  - Limited liability—reasonable procedures
    - For accuracy
    - For identifying users
    - For permissible uses

Oscar Marquis 34

Definitions

- What is a consumer reporting agency
  - Any company that
    - Assemble or evaluates information about consumers
    - Communicates consumer reports or other information about consumers,
    - For the purpose of furnishing consumer reports
    - To third parties

Oscar Marquis 35

Definitions

- What is a consumer report
  - Any communication of information about
    - A consumer,
    - Bearing on credit worthiness, or
    - Character or personal characteristics
    - That is used or expected to be used to serve as a factor in establishing the consumer's eligibility for
      - Credit (for personal, family or household purposes)
      - Insurance, or
      - Employment.

Oscar Marquis 36

Definitions

- What is **not** a consumer report?
  - A transaction of experience information, or
  - A communication of other information among affiliates provided the consumer is given
    - Notice, and
    - Choice
  - Information about a business
    - Sole proprietorship

Oscar Marquis 37

Accuracy

- How accuracy is achieved?
  - Not the natural objective—balanced against profit
  - No hard rules—reasonable procedures
  - Based on transparency

Oscar Marquis 38

Accuracy

- How accuracy is achieved?
  1. Adverse Action Notice
  2. Free consumer report
  3. Right to dispute
  4. Duty to reinvestigate
  5. Correct, modify, delete
  6. Reissue changed report
  7. Add dispute statement

Oscar Marquis 39

Accuracy

- Adverse Action Notices
  - Requirement on Users
  - Must notify consumers
  - Adverse Action is
    - refusal to grant credit on the terms requested;
    - denial, cancellation or unfavorable change in insurance—exiting or applied for;
    - Denial in employment or unfavorable change;
    - Unfavorable change in a license or benefit;
    - Any other adverse decision on a consumer initiated application

Oscar Marquis 40

Accuracy

- What must Adverse Action Notices Contain?
  - Name, address, telephone number of the consumer reporting agency
  - A statement that the CRA did not make the decision and can't provide the reasons
  - A notice of rights
    - Free report
    - Right to dispute

Oscar Marquis 41

Accuracy

- Free Report
  - In case of adverse action
  - If unemployed
  - If on welfare
  - Fraud victim
  - Plus many more circumstances added by new law
- Trend is toward free reports to consumers
  - That is the case in many other countries

Oscar Marquis 42

Accuracy

- Right to Dispute
  - Completeness or accuracy
  - Define “completeness”
- Reinvestigation
  - 30 days to complete or delete
  - 5 days to notify furnisher
  - Include all relevant information provided by consumer
  - Not if frivolous or irrelevant
  - Furnisher must conduct investigation

Oscar Marquis 43

Accuracy

- Correction
  - Modify
  - Delete if no response
  - Reinsert only if certified as correct
  - And notify consumer
  - Prevent reappearance

Oscar Marquis 44

Accuracy

- Corrected Reports to prior recipients
  - Only on request
  - Add dispute statements
    - Must be included in subsequent reports
    - May be summarized to 100 words or less

Oscar Marquis 45

Accuracy

- Data Furnisher Responsibilities
  - Cannot report information with actual knowledge that it's inaccurate
    - After being told by the consumer it's inaccurate and it is inaccurate
    - If consumer disputes, must notify CRAs
    - If account closed by a consumer, notify CRAs
    - Reinvestigate after notice of dispute from CRA
      - review relevant information
      - report results to CRA

Oscar Marquis 46

Accuracy

- Data Furnisher Liability
  - Liability to consumers only for failure to reinvestigate after notice
  - There no liability for reporting inaccurate information in the first place

Oscar Marquis 47

Privacy

- How is the objective of Privacy achieved?
  - Qualify customers
  - Permissible Purposes
  - Opt out of affiliate sharing

Oscar Marquis 48

Privacy

- Qualify customers
  - Follow reasonable procedures to credential
  - Identify themselves
  - Certify purpose for which reports will be ordered
  - Certify that they will be used for no other purpose

Oscar Marquis 49

Privacy

- Credentialing—required because of
  - Fraudulent customers and identity theft
  - Security Breaches
  - Process—Review Application and verification forms

Oscar Marquis 50

Privacy

- Permissible Purposes
  1. **Court order**
     a. **Not a subpoena**
     b. **Except federal grand jury**
  2. **Written instructions of the consumer**
  3. **Credit transaction**
     a) **Involving the consumer**
     b) **Review or collection of account**
  4. **Employment purpose**
     a) **Hiring**
     b) **Retention**
     c) **Promotion**
     d) **Reassignment**

Oscar Marquis 51

Privacy

- Permissible Purposes (con't)
  - Special conditions for employment reports
    a) User must:
       1) Disclose to the consumer that report will be obtained
       2) Get written authorization
       3) Not use report in violation of employment laws
    b) In case of adverse action
       1) Provide a copy of the report
       2) Give the consumer a statement of rights as prescribed by the FTC

Oscar Marquis 52

Privacy

- Permissible Purposes (con't)
  - Special conditions for employment reports
    - c) Exception for national security investigations
      1. Written finding by the head of the department, and
      2. Report is relevant, and
      3. There is reason to believe the notice will endanger life or physical safety,
      4. Result in flight from prosecution, or destruction of documents or classified information, or
      5. Jeopardize an investigation.

Oscar Marquis 53

Privacy

- Permissible Purposes (con't)
  - Special conditions for employment reports
    - c) Exception for national security investigations (con't)
      6. The consumer is notified at the end of the investigation,
      7. Is given a copy of the report, and
      8. Is told the nature of the investigation, and
      9. The agency that obtained reports issues a report to Congress at the end of each year.

Oscar Marquis 54

Privacy

- Permissible Purposes (con't)
  5. Underwriting of insurance
     a. Not claims investigations
  6. Eligibility for government benefit or license
     a. Where law requires review of applicant's financial responsibility
  7. Otherwise has a legitimate business need
     a) In connection with a consumer initiated transaction
     b) To review an account to determine the consume continues to meet the terms of the account.

Oscar Marquis 55

Privacy

- Permissible Purposes (con't)
  8. Prescreening
     a. Firm offer of credit or insurance
     b. Must be honored so long as the consumer
        i. continues the meet the criteria used to select the consumer
        ii. based on information in the application, or
        iii. information in the consumer report

Oscar Marquis 56

Privacy

- **Permissible Purposes (con't)**
  8. **Prescreening (con't)**
     c. **Consumer authorized, or**
     d. **Has not opted out**
     e. **Limits on information that may be provided**
  9. **Affiliate sharing limitations**
     a. **Not a consumer report if**
        i. **Consumer notified**
        ii. **Opportunity to opt out**

Oscar Marquis 57

Privacy

- Permissible Purposes (con't)
  - By the Government
    - Employment reports as discussed above
    - Subpoena (ordered by a judge or issued by a Grand Jury)
    - Information limited to identifying information
      - Name
      - Address
      - Employment

Oscar Marquis 58

Privacy

- Permissible Purposes (con't)
  - By the Government (con't)
    - FBI may obtain information about where an individual has an account;
    - If FBI presents written request,
    - Involves an authorized investigation,
    - And not activities protected by the Constitution.
    - Full report with a court order

Oscar Marquis 59

Privacy

- Permissible Purposes (con't)
  - By the Government (con't)
    - The credit bureau may not disclose fact of the investigation.
    - FBI must pay the fee for the report.
    - May not further distribute the report for other purposes.
    - FBI is liable to the consumer if it violates this section.

Oscar Marquis 60

Fairness

- Obsolete information
  - generally 7 years
  - 10 years for bankruptcies
  - no date for criminal convictions
  - Exceptions
    - Amounts for credit, insurance and employment

Oscar Marquis 61

Fairness

- Obsolete information (cont't)
  - Medical information
    - Must be coded so the nature of services cannot be identified, or
    - Provided to an insurance company.
    - Generally not included in credit reports.

Oscar Marquis 62

Fairness

- Accounts closed by consumer must be reported.
- Disputes made by consumer must be reported.

Oscar Marquis 63

Part IV

The Credit Reporting Regulatory Framework in the United States

Oscar Marquis 64a

The Credit Reporting Regulatory Framework in the United States

- The Federal Trade Commission has Enforcement Authority
  - Entities over which it has enforcement authority
    - Not banks, insurance companies, credit unions
  - Cease and Desist Orders
  - Monetary penalties when there has been a pattern or practice of violations
  - But furnishers only if there is a prior injunction

Oscar Marquis 65

The Credit Reporting Regulatory Framework in the United States

- Office of the Comptroller of the Currency
- The Federal Reserve Board
- Private litigation
- State Attorneys General
  - Damages for willful violations
  - But notice to Federal regulator
    - May intervene
    - Remove to Federal court

Oscar Marquis 66

The Federal Trade Commission

- The FTC Actions
  - Limited Rule Making
  - Interpretations
  - Informal Staff Opinions and Guidance
  - Enforcement Actions

Oscar Marquis 67

The Federal Trade Commission

- Rules
  - Have the force of law
  - Regulations are given deference
  - Power is limited
    - How to provide free reports
    - Define specialty consumer reporting agencies
    - Define nationwide agencies

Oscar Marquis 68

The Federal Trade Commission

- Interpretations
  - A guideline intended to clarify how the FTC will construe the FCRA in light of Congressional Intent
  - Official Commentary issued in 1990
  - Consolidated prior Informal Staff Opinions
- Review types of issues addressed in Commentary

Oscar Marquis 69

The Federal Trade Commission

- Informal Staff Opinions
  - No force of law
  - But states likely enforcement position
  - Stopped in 2001
- Review selected letters for sample of types of issues addressed

Oscar Marquis 70

The Federal Trade Commission

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Attachment 2: Employment Screening

FIRST Advantage SafeRent

Employment Screening

ADVANCED TECHNOLOGY STREAMLINES HIRING PROCESS

Whether for residents or employees, no one focuses more resources on your screening needs than First Advantage SafeRent. Our First Advantage affiliates streamline your hiring process using the most advanced technology resources in the industry. And our flexible search services meet your hiring objectives at all job levels. You'll be able to quickly and accurately identify the prospects you want to pursue and save time by quickly eliminating those you don't.

DATA YOU NEED, WHEN YOU NEED IT

Our employee screening professionals work with you to create a program that matches your hiring philosophy and process, from what types of data you need to when you need it. The resulting program is executed on a day-to-day basis through our state-of-the-art data gathering and reporting technology. It's simply the fastest, most efficient hiring process available.

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Attachment 3: Insurance Letter

Draft
Letter to the Editor
Kansas City Star
June 18, 2004

While the Kansas City Star's June 18, 2004 story on insurer's use of credit information attempted to include quotes from individuals supporting both sides of the issue, some particularly serious allegations made by opponents of insurers' use of credit history should be immediately addressed.

The allegation that use of credit information unfairly discriminates against minorities and the poor in setting rates is incorrect. The use of credit information by insurers is merely one of many criteria companies use to set rates because credit history has been proven over and over again to be a valid predictor of insurance losses. By considering credit history, along with other factors, insurers can make insurance more available and reward customers who are less likely to incur losses with lower premiums.

Insurers do not collect information on race, income or national origin when a person applies for insurance. Insurers give no consideration to a person's race, creed or income when they set rates. Instead, the use of credit information helps insurers to come up with a price for an individual that more accurately reflects risk of insurance loss for that individual. That simply means that people less likely to incur insurance losses are rewarded with lower premiums, regardless of where they live or what their race or income is. In this way, insurance companies are able to provide the most competitive and accurate rates. Many consumers who would have been turned away for coverage just a few years ago are now able to insure their home and auto as insurance companies increase the accuracy of risk evaluation through the use of better technology and information. Insurance scoring is an example of this innovation. Indeed, the use of credit information is a more consistent and accurate tool that has enabled insurers to offer insurance to more customers.

This article suggests that minorities and the poor fail to properly manage their credit and that the source of credit would make a difference in a person's credit history. Insurers use of credit history is not impacted by the amount of assets one has, but how they manage their assets. The Black Insurance Professionals Association says the following about the management of assets by minorities : "To assume insurance scoring discriminates against minorities and low-income residents is to assume that these groups are inherently less capable of managing their own finances. We regret that assumption."

Lastly, insurers are in the business of selling insurance. Their own economic interests dictate that they sell to whomever they can, especially in a competitive insurance market, regardless of race, income, or creed. Allegations that insurance scoring adversely affects low-income and minority policyholders are inaccurate and unfounded. . When examining credit information for insurance purposes, it's the management of whatever credit one has that is taken into account; not the amount of the assets or the source of the credit. Low income does not equate to low insurance scores. An insurance score is the result of an objective, statistical analysis of credit report information. Overall, most consumers are benefiting from insurers' use of insurance scores or credit information.

Attachment 4: Residential Screening

HOME | CUSTOMER SERVICE | PRODUCTS | CONSUMER RELATIONS | NEWS | ABOUT US | CONTACT US | PRIVACY

FIRST Advantage SafeRent

Products and Services

- > Overview
- > **Resident Screening**
  - RegistryINSIGHT^{SM}
  - RegistrySCOREX^{SM}
  - National RegistryCHECK^{SM}
  - Registry CrimCHECK^{SM}
  - Registry CrimSAFE^{SM}
  - Management Reports
- > Renters Insurance
- > Employment Screening
- > Property Performance Analytics (PPA)
- > E-Brochures

Resident Screening

UNPARALLELED DATA RESOURCES AND TECHNOLOGY

First Advantage SafeRent resident screening has one objective: to make sure your leasing decisions make the greatest possible contribution to your bottom line.

- RegistryINSIGHT^{SM} - Our core product bundle is the most comprehensive leasing decision service in the multifamily housing industry, combining essential screening services into one easy-to-use, effective tool.
- RegistrySCOREX^{SM} - The industry's only results-based statistical scoring model that includes substantial landlord-tenant records.
- National RegistryCHECK^{SM} - First Advantage SafeRent's exclusive database of substantial landlord-tenant records and lease performance histories reported by property managers nationwide.
- Registry CrimCHECK^{SM} - Uncovers felony, misdemeanor, and sex offender public records; available at the multi-state, state, and/or county levels.
- Registry CrimSAFE^{SM} - An Automated tool that analyzes criminal history public records to deliver a clear accept/decline decision based on criteria you establish for your community.
- Management Reports - Our suite of on-demand management reports provide vital insight for management decision-making.

Attachment 5: Efunds

E·FUNDS℠

- Login
- Contact Us
- Search
- TRAINING & SUPPORT
- PRODUCTS & SERVICES
- INDUSTRY SOLUTIONS
- OUR COMPANY

- **Company Overview**
  - Quick Facts
  - History
  - Executive Leadership
- **Investor Relations**
- **Our Commitment**
- **Partners**
- **Events**
- **Press Room**
- **Careers**

A history of expertise spanning decades
eFunds may look like a new company, but its heritage and roots run deep. The components that make up the company today emerged from a long legacy of building reliable mission critical solutions for account and payment-driven industries such as financial services, retail, government benefits, and telecommunications.

Deluxe Corporation (NYSE: DLX) first announced the formation of eFunds in April 1999, bringing together some of the strongest players in financial risk management and electronic transaction processing services-previously distinct businesses within Deluxe. In January 2000, iDLX Technology Partners, another Deluxe unit, combined with eFunds to add professional services and business process outsourcing capabilities to the new business. In June 2000, eFunds held its initial public offering on the NASDAQ national market and later that year completed its separation from Deluxe.

Industry leading solutions brought together to create eFunds:

Penley, Inc.

- A leading developer of web-based identity verification products and regulatory compliance services
- Began in 2002
- Identity verification solution searches more than 17 billion public records from major credit bureaus, available public records and DMVs

Loss Control Solutions

- The financial service industry's most widely-used case management solution
- Began in 1995
- 29 of the top 100 United States banks use Investigative Case Management System (ICMS), Loss Control Solutions' flagship product

Clear Commerce Corporation

- Leading provider of ecommerce fraud prevention and payment processing solutions for card-not-present transactions
- Began in 1995

National Check Protection Services

- A leading provider of information services in the areas of new account verification, employment screening, and due diligence investigations
- Began in 1965

India Switch Company Private Limited/ATM Management Business

- A leading Indian provider of complete ATM managed service solutions, transaction processing and debit card production services
- Began in 1995
- An early entrant in the shared payment network services model in India, ISC was one of three companies in the country providing third party EFT processing

WildCard Systems, Inc.

- A leader in prepaid and stored value card solutions for financial institutions and retailers
- Began in 1995
- Pioneer of ClaimCardSM MasterCard®, the first payment system of its kind developed for the insurance industry

Deluxe Electronic Payment Systems

- Largest third-party Electronic Funds Transfer (EFT) processor in the United States
- Began in 1976

- User and provider of award-winning CONNEX™ EFT processing software, which is used to process more than 26 billion transactions a year worldwide
- Provider of ACH processing services

ChexSystems

- Leading account verification and financial risk management service in the United States
- Began in 1971
- Today serves more than 9,000 financial services companies representing more than 100,000 branch locations throughout the United States

eFunds "Classic"

- Leading electronic check conversion technology
- Began in 1984

SCANSM

- Product of Electronic Transaction Corporation, the first check verification company
- Began in 1985
- Most widely accessed check verification network in the United States
- Today serves more than 68,000 retail locations and 12 of the nation's top 20 retailers

DebitBureau®

- One of the most comprehensive and current sources of unique debit data used for decision support
- Created in 1998
- Consists of more than three billion consumer records received from financial, retail and government sources

iDLX Technology Partners

- Provider of professional services and business process outsourcing services using unique onsite/offshore model
- Began in 1991

Oasis Technology, Ltd.

- A leading provider of open platform payment software solutions
- Began in 1989
- Serves customers in more than 70 countries

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Attachment 6: FTC Statement of General Policy on the Fair Credit Reporting Act

SUBCHAPTER F— FAIR CREDIT REPORTING ACT
PART 600—STATEMENTS OF GENERAL
POLICY OR INTERPRETATIONS

Sec.
600.1 Authority and purpose.600.2 Legal effect.APPENDIX TO PART 600—COMMENTARY ON THEFAIR CREDIT REPORTING ACTAUTHORITY: 15 U.S.C. 1681s and 16 CFR 1.73.SOURCE: 55 FR 18808, May 4, 1990, unless otherwise noted.

§ 600.1 Authority and purpose.

(a) *Authority.* This part is issued bythe Commission pursuant to the provisionsof the Fair Credit Reporting Act.
Pub. L. 91–508, approved October 26,1970. 84 Stat. 1127–36 (15 U.S.C. 1681 *et seq*).
(b) *Purpose.* The purpose of this part is to clarify and consolidate statements of general policy or interpretations in a commentary in the appendix to this part. The Commentary will serve as guidance to consumer reporting agencies, their customers, and consumer representatives. The Fair Credit Reporting Act requires that the manner in which consumer reporting agencies provide information be fair and equitable to the consumer with regard to the confidentiality, accuracy, and proper use of such information. The Commentary will enable interested parties to resolve their questions more easily, present a more comprehensive treatment of interpretations and facilitate compliance with the Fair Credit Reporting Act in accordance with Congressional intent.

§ 600.2 Legal effect.

(a) The interpretations in the Commentary are not trade regulation rules or regulations, and, as provided in § 1.73 of the Commission's rules, they do not have the force or effect of statutory provisions.
(b) The regulations of the Commission relating to the administration of the Fair Credit Reporting Act are found in subpart H of 16 CFR part 1 (§§ 1.71–1.73).

APPENDIX TO PART 600—COMMENTARY ON THE FAIR CREDIT REPORTING ACT
INTRODUCTION

1. *Official status.* This Commentary contains interpretations of the Federal Trade Commission (Commission) of the Fair Credit Reporting Act (FCRA). It is a guideline intended to clarify how the Commission will construe the FCRA in light of Congressional intent as reflected in the statute and its legislative history. The Commentary does not have the force or effect of regulations or statutory provisions, and its contents may be revised and updated as the Commission considers necessary or appropriate.
2. *Status of previous interpretations.* The Commentary primarily addresses issues discussed in the Commission's earlier formal interpretations of the FCRA (16 CFR 600.1– 600.8), which are hereby superseded, in the staff's manual entitled ''Compliance With the Fair Credit Reporting Act'' (the current edition of which was published in May 1973, and revised in January 1977 and March 1979), and in informal staff opinion letters responding to public requests for interpretations, and it also reflects the results of the Commission's FCRA enforcement program. It is intended to synthesize the Commission's views and give clear advice on important issues. The Commentary sets forth some interpretations that differ from those previously expressed by the Commission or its staff, and is intended to supersede all prior formal Commission interpretations, informal staff opinion letters, and the staff manual cited above.
3. *Statutory references.* Reference to several different provisions of the FCRA is frequently required in order to make a complete analysis of an issue. For various sections and subsections of the FCRA, the Commentary discusses the most important and common overlapping references under the heading ''Relation to other (sub)sections.''

4. *Issuance of staff interpretations.* The Commission will revise and update the Commentary as it deems necessary, based on the staff's experience in responding to public inquiries about, and enforcing, the FCRA. The Commission welcomes input from interested industry and consumer groups and other public parties on the Commentary and on issues discussed in it. Staff will continue to respond to requests for informal staff interpretations. In proposing revisions of the Commentary, staff will consider and, where appropriate, recommend that the Commentary incorporate issues raised in correspondence and other public contacts, as well as in connection with the Commission's enforcement

Federal Trade Commission Pt. 600, App.

efforts. Therefore, a party may raise an issue for inclusion in future editions of the Commentary without making any formal submission or request to that effect. However, requests for formal Commission interpretations of the FCRA may also still be made pursuant to the procedures set forth in the Commission's Rules (16 CFR 1.73).

5. *Commentary citations to FCRA.* The Commentary should be used in conjunction with the text of the statute. In some cases, the Commentary includes an abbreviated description of the statute, rather than the full text, as a preamble to discussion of issues pertaining to various sections and subsections. These summary statements of the law should not be used as a substitute for the statutory text.

Section 601—Short Title ''This title may be cited as the Fair Credit Reporting Act.''

The Fair Credit Reporting Act (FCRA) is title VI of the Consumer Credit Protection Act, which also includes other Federal statutes relating to consumer credit, such as the Truth in Lending Act (title I), the Equal Credit Opportunity Act (Title VII), and the Fair Debt Collection Practices Act (title VIII).

Section 602—Findings and Purpose

Section 602 recites the Congressional findings regarding the significant role of consumer reporting agencies in the nation's financial system, and states that the basic purpose of the FCRA is to require consumer reporting agencies to adopt reasonable procedures for providing information to credit grantors, insurers, employers and others in a manner that is fair and equitable to the consumer with regard to confidentiality, accuracy, and the proper use of such information.

Section 603—Definitions and Rules of Construction

Section 603(a) states that ''definitions and rules of construction set forth in this section are applicable for the purposes of this title.''

Section 603(b) defines *person* to mean ''any individual, partnership, corporation, trust, estate, cooperative, association, government or governmental subdivision or agency or other entity.''

1. Relation to Other Sections Certain ''persons'' must comply with the Act. The term *consumer reporting agency* is defined in section 603(f) to include certain ''persons.'' Section 619 subjects any ''person'' who knowingly and willfully obtains information from a consumer reporting agency on a consumer under false pretenses to criminal sanctions. Requirements relating to report users apply to ''persons.'' Section 606 imposes disclosure obligations on ''persons'' who obtain investigative reports or cause them to be prepared. Section 615(c) uses the term *person* to denote those subject to disclosure obligations under sections 615(a) and

615(b). 2. Examples

The term ''person'' includes universities, creditors, collection agencies, insurance companies, private investigators, and employers.

Section 603(c) defines the term *consumer* to mean ''an individual.''

1. Relation to Other Sections The term ''consumer'' denotes an individual entitled to the Act's protections. Consumer reports, as defined in section 603(d),are reports about consumers. A ''consumer'' is entitled to obtain disclosures under section 609 from consumer reporting agencies and to take certain steps that require such agencies to follow procedures in section 611, concerning disputes about the completeness or accuracy of items of information in the consumer's file. Disclosures required under section 606 by one procuring an investigative report must be made to the ''consumer'' on whom the report is sought. Notifications required by section 615 must be provided to ''consumers.'' A ''consumer'' is the party entitled to sue for willful noncompliance (section 616) or negligent noncompliance (section 617) with the Act's requirements.
2. General The definition includes only a natural person. It does not include artificial entities (e.g., partnerships, corporations, trusts, estates, cooperatives, associations) or entities created by statute (e.g., governments, governmental subdivisions or agencies). Section 603(d) defines *consumer report* to mean ''any written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer's eligibility for (1) credit or insurance to be used primarily for personal, family, or household purposes, or (2) employment purposes, or (3) other purposes authorized under Section 604'' (with three specific exclusions).
1. Relation to ''Consumer Reporting Agency'' To be a ''consumer report,'' the information must be furnished by a ''consumer reporting agency'' as that term is defined in section 603(f). Conversely, the term ''consumer reporting agency'' is restricted to persons that regularly engage in assembling or evaluating consumer credit information or

16 CFR Ch. I (1–1–05 Edition) Pt. 600, App.
1 However, a creditor denying a consumer's application based on a report from a ''third party'' must give the disclosure required by section 615(b). other information on consumers for the purpose of furnishing ''consumer reports'' to third parties. In other words, the terms ''consumer reporting agency'' in section 603(f) and ''consumer report'' in section 603 (d)) are mutually dependent and must therefore be construed together. For example, information is not a ''consumer report'' if the person furnishing the information is clearly not a ''consumer reporting agency'' (e.g., if the person furnishing the information does not regularly furnish such information for monetary fees or on a cooperative nonprofit basis).
2. Relation to the Applicability of the Act If a report is not a ''consumer report,'' then the Act does not usually apply to it.1 For example, because a commercial credit report is not a report on a consumer, it is not a ''consumer report''. Therefore, the user need not notify the subject of the name and address of the credit bureau when taking adverse action, and the provider need not omit ''obsolete'' information, as would be required if the FCRA applied.
3. Report Concerning a ''Consumer's'' Attributes and History A. *General.* A ''consumer report'' is a report on a ''consumer'' to be used for certain purposes involving that ''consumer.''
B. *Artificial entities.* Reports about corporations, associations, and other collective entities are not consumer reports, and the Act does not apply to them.
C. *Reports on businesses for business purposes.* Reports used to determine the eligibility of a business, rather than a consumer, for certain purposes, are not consumer reports and the FCRA does not apply to them, even if they contain information on individuals, because Congress did not intend for the FCRA to apply to reports used for commercial purposes (see 116 Cong. Rec. 36572 (1970) (Conf. Report on H.R. 15073)).
4. ''(C)redit Worthiness, Credit Standing, Credit Capacity, Character, General Reputation, Personal Characteristics, or Mode of Living * * *''

A. *General.* To be a ''consumer report,'' the information must bear on at least one of the seven characteristics listed in this definition.
B. *Credit guides.* Credit guides are listings, furnished by credit bureaus to credit grantors, that rate how well consumers pay their bills. Such guides are a series of ''consumer reports,'' because they contain information which is used for the purpose of serving as a factor in establishing the consumers' eligibility for credit. However, if they are coded (by identification such as social security number, driver's license number, or bank account number) so that the consumer's identity is not disclosed, they are not ''consumer reports'' until decoded. (See discussion of uncoded credit guides under section 604(3)(A), item 8 *infra.*)
C. *Motor vehicle reports.* Motor vehicle reports are distributed by state motor vehicle departments, generally to insurance companies upon request, and usually reveal a consumer's entire driving record, including arrests for driving offenses. Such reports are consumer reports when they are sold by a Department of Motor Vehicles for insurance underwriting purposes and contain information bearing on the consumer's ''personal characteristics,'' such as arrest information. The Act's legislative history indicates Congress intended the Act to cover mutually beneficial exchanges of information between commercial enterprises rather than between governmental entities. Accordingly, these reports are not consumer reports when provided to other governmental authorities involved in licensing or law enforcement activities. (See discussion titled ''State Departments of Motor Vehicles,'' under section 603(f), item 10 *infra.*)
D. *Consumer lists.* A list of the names of creditworthy individuals, or of individuals on whom credit bureaus have derogatory information, is a series of ''consumer reports'' because the information bears on credit worthiness.
E. *Public record information.* A report solely of public record information is not a ''consumer report'' unless that information is provided by a consumer reporting agency, is collected or used for the purposes identified in section 603(d), and bears on at least one of the seven characteristics listed in the definition. Public record information relating to records of arrest, or the institution or disposition of civil or criminal proceedings, bears on one or more of these characteristics.
F. *Name and address.* A report limited solely to the consumer's name and address alone, with no connotations as to credit worthiness or other characteristics, does not constitute a ''consumer report,'' if it does not bear on any of the seven factors.
G. *Rental characteristics.* Reports about rental characteristics (e.g., consumers' evictions, rental payment histories, treatment of premises) are consumer reports, because they relate to character, general reputation, personal characteristics, or mode of living.

Federal Trade Commission Pt. 600, App.
5. ''(U)sed or Expected To Be Used or Collected in Whole or in Part for the Purpose of Serving as a Factor in Establishing the Consumer's Eligibility * * *''
A. *Law enforcement bulletins.* Bulletins that are limited to a series of descriptions, sometimes accompanied by photographs, of individuals who are being sought by law enforcement authorities for alleged crimes are not a series of ''consumer reports'' because they have not been collected for use in evaluating consumers for credit, insurance, employment or other consumer purposes, and it cannot reasonably be anticipated they will be used for such purposes.
B. *Directories.* Telephone directories and city directories, to the extent they only provide information regarding name, address and phone number, marital status, home ownership, and number of children, are not ''consumer reports,'' because the information is not used or expected to be used in evaluating consumers for credit, insurance, employment or other purposes and does not reflect on credit standing, credit worthiness, or any of the other factors. A list of names of individuals with checking accounts is not a series of consumer reports because the information does not bear on credit worthiness or any of the other factors. A trade directory, such as a list of all insurance agents licensed to do

business in a state, is not a series of consumer reports because it is commercial information that would be used for commercial purposes.
C. *Use of prior consumer report in preparation* A report that would not otherwise be a consumer report may be a consumer report, notwithstanding the purpose for which it is furnished, if it includes a prior consumer report or information from consumer report files, because it would contain some information ''collected in whole or in part'' for consumer reporting purposes. For example, an insurance claims report would be a consumer report if a consumer report (or information from a consumer report) were used to prepare it. (See discussion, *infra,* in item 6–C under this subsection.)
D. *Use of reports for purposes not anticipated by the reporting party.* The question arises whether a report that is not otherwise a consumer report is subject to the FCRA because the recipient subsequently uses the report for a permissible purpose. If the reporting party's procedures are such that it neither knows of nor should reasonably anticipate such use, the report is not a consumer report. If a reporting party has taken reasonable steps to insure that the report is not used for such a purpose, and if it neither knows of, nor can reasonably anticipate such use, the report should not be deemed a consumer report by virtue of uses beyond the reporting party's control. A reporting party might establish that it does not reasonably anticipate such use of the report by requiring the recipient to certify that the report will not be used for one of the purposes listed in section 604. (Such procedure may be compared to the requirement in section 607(a),discussed *infra,* that consumer reporting agencies furnishing consumer reports require that prospective users certify the purposes for which the information is sought and certify that the information will be used for no other purpose.) For example, a claims reporting service could use such a certification to avoid having its insurance claims reports deemed ''consumer reports'' if the report recipient/ insurer were to use the report later for ''underwriting purposes'' under section 604(3)(C), such as terminating insurance coverage or raising the premium. 6. ''(E) establishing the Consumer's Eligibility for (1) Credit or Insurance To Be Used Primarily for Personal, Family or Household Purposes, or (2) Employment Purposes, or (3) Other Purposes Authorized Under Section

A. *Relation to section 604.* Because section 603(d)(3) refers to ''purposes authorized under section 604'' (often described as ''permissible purposes'' of consumer reports), some of which overlap purposes enumerated in section 603 (e.g., 603(d)(1) and 603(d)(2)), sections 603 and 604 must be construed together, to determine what are ''consumer reports'' and ''permissible purposes'' under the two sections. See discussion *infra,* under section 604.
B. *Commercial credit or insurance.* A report on a consumer for credit or insurance in connection with a business operated by the consumer is not a ''consumer report,'' and the Act does not apply to it.
C. *Insurance claims reports.* (It is assumed that information in prior consumer reports is not used in claims reports. See discussion, *supra,* in item 5–C under this subsection.) Reports provided to insurers by claims investigation services solely to determine the validity of insurance claims are not consumer reports, because section 604(3)(C) specifically sets forth only underwriting (not claims) as an insurance-related purpose, and section 603(d)(1) deals specifically with eligibility for insurance and no other insurance-related purposes. To construe section 604(3)(E) as including reports furnished in connection with insurance claims would be to disregard the specific language of sections 604(3)(C) and 603(d)(1).
D. *Scope of employment purpose.* A report that is used or is expected to be used or collected in whole or in part in connection with establishing an employee's eligibility for ''promotion, reassignment or retention,'' as well as to evaluate a job applicant, is a consumer report because sections 603(d)(2) and 604(3)(B) use the term ''employment purposes,'' which section 603(h) defines to include these situations.

16 CFR Ch. I (1–1–05 Edition) Pt. 600, App. E. *Bad check lists.* A report indicating that an individual has issued bad checks, provided by printed list or otherwise, to a business for use in determining whether to accept consumers' checks tendered in transactions primarily for personal, family or household purposes, is a consumer report. The information furnished bears on consumers' character, general reputation and personal characteristics, and it is used or expected to be used in connection with business transactions involving consumers.
F. *Tenant screening reports.* A report used to determine whether to rent a residence to a consumer is a consumer report, because it is used for a business transaction that the consumer wishes to enter into for personal, family or household purposes.

7. Exclusions From the Definition of ''Consumer Report''
A. *''(Any) reports containing information solely as to transactions or experiences between the consumer and the person making the report;''*—
(1) *Examples of Sources.* The exemption applies to reports limited to transactions or experiences between the consumer and the entity making the report (e.g., retail stores, hospitals, present or former employers, banks, mortgage servicing companies, credit unions, or universities).
(2) *Information beyond the reporting entity's own transactions or experiences with the consumer.* The exemption does not apply to reports by these entities of information beyond their own transactions or experiences with the consumer. An example is a creditor's or an insurance company's report of the reasons it cancelled credit or insurance, based on information from an outside source.
(3) Opinions Concerning Transactions or Experiences The exemption applies to reports that are not limited to the facts, but also include opinions (e.g., use of the term ''slow pay'' to describe a consumer's transactions with a creditor), as long as the facts underlying the opinions involve only transactions or experiences between the consumer and the reporting entity.
B. *Any authorization or approval of a specific extension of credit directly or indirectly by the issuer of a credit card or similar device;''*—
(1) *General.* The exemption applies to a credit or debit card issuer's written, oral, or electronic communication of its decision whether or not to authorize a charge, in response to a request from a merchant or other party that the consumer has asked to honor the card.
C. *'Any report in which a person who has been requested by a third party to make a specific extension of credit directly or indirectly to the consumer conveys his decision with respect to such request, if the third party advises the consumer of the name and address of the person to whom the request was made and such person makes the disclosures to the consumer required under section 615.''*—(1) *General.* The exemption covers retailers' attempts to obtain credit for their individual customers from an outside source (such as a bank or a finance company). The communication by the financial institution of its decision whether to extend credit is not a ''consumer report'' *if* the retailer informs the customer of the name and address of the financial institution to which the application or contract is offered *and* the financial institution makes the disclosures required by section 615 of the Act. Such disclosures must be made only when there is a denial of, or increase in the charge for, credit or insurance. (See discussion of section 615, item 10, *infra.*)
(2) *Information included in the exemption.* The exemption is not limited to a simple ''yes'' or ''no'' response, but includes the information constituting the basis for the credit denial, because it applies to ''any report.''
(3) *How third party creditors can insure that the exemption applies.* Creditors, who are requested by dealers or merchants to make such specific extensions of credit, can assure that communication of their decision to the dealer or merchant will be exempt under this section from the term ''consumer report,'' by having written agreements that require such parties to inform the consumer of the creditor's name and address and by complying with any applicable provisions of section 615.

Section 603(e) defines ''investigative consumer report'' as ''a consumer report or portion thereof in which information on a consumer's character, general reputation, personal characteristics, or mode of living is obtained through personal interviews with neighbors, friends, or associates of the consumer reported on or with others with whom he is acquainted or who may have knowledge concerning any such items of information. However, such information shall not include specific factual information on a consumer's credit record obtained directly from a creditor of the consumer or from a consumer reporting agency when such information was obtained directly from a creditor of the consumer or from the consumer.''

1. Relation to Other Sections The term *investigative consumer report* denotes a subset of ''consumer report'' for which the Act imposes additional requirements on recipients and consumer reporting agencies. Persons procuring ''investigative consumer reports'' must make certain disclosures to the consumers who are the subjects of the reports, as required by section

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606. Consumer reporting agencies must comply with section 614, when furnishing ''investigative consumer reports'' containing adverse information that is not a matter of public record. Consumer reporting agencies making disclosure to consumers pursuant to section 609 are not required to disclose ''sources of information acquired solely for use in preparing an investigative consumer report and actually used for no other purpose.''
2. General An ''investigative consumer report'' is a type of ''consumer report'' that contains information that is both related to a consumer's character, general reputation, personal characteristics or mode of living and obtained by personal interviews with the consumer's neighbors, friends, associates or others.
3. Types of Sources Interviewed A report consisting of information from any third party concerning the subject's character (reputation, etc.) may be an investigative consumer report because the phrase ''obtained through personal interviews
* * * with others'' includes any source that is a third party interviewee. A report containing interview information obtained solely from the subject is not an ''investigative consumer report.''
4. Telephone Interviews A consumer report that contains information on a consumer's ''character, general reputation, personal characteristics or mode of living'' obtained through telephone interviews with third parties is an ''investigative consumer report,'' because ''personal interviews'' includes interviews conducted by telephone as well as in person.
5. Identity of Interviewer A consumer report is an ''investigative consumer report'' if personal interviews are used to obtain information reported on a consumer's ''character, general reputation, personal characteristics or mode of living, ''regardless of who conducted the interview.
6. Non investigative Information in ''Investigative Consumer Reports ''An ''investigative consumer report'' may also contain non investigative information, because the definition includes reports, a ''portion'' of which are investigative reports.
7. Exclusions From ''Investigative Consumer Reports'' A report that consists solely of information gathered from observation by one who drives by the consumer's residence is not an ''investigative consumer report,'' because it contains no information from ''personal interviews.''

Section 603(f) defines ''consumer reporting agency'' as ''any person which, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties, and which uses any means or facility of interstate commerce for the purpose of preparing or furnishing consumer reports.''

1. Relation to Other Sections
A. *Duties imposed on ''consumer reporting agencies.''* The Act imposes a number of duties on ''consumer reporting agencies.'' They must have permissible purposes to furnish consumer reports (section 604), avoid furnishing obsolete adverse information in certain consumer reports (sections 605, 607(a)), adopt reasonable procedures to assure privacy (section 604, 607(a)), and accuracy (section 607(b)) of consumer reports, provide only limited disclosures to governmental agencies (section 608), provide consumers certain disclosures upon request (sections 609 and 610) at no cost or for a reasonable charge (section 612), follow certain procedures if a consumer disputes the completeness or accuracy of any item of information contained in his file (section 611), and follow certain procedures in reporting public record information for employment purposes or when reporting adverse information other than public record information in investigative consumer reports (sections 613, 614).

B. *Relation to ''consumer reports.''* The term *consumer reporting agency,* as defined in section 603(f), includes certain persons who assemble or evaluate information on individuals for the purpose of furnishing ''consumer reports'' to third parties. Conversely, section 603(d) defines the term *consumer report* to mean the communication of certain information by a ''consumer reporting agency.'' In other words, the terms ''consumer report'' in section 603(d) and ''consumer reporting agency'' as defined in section 603(f) are defined in a mutually dependent manner and must therefore be construed together. For example, a party is not a ''consumer reporting agency'' if it provides only information that is excepted from the definition of ''consumer report'' under section 603(d), such as reports limited to the party's own transactions or experiences with a consumer, or credit information on organizations.
2. Isolated Reports Parties that do not ''regularly'' engage in assembling or evaluating information for the purpose of furnishing consumer reports to third parties are not consumer reporting

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agencies. For example, a creditor that furnished information on a consumer to a governmental entity in connection with one of its investigations, would not ''regularly'' be making such disclosure for a fee or on a cooperative nonprofit basis, and therefore would not become a consumer reporting agency, even if the information exceeded the creditor's transactions or experiences with the consumer.
3. Provision of Credit Report to Report Subject A consumer report user does not become a consumer reporting agency by regularly giving a copy of the report, or otherwise disclosing it, to the consumer who is the subject of the report, because it is not disclosing the information to a ''third party.''
4. Employment Agency An employment agency that routinely obtains information on job applicants from their former employers and furnishes the information to prospective employers is a consumer reporting agency.
5. Information Compiled for Insurance Underwriting A business that compiles claim payment histories on individuals from insurers and furnishes them to insurance companies for use in underwriting decisions concerning those individuals is a consumer reporting agency.
6. Private Investigators and Detective Agencies Private investigators and detective agencies that regularly obtain consumer reports and furnish them to clients may thereby become consumer reporting agencies.
7. Collection Agencies and Creditors Collection agencies and creditors become consumer reporting agencies if they regularly furnish information beyond their transactions or experiences with consumers to third parties for use in connection with consumers' transactions.
8. Joint Users of Consumer Reports Entities that share consumer reports with others that are jointly involved in decisions for which there are permissible purposes to obtain the reports

may be ''joint users'' rather than consumer reporting agencies. For example, if a lender forwards consumer reports to governmental agencies administering loan guarantee programs (or to other prospective loan insurers or guarantors), or to other parties whose approval is needed before it grants credit, or to another creditor for use in considering a consumer's loan application at the consumer's request, the lender does not become a consumer reporting agency by virtue of such action. An agent or employee that obtains consumer reports does not become a consumer reporting agency by sharing such reports with its principal or employer in connection with the purposes for which the reports were initially obtained.
9. Loan Exchanges Loan exchanges, which are generally owned and operated on a cooperative basis by consumer finance companies, constitute a mechanism whereby each member furnishes the exchange information concerning the full identity and loan amount of each of its borrowers, and receives information from the exchange concerning the number and types of outstanding loans for each of its applicants. A loan exchange or any other exchange that regularly collects information bearing on decisions to grant consumers credit or insurance for personal, family or household purposes, or employment, is a ''consumer reporting agency.''
10. State Departments of Motor Vehicles State motor vehicle departments are ''consumer reporting agencies'' if they regularly furnish motor vehicle reports containing information bearing on the consumer's ''personal characteristics,'' such as arrest information, to insurance companies for insurance underwriting purposes. (See discussion of motor vehicle reports under section 603(d), item 4c *supra.*)
11. Federal Agencies The Office of Personnel Management collects and files data concerning current and potential employees of the Federal Government and transmits that information to other government agencies for employment purposes. Because Congress did not intend that the FCRA apply to the Office of Personnel Management and similar federal agencies (see 116 Cong. Rec. 36576 (1970) (remarks of Rep. Brown)), no such agency is a ''consumer reporting agency.''
12. Credit Application Information A creditor that provides information from a consumer's application to a credit bureau, for verification as part of the creditor's evaluation process that includes obtaining a report on the consumer from that credit bureau, does not thereby become a ''consumer reporting agency,'' because the creditor does not provide the information for ''fees, dues, or on a cooperative nonprofit basis,'' but rather pays the bureau to verify the information when it provides a consumer report on the applicant.
Section 603(g) defines *file,* when used in connection with information on any consumer, to mean ''all of the information on

Federal Trade Commission Pt. 600, App. that consumer recorded and retained by a consumer reporting agency regardless of how the information is stored.''
1. Relation to Other Sections Consumer reporting agencies are required to make disclosures of all information in their ''files'' to consumers upon request (section 609) and to follow reinvestigation procedures if the consumer disputes the completeness or accuracy of any item of information contained in his ''file'' (section 611).
2. General The term *file* denotes all information on the consumer that is recorded and retained by a consumer reporting agency that might be furnished, or has been furnished, in a consumer report on that consumer.
3. Audit Trail The term ''file'' does not include an ''audit trail'' (a list of changes made by a consumer reporting agency to a consumer's credit history record, maintained to detect fraudulent changes to that record), because such information is not furnished in consumer reports or used as a basis for preparing them.
4. Other Information The term ''file'' does not include information in billing records or in the consumer relations folder that a consumer reporting agency opens on a consumer who

obtains disclosures or files a dispute, if the information has not been used in a consumer report and would not be used in preparing one.

Section 603(h) defines *employment purposes* to mean ''a report used for the purpose of evaluating a consumer for employment, promotion, reassignment or retention as an employee.''
1. Relation to Other Sections The term *employment purposes* is used as part of the definition of ''consumer reports''
(section 603(d)(2)) and as a permissible purpose for the furnishing of consumer reports (section 604(3)(B)). Where an investigative consumer report is to be used for ''employment purposes'' for which a consumer has not specifically applied, section 606(a)(2) provides that the notice otherwise required by section 606(a)(1) need not be sent. When a consumer reporting agency furnishes public record information in reports ''for employment purposes,'' it must follow the procedure set out in section 613.
2. Security Clearances A report in connection with security clearances of a government contractor's employees would be for ''employment purposes'' under this section.

Section 603(i) defines *medical information* to mean ''information or records obtained, with the consent of the individual to whom it relates, from licensed physicians or medical practitioners, hospitals, clinics, or other medical or medically related facilities.''
1. Relation to Other Sections Under section 609(a)(1), a consumer reporting agency must, upon the consumer's request and proper identification, disclose the nature and substance of all information in its files on the consumer, except ''medical information.''
2. Information From Non-medical Sources Information from non-medical sources such as employers, is not ''medical information.'' *Section 604—Permissible Purposes of Reports* ''*A consumer reporting agency may furnish a consumer report under the following circumstances and no other: * * **''

1. Relation to Section 603
Sections 603(d)(3) and 604 must be construed together to determine what are ''permissible purposes,'' because section 603(d)(3) refers to ''purposes authorized under section 604'' (often described as ''permissible purposes'' of consumer reports), and some purposes are enumerated in section 603 (e.g., sections 603(d)(1) and 603(d)(2)). Subsections of sections 603 and 604 that specifically set forth ''permissible purposes'' relating to credit, insurance and employment, are the only subsections that cover ''permissible purposes'' relating to those three areas. Section 604(3)(E), a general subsection, is limited to purposes not otherwise addressed in section 604(3) (A)–(D). A. *Credit.* Sections 603(d)(1)—which defines ''consumer report'' to include certain reports for the purpose of serving as a factor in establishing the consumer's eligibility for credit or insurance primarily for personal, family, or household purposes—and 604(3)(A) must be read together as fully describing permissible purposes involving credit for obtaining consumer reports. Accordingly, section 604(3)(A) permits the furnishing of a consumer report for use in connection with a credit transaction involving the consumer, primarily for personal, family or household purposes, and involving the extension of credit to, or review or collection of an account of, the consumer.

B. *Insurance.* Sections 603(d)(1) and 604(3)(C) must be read together as describing the only permissible insurance purposes for obtaining consumer reports. Accordingly, section 604(3)(C) permits the furnishing of a consumer report, provided it is for use in connection with the underwriting of insurance

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2 Of course a consumer reporting agency must furnish notifications required by section 611(d), upon the consumer's requests, to prior recipients of reports containing disputed information that is deleted or that is the subject of a dispute statement under section

611(b). involving the consumer, primarily for personal, family, or household purposes.
C. *Employment.* Employment is covered exclusively by sections 603(d)(2) and 604(3)(B), and by section 603(h) (which defines ''employment purposes''). Therefore, ''permissible purposes'' relating to employment include reports used for evaluating a consumer ''for employment, promotion, reassignment or retention as an employee.''
D. *Other purposes.* ''Other purposes'' are referred to in section 603(d)(3) and covered by section 604(3)(E), as well as sections 604(1), 604(2) and 604(3)(D) (which contain specific purposes not involving credit, insurance, employment). Permissible purposes relating to section 604(3)(E) are limited to transactions that consumers enter into primarily for personal, family or household purposes (excluding credit, insurance or employment, which are specifically covered by other subsections discussed above). The FCRA does not cover reports furnished for transactions that consumers enter into primarily in connection with businesses they operate (e.g., a consumer's rental of equipment for use in his retail store).
2. Relation to Other Sections
A. *Section 607(a).* Section 607(a) requires consumer reporting agencies to keep information confidential by furnishing consumer reports only for purposes listed under section 604, and to follow specified, reasonable procedures to achieve this end. Section 619 provides criminal sanctions against any person who knowingly and willfully obtains information on a consumer from a consumer reporting agency under false pretenses.
B. *Section 608.* Section 608 allows ''consumer reporting agencies'' to furnish governmental agencies specified identifying information concerning consumers, notwithstanding the limitations of section 604.
Section 604(1)—A consumer reporting agency may furnish a consumer report ''in response to the order of a court having jurisdiction to issue such an order.''
1. Subpoena
A subpoena, including a grand jury subpoena, is not an ''order of a court'' unless signed by a judge.
2. Internal Revenue Service Summons An I.R.S. summons is an exception to the requirement that an order be signed by a judge before it constitutes an ''order of a court'' under this section, because a 1976 revision to Federal statutes (26 U.S.C. 7609) specifically requires a consumer reporting agency to furnish a consumer report in response to an I.R.S. summons upon receipt of the designated I.R.S. certificate that the consumer has not filed a timely motion to quash the summons.
Section 604(2)—A consumer reporting agency may furnish a consumer report ''in accordance with the written instructions of the consumer to whom it relates.''
1. No Other Permissible Purpose Needed If the report subject furnishes written authorization for a report, that creates a permissible purpose for furnishing the report.
2. Refusal to Furnish Report The consumer reporting agency may refuse to furnish the report because the statute is permissive, not mandatory. (Requirements that consumer reporting agencies make disclosure to consumers (as contrasted with furnishing reports to users) are discussed under sections 609 and 610, *infra.*)
Section 604(3)(A)—A consumer reporting agency may issue a consumer report to ''a person which it has reason to believe * * * intends to use the information in connection with a credit transaction involving the consumer on whom the information is to be furnished and involving the extension of credit to, or review or collection of an account of, the consumer;''
1. Reports Sought in Connection with the ''Review or Collection of an Account''
A. *Reports for collection.* A collection agency has a permissible purpose under this section to receive a consumer report on a consumer for use in attempting to collect that consumer's debt, regardless of whether that debt is assigned or referred for collection. Similarly, a detective agency or private investigator, attempting to collect a debt owed by a consumer, would have a permissible purpose to obtain a consumer report on that individual for use in collecting that debt. An attorney may obtain a consumer report under this section on a consumer for use in connection with a decision whether to sue that individual to collect a credit account.

B. *Unsolicited reports.* A consumer reporting agency may not send an unsolicited consumer report to the recipient of a previous report on the same consumer, because the recipient will not necessarily have a permissible purpose to receive the unsolicited report.
2 For example, the recipient may have rejected the consumer's application or ceased to do business with the consumer. (See also discussion in section 607, item 2G, *infra.*)

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2. Judgment Creditors
A judgment creditor has a permissible purpose to receive a consumer report on the judgment debtor for use in connection with collection of the judgment debt, because it is in the same position as any creditor attempting to collect a debt from a consumer who is the subject of a consumer report.
3. Child Support Debts A district attorney's office or other child support agency may obtain a consumer report in connection with enforcement of the report subject's child support obligation, established by court (or quasi-judicial administrative) orders, since the agency is acting as or on behalf of the judgment creditor, and is, in effect, collecting a debt. However, a consumer reporting agency may not furnish consumer reports to child support agencies seeking to *establish* paternity or the duty to pay child support.
4. Tax Obligations A tax collection agency has no general permissible purpose to obtain a consumer report to collect delinquent tax accounts, because this subsection applies only to collection of ''credit'' accounts. However, if a tax collection agency acquired a tax lien having the same effect as a judgment or obtained a judgment, it would be a judgment creditor and would have a permissible purpose for obtaining a consumer report on the consumer who owed the tax. Similarly, if a consumer taxpayer entered an agreement with a tax collection agency to pay taxes according to some timetable, that agreement would create a debtor-creditor relationship, thereby giving the agency a permissible purpose to obtain a consumer report on that consumer.
5. Information on an Applicant's Spouse
A. *Permissible purpose.* A creditor may request any information concerning an applicant's spouse if that spouse will be permitted to use the account or will be contractually liable upon the account, or the applicant is relying on the spouse's income as a basis for repayment of the credit requested. A creditor may request any information concerning an applicant's spouse if (1) the state law doctrine of necessaries applies to the transaction, or (2) the applicant resides in a community property state, or (3) the property upon which the applicant is relying as a basis for repayment of the credit requested is located in such a state, or (4) the applicant is acting as the agent of the non applicant spouse.
B. *Lack of permissible purpose.* If the creditor receives information clearly indicating that the applicant is not acting as the agent of the non applicant spouse, and that the applicant is relying only on separate property to repay the credit extended, and that the state law doctrine of necessaries does not apply to the transaction and that the applicant does not reside in a community property state, the creditor does not have a permissible purpose for obtaining a report on a non applicant spouse. A permissible purpose for making a consumer report on a non applicant spouse can never exist under the FCRA, where Regulation B, issued under the Equal Credit Opportunity Act (12 CFR 202), prohibits the creditor from requesting information on such spouse. There is no permissible purpose to obtain a consumer report on a non applicant former spouse or on a non applicant spouse who has legally separated or otherwise indicated an intent to legally disassociate with the marriage. (This does not preclude reporting a prior joint credit account of former spouses for which the spouse that is the subject of the report is still contractually liable. See discussion in section 607, item 3–D *infra.*)
6. Prescreening *Pre screening* means the process whereby a consumer reporting agency compiles or edits a list of consumers who meet specific criteria and provides this list to the client or a third party (such as a mailing service) on behalf of the client for use in soliciting

these consumers for the client's products or services. The process may also include demographic or other analysis of the consumers on the list (e.g., use of census tract data reflecting real estate values) by the consumer reporting agency or by a third party employed for that purpose (by either the agency or its client) before the list is provided to the consumer reporting agency's client. In such situations, the client's creditworthiness criteria may be provided only to the consumer reporting agency and not to the third party performing the demographic analysis. The consumer reporting agency that performs a ''prescreening'' service may furnish a client with several different lists of consumers who meet different sets of creditworthiness criteria supplied by the client, who intends to make different credit offers (e.g., various credit limits) to consumers who meet the different criteria.
A prescreened list constitutes a series of consumer reports, because the list conveys the information that each consumer named meets certain criteria for creditworthiness. Prescreening is permissible under the FCRA if the client agrees in advance that each consumer whose name is on the list after prescreening will receive an offer of credit. In these circumstances, a permissible purpose for the prescreening service exists under this section, because of the client's present intent to grant credit to all consumers on the final list, with the result that the information is used ''in connection with a credit transaction involving the consumer on whom

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the information is to be furnished and involving the extension of credit to * * * the consumer.''
7. Seller of Property Extending Credit A seller of property has a permissible purpose under this subsection to obtain a consumer report on a prospective purchaser to whom he is planning to extend credit.
8. Un coded Credit Guides A consumer reporting agency may not furnish an un coded credit guide, because the recipient does not have a permissible purpose to obtain a consumer report on each consumer listed. (As discussed under section 603(d), item 4 *supra,* credit guides are listings that credit bureaus furnish to credit grantors, rating how consumers pay their bills. Such guides are a series of ''consumer reports'' on the ''consumers'' listed therein, unless coded so that the consumer's identity is not disclosed.)
9. Liability for Bad Checks A party attempting to recover the amount due on a bad check is attempting to collect a debt and, therefore, has a permissible purpose to obtain a consumer report on the consumer who wrote it, and on any other consumer who is liable for the amount of that check under applicable state law.

Section 604(3)(B)—A consumer reporting agency may issue a consumer report to ''a person which it has reason to believe * * * intends to use the information for employment purposes;''
1. Current Employees An employer may obtain a consumer report on a current employee in connection with an investigation of the disappearance of money from employment premises, because ''retention as an employee'' is included in the definition of ''employment purposes'' (section 603(h)).
2. Consumer Reports on Applicants and Non applicants An employer may obtain a consumer report for use in evaluating the subject's application for employment but may not obtain a consumer report to evaluate the application of a consumer who is not the subject of the report.
3. Grand Jurors The fact that grand jurors are usually paid a stipend for their service does not provide a district attorney's office a permissible purpose for obtaining consumer reports on them, because such service is a duty, not ''employment.''
Section 604(3)(C)—A consumer reporting agency may issue a consumer report to ''a person which it has reason to believe * * * intends to use the information in connection with the underwriting of insurance involving the consumer;''
1. Underwriting An insurer may obtain a consumer report to decide whether or not to issue a policy to the consumer, the amount and terms of coverage, the duration of the policy, the

rates or fees charged, or whether or not to renew or cancel a policy, because these are all ''underwriting'' decisions.
2. Claims An insurer may not obtain a consumer report for the purpose of evaluating a claim (to ascertain its validity or otherwise determine what action should be taken), because permissible purposes relating to insurance are limited by this section to ''underwriting'' purposes.
Section 604(3)(D)—A consumer reporting agency may issue a consumer report to ''a person which it has reason to believe * * * intends to use the information in connection with a determination of the consumer's eligibility for a license or other benefit granted by a governmental instrumentality required by law to consider an applicant's financial responsibility or status * * *''
1. Appropriate recipient Any party charged by law (including a rule or regulation having the force of law) with responsibility for assessing the consumer's eligibility for the benefit (not only the agency directly responsible for administering the benefit) has a permissible purpose to receive a consumer report. For example, a district attorney's office or social services bureau, required by law to consider a consumer's financial status in determining whether that consumer qualifies for welfare benefits, has a permissible purpose to obtain a report on the consumer for that purpose. Similarly, consumer reporting agencies may furnish consumer reports to townships on consumers whose financial status the townships are required by law to consider in determining the consumers' eligibility for assistance, or to professional boards (e.g., bar examiners) required by law to consider such information on applicants for admission to practice.
2. Inappropriate Recipient Parties not charged with the responsibility of determining a consumer's eligibility for a license or other benefit, for example, a party competing for an FCC radio station construction permit, would not have a permissible purpose to obtain a consumer report on that consumer.

Federal Trade Commission Pt. 600, App.
3 Of course agents and principals *are* bound by the Act.
3. Initial or Continuing Benefit The permissible purpose includes the determination of a consumer's continuing eligibility for a benefit, as well as the evaluation of a consumer's initial application for a benefit. If the governmental body has reason to believe a particular consumer's eligibility is in doubt, or wishes to conduct random checks to confirm eligibility, it has a permissible purpose to receive a consumer report.

Section 604(3)(E)—A consumer reporting agency may issue a consumer report to ''a person which it has reason to believe * * *
otherwise has a legitimate business need for the information in connection with a business transaction involving the consumer.''
1. Relation to Other Subsections of Section 604(3) The issue of whether credit, employment, or insurance provides a permissible purpose is determined exclusively by reference to subsection (A), (B), or (C), respectively.
2. Commercial Transactions The term *business transaction* in this section means a business transaction with a consumer primarily for personal, family, or household purposes. Business transactions that involve purely commercial purposes are
not covered by the FCRA.
3. ''Legitimate Business Need'' Under this subsection, a party has a permissible purpose to obtain a consumer report on a consumer for use in connection with some action the consumer takes from which he or she might expect to receive a benefit that is not more specifically covered by subsections (A), (B), or (C). For example, a consumer report may be obtained on a consumer who applies to rent an apartment, offers to pay for goods with a check, applies for a checking account or similar service, seeks to be included in a computer

dating service, or who has sought and received over-payments of government benefits that he has refused to return.
4. Litigation The possibility that a party may be involved in litigation involving a consumer does not provide a permissible purpose for that party to receive a consumer report on such consumer under this subsection, because litigation is not a ''business transaction'' involving the consumer. Therefore, potential plaintiffs may not always obtain reports on potential defendants to determine whether they are worth suing. The transaction that gives rise to the litigation may or may not provide a permissible purpose. A party seeking to sue on a *credit* account would have a permissible purpose under section 604(3)(A). (That section also permits judgment creditors and lien creditors to obtain consumer reports on judgment debtors or individuals whose property is subject to the lien creditor's lien.) If that transaction is a business transaction involving the consumer, there is a permissible purpose. If the litigation arises from a tort, there is no permissible purpose. Similarly, a consumer report may not be obtained solely for use in discrediting a witness at trial or for locating a witness. This section does not permit consumer reporting agencies to furnish consumer reports for the purpose of locating a person suspected of committing a crime. (As stated in the discussion of section 608 *infra* (item 2), section 608 permits the furnishing of specified, limited identifying information to governmental agencies, notwithstanding the provisions of section 604.)
5. Impermissible Purposes A consumer reporting agency may not furnish a consumer report to satisfy a requester's curiosity, or for use by a news reporter in preparing a newspaper or magazine article.
6. Agents A. *General.* An agent 3 of a party with a ''permissible purpose'' may obtain a consumer report on behalf of his principal, where he is involved in the decision that gives rise to the permissible purpose. Such involvement may include the agent's making a decision (or taking action) for the principal, or assisting the principal in making the decision (e.g., by evaluating information). In these circumstances, the agent is acting on behalf of the principal. In some cases, the agent and principal are referred to as ''joint users.'' See discussion in section 603(f), *supra* (item 8).

B. *Real estate agent.* A real estate agent may obtain a consumer report on behalf of a seller, to evaluate the eligibility as a prospective purchaser of a subject who has expressed an interest in purchasing property from the seller.

C. *Private detective agency.* A private detective agency may obtain a consumer report as agent for its client while investigating a report subject that is a client's prospective employee, or in connection with advising a client concerning a business transaction with the report subject or in attempting to collect a debt owed its client by the subject of the report. In these circumstances, the detective agency is acting on behalf of its client.

D. *Rental clearance agency.* A rental clearance agency that obtains consumer reports to assist owners of residential properties in

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screening consumers as tenants, has a permissible purpose to obtain the reports, if it uses them in applying the landlord's criteria to approve or disapprove the subjects as tenant applicants. Similarly, an apartment manager investigating applicants for apartment rentals by a landlord may obtain consumer reports on these applicants.

E. *Attorney.* An attorney collecting a debt for a creditor client, including a party suing on a debt or collecting on behalf of a judgment creditor or lien creditor, has a permissible purpose to obtain a consumer report on the debtor to the same extent as the client.

Section 604—General

1. Furnishing of Consumer Reports to Other Consumer Reporting Agencies A consumer reporting agency may furnish a consumer report to another consumer reporting agency for it to furnish pursuant to a subscriber's request. In these circumstances, one consumer reporting agency is acting on behalf of another.
2. Consumer's Permission not Needed When permissible purposes exist, parties may obtain, and consumer reporting agencies may furnish, consumer reports without the consumers' permission or over their objection. Similarly, parties may furnish information concerning their transactions with consumers to consumer reporting agencies and others, and consumer reporting agencies may gather information, without consumers' permission.
3. User's Disclosure of Report to Subject Consumer The FCRA does not prohibit a consumer report user from giving a copy of the report, or other vise disclosing it, to the consumer who is the subject of the report.

Section 605—Obsolete Information
''(a) *Except as authorized under subsection*
*(b), no consumer reporting agency may make any consumer report containing any of the following items of information * * *:*
(b) *The provisions of subsection (a) are not applicable in the case of any consumer credit report to be used in connection with—*
(1) *a credit transaction involving, or which may reasonably be expected to involve, a principal amount of $50,000 or more;*
(2) *the underwriting of life insurance involving, or which may reasonably be expected to involve, a face amount of $50,000 or more; or*
(3) *the employment of any individual at an annual salary which eguals, or which may reasonably be expected to egual $20,000, or more.''*
1. General Section 605(a) provides that most adverse information more than seven years old may not be reported, except in certain circumstances set out in section 605(b). With respect to delinquent accounts, accounts placed for collection, and accounts charged to profit and loss, there are many dates that could be deemed to commence seven year reporting periods. The discussion in subsections (a)(2), (a)(4), and (a)(6) is intended to set forth a clear, workable rule that effectuates Congressional intent.
2. Favorable Information The Act imposes no time restriction on reporting of information that is not adverse.
3. Retention of Information in Files Consumer reporting agencies may retain obsolete adverse information and furnish it in reports for purposes that are exempt under subsection (b) (e.g., credit for a principal amount of $50,000 or more).
4. Use of Shorter Periods The section does not require consumer reporting agencies to report adverse information for the time periods set forth, but only prohibits them from reporting adverse items beyond those time periods.
5. Inapplicability to Users The section does not limit creditors or others from using adverse information that would be ''obsolete'' under its terms, because it applies only to reporting by consumer reporting agencies. Similarly, this section does not bar a creditor's reporting such adverse obsolete information concerning its transactions or experiences with a consumer, because the report would not constitute a consumer report.
6. Indicating the Existence of Non specified, Obsolete Information A consumer reporting agency may not furnish a consumer report indicating the existence of obsolete adverse information, even if no specific item is reported. For example, a consumer reporting agency may not communicate the existence of a debt older than seven years by reporting that a credit grantor cannot locate a debtor whose debt was charged off ten years ago.
7. Operative Dates The times or dates set forth in this section, which relate to the occurrence of events involving adverse information, determine whether the item is obsolete. The date that the consumer reporting agency acquired the adverse information is irrelevant to how long that information may be reported.

Section 605(a)(1)—''Cases under title 11 of the United States Code or under the Bankruptcy Act that, from the date of entry of

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the order for relief or the date of adjudication, as the case may be, antedate the report by more than 10 years.'' 1. Relation to Other Subsections The reporting of suits and judgments is governed by subsection (a)(2), the reporting of accounts placed for collection or charged to profit and loss is governed by subsection (a)(4), and the reporting of other delinquent accounts is governed by subsection (a)(6). Any such item, even if discharged in bankruptcy, may be reported separately for the applicable seven year period, while the existence of the bankruptcy filing may be reported for ten years.
2. Wage Earner Plans Wage earner plans may be reported for ten years, because they are covered by Title 11 of the United States Code.
3. Date for Filing A voluntary bankruptcy petition may be reported for ten years from the date that it is filed, because the filing of the petition constitutes the entry of an ''order for relief'' under this subsection, just like a filing under the Bankruptcy Act (11 U.S.C. 301). Section 605(a)(2)—''Suits and judgments which, from date of entry, antedate the report by more than seven years or until the governing statute of limitations has expired, whichever is the longer period.''
1. Operative Date For a suit, the term *date of entry* means the date the suit was initiated. A protracted suit may be reported for more than seven years from the date it was entered, if the governing statute of limitations has not expired. For a judgment, the term ''date of entry'' means the date the judgment was rendered.
2. Paid Judgments Paid judgments cannot be reported for more than seven years after the judgment was entered, because payment of the judgment eliminates any ''governing statute of limitations'' under this subsection that might otherwise lengthen the period. Section 605(a)(3)—''Paid tax liens which, from date of payment, antedate the report by more than seven years.''
1. Unpaid Liens If a tax lien (or other lien) remains unsatisfied, it may be reported as long as it remains filed against the consumer, without limitation, because this subsection addresses only paid tax liens.

Section 605(a)(4)—''Accounts placed for collection or charged to profit and loss which antedate the report by more than seven years.''
1. Placement for Collection The term *placed for collection* means internal collection activity by the creditor, as well as placement with an outside collector, whichever occurs first. Sending of the initial past due notices does not constitute placement for collection. Placement for collection occurs when dunning notices or other collection efforts are initiated. The reporting period is not extended by assignment to another entity for further collection, or by a partial or full payment of the account. However, where a borrower brings his delinquent account to date and returns to his regular payment schedule, and later defaults again, a consumer reporting agency may disregard any collection activity with respect to the first delinquency and measure the reporting period from the date the account was placed for collection as a result of the borrower's ultimate default. A consumer's repayment agreement with a collection agency can be treated as a new account that has its own seven year period.

2. Charge to Profit and Loss The term *charged to profit and loss* means action taken by the creditor to write off the account, and the applicable time period is measured from that event. If an account that was charged off is later paid in part or paid in full by the consumer, the reporting period of seven years from the charge-off is not extended by this subsequent payment.

3. Reporting of a Delinquent Account That is Later Placed for Collection or Charged to Profit and Loss The fact that an account has been placed for collection or charged to profit and

loss may be reported for seven years from the date that either of those events occurs, regardless of the date the account became delinquent. The fact of delinquency may also be reported for seven years from the date the account became delinquent.

Section 605(a)(5)—''Records of arrest, indictment, or conviction of crime which, from date of disposition, release, or parole, antedate the report by more than seven years.''
1. Records The term *records* means any information a consumer reporting agency has in its files relation go arrest, indictment or conviction of a crime.
2. Computation of Time Period The seven year reporting period runs from the date of disposition, release or parole, as applicable. For example, if charges are dismissed at or before trial, or the consumer is acquitted, the date of such dismissal or acquittal is the date of disposition. If the consumer is convicted of a crime and sentenced

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to confinement, the date of release or placement on parole controls. (Confinement, whether continuing or resulting from revocation of parole, may be reported until seven years after the confinement is terminated.) The sentencing date controls for a convicted consumer whose sentence does not include confinement. The fact that information concerning the arrest, indictment, or conviction of crime is obtained by the reporting agency at a later date from a more recent source (such as a newspaper or interview) does not serve to extend this reporting period.
Section 605(a)(6)—''Any other adverse item of information which antedates the report by more than seven years.''

1. Relation to Other Subsections This section applies to all adverse information that is not covered by section 605(a) (1)– (5). For example, a delinquent account that has neither been placed for collection, nor charged to profit and loss, may be reported for seven years from the date of the last regularly scheduled payment. (Accounts placed for collection or charged to profit and loss may be reported for the time periods stated in section 605(a)(4).)
2. Non Tax Liens Liens (other than paid tax liens) may be reported as long as they remain filed against the consumer or the consumer's property, and remain effective (under any applicable statute of limitations). (See discussion under section 605(a)(3), *supra*.) *Section 606—Disclosure of Investigative Consumer Reports* '
(a) *A person may not procure or cause to be prepared an investigative consumer report on any consumer unless—*
(1) it is clearly and accurately disclosed to the consumer that an investigative consumer report including information as to his character, general reputation, personal characteristics, and mode of living, whichever are applicable, may be made, and such disclosure
(A) is made in a writing mailed, or otherwise delivered, to the consumer, not later than three days after the date on which the report was first requested, and (B) includes a statement informing the consumer of his right to request the additional disclosures provided for under subsection (b) of this section; or
(2) the report is to be used for employment purposes for which the consumer has not specifically applied.
(b) Any person who procures or causes to be prepared an investigative consumer report on any consumer shall, upon written request made by the consumer within a reasonable period of time after receipt by him of the disclosure required by subsection (a)(1), make a complete and accurate disclosure of the nature and scope of the investigation requested. This disclosure shall be made in a writing mailed, or otherwise delivered, to the consumer not later than five days after the date on which the request for such disclosure was received from the consumer or such report was first requested, whichever is the later.

(c) No person may be held liable for any violation of subsection (a) or (b) of this section if he shows by a preponderance of the evidence that at the time of the violation he maintained reasonable procedures to assure compliance with subsection (a) or (b).''
1. Relation to Other Sections The term *investigative consumer report* is defined at section 603(e) to mean a consumer report, all or a portion of which contains information obtained through personal interviews (in person or by telephone) with persons other than the subject, which information relates to the subject's character, general reputation, personal characteristics or mode of living.
2. Inapplicability to Consumer Reporting Agencies The section applies only to report users, not consumer reporting agencies. The FCRA does not require consumer reporting agencies to inform consumers that information will be gathered or that reports will be furnished concerning them.
3. Inapplicability to Non investigative Consumer Reports The section does not apply to non investigative reports.
4. Exemptions An employer who orders investigative consumer reports on a current employee who has not applied for a job change need not notify the employee, because the term ''employment purposes'' is defined to include ''promotion, reassignment or retention'' and subsection (b) provides that the disclosure requirements do not apply to ''employment purposes for which the consumer has not specifically applied.''
5. Form and Delivery of Notice The notice must be in writing and delivered to the consumer. The user may include the disclosure in an application for employment, insurance, or credit, if it is clear and conspicuous and not obscured by other language. A user may send the required notice via first class mail. The notice must be mailed or otherwise delivered to the consumer not later than three days after the report was first requested.

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6. Content of Notice of Right to Disclosure The notice must clearly and accurately disclose that an ''investigative consumer report'' including information as to the consumer's character, general reputation, personal characteristics and mode of living (whichever are applicable), may be made. The disclosure must also state that an investigative consumer report involves personal interviews with sources such as neighbors, friends, or associates. The notice may include any additional, accurate information about the report, such as the types of interviews that will be conducted. The notice must include a statement informing the consumer of the right to request complete and accurate disclosure of the nature and scope of the investigation.

7. Content of Disclosure of Report When the consumer requests disclosure of the ''nature and scope'' of the investigation, such disclosure must include a complete and accurate description of the types of questions asked, the number and types of persons interviewed, and the name and address of the investigating agency. The user need not disclose the names of sources of information, nor must it provide the consumer with a copy of the report. A report user that provides the consumer with a blank copy of the standardized form used to transmit the report from the agency to the user complies with the requirement that it disclose the ''nature'' of the investigation.

Section 607—Compliance Procedures
''(a) Every consumer reporting agency shall maintain reasonable procedures designed to avoid violations of section 605 and to limit the furnishing of consumer reports to the purposes listed under section 604. These procedures shall require that prospective users of the information identify themselves, certify the purposes for which the information is sought, and certify that the information will be used for no other purpose. Every consumer reporting agency shall make a reasonable effort to verify the identity of a new prospective user and

the uses certified by such prospective user prior to furnishing such user a consumer report. No consumer reporting agency may furnish a consumer report to any person if it has reasonable grounds for believing that the consumer report will not be used for a purpose listed in Section 604.
(b) Whenever a consumer reporting agency prepares a consumer report it shall follow reasonable procedures to assure maximum possible accuracy of the information concerning the individual about whom the report relates.''
1. Procedures to Avoid Reporting Obsolete Information
A. *General.* A consumer reporting agency should establish procedures with its sources of adverse information that will avoid the risk of reporting obsolete information. For example, the agency should either require a creditor to supply the date an account was placed for collection or charged off, or the agency should use a conservative date for such placement or charge off (such as the date of the last regularly scheduled payment), to be sure of complying with the statute.
B. *Retention of obsolete information for reporting in excepted circumstances.* If a consumer reporting agency retains adverse information in its files that is ''obsolete'' under section 605(a) (e.g., information about a satisfied judgment that is more than seven years old), so that it may be reported for use in transactions described by section 605(b) (*i.e.,* applications for credit or life insurance for $50,000 or more, or employment at an annual salary of $20,000 or more), it must have procedural safeguards to avoid reporting the information except in those situations. The procedure should require that such obsolete information be released only after an internal decision that its release will not violate section 605.
2. Procedures to Avoid Reporting for Impermissible Purposes A. *Verification.* A consumer reporting agency should have a system to verify that it is dealing with a legitimate business having a ''permissible purpose'' for the information reported. What constitutes adequate verification will vary with the circumstances. If the consumer reporting agency is not familiar with the user, appropriate procedures might require an on-site visit to the user's place of business, or a check of the user's references.
B. *Required certification by user.* A consumer reporting agency should adopt procedures that require prospective report users to identify themselves, certify the purpose for which the information is sought, and certify that the information will be used for no other purpose. A consumer reporting agency should determine initially that users have permissible purposes and ascertain what those purposes are. It should obtain a specific, written certification that the recipient will obtain reports for those purposes and no others. The user's certification that the report will be used for no other purposes should expressly prohibit the user from sharing the report or providing it to anyone else, other than the subject of the report or to a joint user having the same purpose. A consumer reporting agency should refuse to provide reports to those refusing to provide such certification.

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C. *Blanket or individual certification.* Once the consumer reporting agency obtains a certification from a user (e.g., a creditor) that typically has a permissible purpose for receiving a consumer report, stating that it will use those reports only for specified permissible purposes (e.g., for credit or employment purposes), a certification of purpose need not be furnished for each individual report obtained, provided there is no reason to believe the user may be violating its certification. However, in furnishing reports to users that typically could have both permissible and impermissible purposes for ordering consumer reports (e.g., attorneys and detective agencies), the consumer reporting agency must require the user to provide a separate certification each time it requests a consumer report.
D. *Procedures to avoid recipients' abuse of certification.* When doubt arises concerning any user's compliance with its contractual certification, a consumer reporting agency must take steps to insure compliance, such as requiring a separate, advance certification for each report it furnishes that user, or auditing that user to verify that it is obtaining reports only for

permissible purposes. A consumer reporting agency must cease furnishing consumer reports to users who repeatedly request consumer reports for impermissible purposes.
E. *Unauthorized access.* A consumer reporting agency should take several other steps when doubt arises concerning whether a user is obtaining reports for a permissible purpose from a computerized system. If it appears that a third party, not a subscriber, has obtained unauthorized access to the system, the consumer reporting agency should take appropriate steps such as altering authorized users' means of access, such as codes and passwords, and making random checks to ensure that future reports are obtained only for permissible purposes. If a subscriber has inadvertently sought reports for impermissible purposes or its employee has obtained reports without a permissible purpose, it would be appropriate for the consumer reporting agency to alter the subscriber's means of access, and require an individual written certification of the permissible purpose for each report requested or randomly verify such purposes. A consumer reporting agency should refuse to furnish any further reports to a user that repeatedly violates certifications.
F. *Use of computerized systems.* A consumer reporting agency may furnish consumer reports to users via terminals, provided the consumer reporting agency has taken the necessary steps to ensure that the users have a permissible purpose to receive the reports. (The agency would have to record the identity of consumer report recipients for each consumer, to be able to make any disclosures required under section 609(a)(3) or section 611(d)).
G. *Activity reports.* If a consumer reporting agency provides ''activity reports'' on all customers who have open-end accounts with a credit grantor, it must make certain that the credit grantor always notifies the agency when accounts are closed and paid in full, to avoid furnishing reports on former customers or other customers for whom the credit grantor lacks a permissible purpose. (See also discussion in section 604(3)(A), item
1, *supra.*)
3. Reasonable Procedures to Assure Maximum Possible Accuracy A. *General.* The section does not require error free consumer reports. If a consumer reporting agency accurately transcribes, stores and communicates consumer information received from a source that it reasonably believes to be reputable, and which is credible on its face, the agency does not violate this section simply by reporting an item of information that turns out to be inaccurate. However, when a consumer reporting agency learns or should reasonably be aware of errors in its reports that may indicate systematic problems (by virtue of information from consumers, report users, from periodic review of its reporting system, or otherwise) it must review its procedures for assuring accuracy. Examples of errors that would require such review are the issuance of a consumer report pertaining entirely to a consumer other than the one on whom a report was requested, and the issuance of a consumer report containing information on two or more consumers (e.g., information that was mixed in the file) in response to a request for a report on only one of those consumers.
B. *Required steps to improve accuracy.* If the agency's review of its procedures reveals, or the agency should reasonably be aware of, steps it can take to improve the accuracy of its reports at a reasonable cost, it must take any such steps. It should correct inaccuracies that come to its attention. A consumer reporting agency must also adopt reasonable procedures to eliminate systematic errors that it knows about, or should reasonably be aware of, resulting from procedures followed by its sources of information. For example, if a particular credit grantor has often furnished a significant amount of erroneous consumer account information, the agency must require the creditor to revise its procedures to correct whatever problems cause the errors or stop reporting information from that creditor.
C. *Use of automatic data processing equipment.* Consumer reporting agencies that use automatic data processing equipment (particularly for long distance transmission of information) should have reasonable procedures to assure that the data is accurately

converted into a machine-readable format and not distorted by machine malfunction or transmission failure. Reasonable security procedures must be adopted to minimize the possibility that computerized consumer information will be stolen or altered by either authorized or unauthorized users of the information system.
D. *Reliability of sources.* Whether a consumer reporting agency may rely on the accuracy of information from a source depends on the circumstances. This section does not hold a consumer reporting agency responsible where an item of information that it receives from a source that it reasonably believes to be reputable appears credible on its face, and is transcribed, stored and communicated as provided by that source. Requirements are more stringent where the information furnished appears implausible or inconsistent, or where procedures for furnishing it seem likely to result in inaccuracies, or where the consumer reporting agency has had numerous problems regarding information from a particular source.
E. *Undesignated information in credit transactions. Undesignated information* means all credit history information in a married (or formerly married) consumer's file, which was not reported to the consumer reporting agency with a designation indicating that the information relates to either the consumer's joint or individual credit experience. The question arises what is meant by reasonable procedures under this section for treatment of credit history in the file of only one (present or former) spouse (usually the husband)
that has not been designated by the procedure in Regulation B, 12 CFR 202.10, which implements the Equal Credit Opportunity Act. (This situation exists only for certain credit history file information compiled before June 1, 1977, and certain accounts opened before that date.) A consumer reporting agency may report information solely in the file of spouse A, when spouse B applies for a separate extension of credit, only if such information relates to accounts for which spouse B was either a user or was contractually liable, or the report recipient has a permissible purpose for a report on spouse A. A consumer reporting agency may not supply all undesignated information from the file of a consumer's spouse in response to a request for a report on the consumer, because some or all of that information may not relate to both spouses. Consumer reporting agencies must honor without charge the request of a married or formerly married individual that undesignated information (that appears only in the files of the individual's present or former spouse) be segregated—*i.e.,* placed in a separate file that is accessible under that individual's name. This procedure insures greater accuracy and protection of the privacy of spouses than does the automatic reporting of undesignated information.
F. *Reporting of credit obligation*—(1) *Past due accounts.* A consumer reporting agency must employ reasonable procedures to keep its file current on past due accounts (e.g., by requiring its creditors to notify the credit bureau when a previously past due account has been paid or discharged in bankruptcy), but its failure to show such activity in particular instances, despite the maintenance of reasonable procedures to keep files current, does not violate this section. For example, a consumer reporting agency that reports accurately in 1985 that as of 1983 the consumer owed a retail store money, without mentioning that the consumer eventually paid the debt, does not violate this section if it was not informed by the store or the consumer of the later payment.
(2) *Significant, verified information.* A consumer reporting agency must report significant, verified information it possesses about an item. For instance, a consumer reporting agency may continue to report a paid account that was previously delinquent, but should also report that the account has been paid. Similarly, a consumer reporting agency may include delinquencies on debts discharged in bankruptcy in consumer reports, but must accurately note the status of the debt (e.g., discharged, voluntarily repaid).
Finally, if a reported bankruptcy has been dismissed, that fact should be reported.
(3) *Guarantor obligations.* Personal guarantees for obligations incurred by others (including a corporation) may be included in a consumer report on the individual who is the guarantor.

The report should accurately reflect the individual's involvement (e.g., as guarantor of the corporate debt).
4. Effect of Criminal Sanctions Notwithstanding the fact that section 619 provides criminal sanctions against persons who knowingly and willfully obtain information on a consumer from a consumer reporting agency under false pretenses, a consumer reporting agency must follow reasonable procedures to limit the furnishing of reports to those with permissible purposes.
5. Disclosure of Credit Denial When reporting that a consumer was denied a benefit (such as credit), a consumer reporting agency need not report the reasons for the denial.
6. Content of Report A consumer report need not be tailored to the user's needs. It may contain any information that is complete, accurate, and not obsolete on the consumer who is the subject of the report. A consumer report may include an account that was discharged in bankruptcy (as well as the bankruptcy

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itself), as long as it reports a zero balance due to reflect the fact that the consumer is no longer liable for the discharged debt. A consumer report may include a list of recipients of reports on the consumer who is the subject of the report.
7. Completeness of Reports Consumer reporting agencies are not required to include all existing derogatory or favorable information about a consumer in their reports. (See, however, discussion in section 611, item 14, *infra,* concerning conveying consumer dispute statements.) However, a consumer reporting agency may not mislead its subscribers as to the completeness of its reports by deleting non derogatory information and not disclosing its policy of making such deletions.
8. User Notice of Adverse Action Based on a Consumer Report A consumer reporting agency need not require users of its consumer reports to provide any notice to consumers against whom adverse action is taken based on a consumer report. The FCRA imposes such notice requirements directly on users, under the circumstances set out in section 615.
Section 608—Disclosures to Governmental Agencies ''Notwithstanding the provisions of section 604, a consumer reporting agency may furnish identifying information respecting any consumer limited to his name, address, former addresses, places of employment, or former places of employment, to a governmental agency.''
1. Permissible Purpose Necessary for Additional Information A consumer reporting agency may furnish limited identifying information concerning a consumer to a governmental agency (e.g., an agency seeking a fugitive from justice) even if that agency does not have a ''permissible purpose'' under section 604 to receive a consumer report. However, a governmental agency must have a permissible purpose in order to obtain information beyond what is authorized by this section.
2. Entities Covered by Section The term *governmental agency* includes federal, state, county and municipal agencies, and grand juries. Only governmental agencies may obtain disclosures of identifying information under this section.
Section 609—Disclosures to Consumers ''(a) Every consumer reporting agency shall, upon request and proper identification of any consumer, clearly and accurately disclose to the consumer:
(1) The nature and substance of all information (except medical information) in its files on the consumer at the time of the request.
(2) The sources of the information; except that the sources of information acquired solely for use in preparing an investigative consumer report and actually used for no other purpose need not be disclosed: Provided, That in the event an action is brought under this title, such sources shall be available to the plaintiff under appropriate discovery procedures in the court in which the action is brought.
(3) The recipients of any consumer report on the consumer which it has furnished
(A) for employment purposes within the two-year period preceding the request, and
(B) for any other purpose within the six month period preceding the request.

(b) The requirements of subsection (a) respecting the disclosure of sources of information and the recipients of consumer reports do not apply to information received or consumer reports furnished prior to the effective date of this title except to the extent that the matter involved is contained in the files of the consumer reporting agency on that date.''
1. Relation to Other Sections This section states what consumer reporting agencies must disclose to consumers, upon request and proper identification. Section 610 sets forth the conditions under which those disclosures must be made, and section 612 sets forth the circumstances under which consumer reporting agencies may charge for making such disclosures. The term ''file'' as used in section 609(a)(1) is defined in section 603(g). The term ''investigative consumer report,'' which is used in section 609(a)(2), is defined in section 603(e). The term *medical information,* which is used in section 609(a)(1), is defined in section 603(i). 2. Proper Identification A consumer reporting agency must take reasonable steps to verify the identity of an individual seeking disclosure under this section.
3. Manner of ''Proper Identification'' If a consumer provides sufficient identifying information, the consumer reporting agency cannot insist that the consumer execute a ''request for interview'' form, or provide the items listed on it, as a prerequisite to disclosure. However, the agency may use a form to identify consumers requesting disclosure if it does not use the form to inhibit disclosure, or to obtain any waiver of the consumers' rights. A consumer reporting agency may provide disclosure by telephone without a written request, if the consumer is

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properly identified, but may insist on a written request before providing such disclosure.
4. Power of Attorney A consumer reporting agency may disclose a consumer's file to a third party authorized by the consumer's written power of attorney to obtain the disclosure, if the third party presents adequate identification and fulfills other applicable conditions of disclosure. However, the agency may also disclose the information directly to the consumer.
5. Nature of Disclosure Required A consumer reporting agency must disclose the nature and substance of all items in the consumer's file, no matter how or where they are stored (e.g., in other offices of the consumer reporting agency). The consumer reporting agency must have personnel trained to explain to the consumer any information furnished in accordance with the Act. Particularly when the file includes coded information that would be meaningless to the consumer, the agency's personnel must assist the consumer to understand the disclosures. Any summary must not mischaracterize the nature of any item of information in the file. The consumer reporting agency is not required to provide a copy of the file, or any other written disclosure, or to read the file verbatim to the consumer or to permit the consumer to examine any information in its files. A consumer reporting agency may choose to usually comply with the FCRA in writing, by providing a copy of the file to the consumer or otherwise.
6. Medical Information Medical information includes information obtained with the consumer's consent from physicians and medical facilities, but does not include comments on a consumer's health by non-medical personnel. A consumer reporting agency is not required to disclose medical information in its files to consumers, but may do so. Alternatively, a consumer reporting agency may inform consumers that there is medical information in the files concerning them and supply the name of the doctor or other source of the information. Consumer reporting agencies may also disclose such information to a physician of the consumer's choice, upon the consumer's written instructions pursuant to section 604(2).
7. Ancillary Information. A consumer reporting agency is not required to disclose information consisting of an audit trail of changes it makes in the consumer's file, billing records, or the contents of a consumer relations folder, if the information is not from consumer reports and will not be used in preparing future consumer reports. Such data is not included in the term ''information in the files'' which must be disclosed to the consumer pursuant to this section. A

consumer reporting agency must disclose claims report information only if it has appeared in consumer reports.
8. Information on Other Consumers The consumer has no right to information in the consumer reporting agency's files on other individuals, because the disclosure must be limited to information ''on the consumer.'' However, all information in the files of the consumer making the request must be disclosed, including information about another individual that relates to the consumer (e.g., concerning that individual's dealings with the subject of the consumer report).
9. Disclosure of Sources of Information Consumer reporting agencies must disclose the sources of information, except for sources of information acquired solely for use in preparing an investigative consumer report and actually used for no other purpose. When it has used information from another consumer reporting agency, the other agency should be reported as a source.
10. Disclosure of Recipients of Consumer Reports Consumer reporting agencies must maintain records of recipients of prior consumer reports sufficient to enable them to meet the FCRA's requirements that they disclose the identity of recipients of prior consumer reports. A consumer reporting agency that furnishes a consumer report directly to a report user at the request of another consumer reporting agency must disclose the identity of the user that was the ultimate recipient of the report, not the other agency that acted as an intermediary in procuring the report.
11. Disclosure of Recipients of Prescreened Lists A consumer reporting agency must furnish to a consumer requesting file disclosure the identity of recipients of any prescreened lists that contained the consumer's name when submitted to creditors (or other users) by the consumer reporting agency.
12. Risk Scores. A consumer reporting agency is not required to disclose a risk score (or other numerical evaluation, however named) that is provided to the agency's client (based on an analysis of data on the consumer) but not retained by the agency. Such a score is not information ''in (the agency's) files at the time of the request'' by the consumer for file disclosure.

16 CFR Ch. I (1–1–05 Edition) Pt. 600, App.
Section 610—Conditions of Disclosure '
'(a) A consumer reporting agency shall make the disclosures required under section 609 during normal business hours and on reasonable notice.
(b) The disclosures required under section 609 shall be made to the consumer—
(1) in person if he appears in person and furnishes proper identification; or
(2) by telephone if he has made a written request, with proper identification, for telephone disclosure and the toll charge, if any, for the telephone call is prepaid by or charged directly to the consumer.
(c) Any consumer reporting agency shall provide trained personnel to explain to the consumer any information furnished to him pursuant to section 609.
(d) The consumer shall be permitted to be accompanied by one other person of his choosing, who shall furnish reasonable identification.
A consumer reporting agency may require the consumer to furnish a written statement granting permission to the consumer reporting agency to discuss the consumer's file in such person's presence.
(e) Except as provided in section 616 and 617, no consumer may bring any action or proceeding in the nature of defamation, invasion of privacy, or negligence with respect to the reporting of information against any consumer reporting agency, any user of information or any person who furnishes information to a consumer reporting agency, based on information disclosed pursuant to section 609, 610, or 615, except as to false information furnished with malice or willful intent to injure such consumers.''

1. Time of Disclosure A consumer reporting agency must make disclosures during normal business hours, upon reasonable notice. However, the consumer reporting agency may waive reasonable notice, and the consumer may agree to disclosure outside of normal business hours. A consumer reporting agency may make in person disclosure to consumers who have made appointments ahead of other consumers, because the disclosures are only required to be made ''on reasonable notice.''
2. Extra Conditions Prohibited A consumer reporting agency may not add conditions not set out in the FCRA as a prerequisite to the required disclosure.
3. Manner of Disclosure A consumer reporting agency may, with the consumer's actual or implied consent, meet its disclosure obligations by mail, in lieu of the in-person or telephone disclosures specified in the statute.
4. Disclosure in the Presence of Third Parties When the consumer requests disclosure in a third party's presence, the consumer reporting agency may require that a consumer sign an authorization before such disclosure is made. The consumer may choose the third party to accompany him or her for the disclosure.
5. Expense of Telephone Calls A consumer reporting agency is not required to pay the telephone charge for a telephone interview with a consumer obtaining disclosure.
6. Qualified Defamation Privilege The privilege extended by subsection 610(e) does not apply to an action brought by a consumer if the action is based on information not disclosed pursuant to sections 609, 610 or 615. A disclosure to a consumer's representative (e.g., based on the consumer's power of attorney) constitutes ''information disclosed pursuant to section 609'' and is thus covered by this privilege.

Section 611—Procedure in Case of Disputed Accuracy

''(a) If the completeness or accuracy of any item of information contained in his file is disputed by a consumer, and such dispute is directly conveyed to the consumer reporting agency by the consumer, the consumer reporting agency shall within a reasonable period of time reinvestigate and record the current status of that information unless it has reasonable grounds to believe that the dispute by the consumer is frivolous or irrelevant. If after such reinvestigation such information is found to be inaccurate or can no longer be verified, the consumer reporting agency shall promptly delete such information. The presence of contradictory information in the consumer's file does not in and of itself constitute reasonable grounds for believing the dispute is frivolous or irrelevant.

(b) If the reinvestigation does not resolve the dispute, the consumer may file a brief statement setting forth the nature of the dispute. The consumer reporting agency may limit such statements to not more than one hundred words if it provides the consumer with assistance in writing a clear summary of the dispute.

(c) Whenever a statement of a dispute is filed, unless there is reasonable grounds to believe that it is frivolous or irrelevant, the consumer reporting agency shall, in any subsequent consumer report containing the information in question, clearly note that it is disputed by the consumer and provide either the consumer's statement or a clear and accurate codification or summary thereof.

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(d) Following any deletion of information which is found to be inaccurate or whose accuracy can no longer be verified or any notation as to disputed information, the consumer reporting agency shall, at the request of the consumer, furnish notification that the item has been deleted or the statement, codification or summary pursuant to subsection (b) or (c) to any person specifically designated by the consumer who has within two years prior thereto received a consumer report for employment purposes, or within six months prior thereto received a consumer report for any other purpose, which contained the deleted or disputed information. The consumer reporting agency shall clearly and conspicuously disclose to the consumer his rights to make such a request. Such disclosure shall be made

at or prior to the time the information is deleted or the consumer's statement regarding the disputed information is received.''

1. Relation to Other Sections This section sets forth procedures consumer reporting agencies must follow if a consumer conveys a dispute of the completeness or accuracy of any item of information in the consumer's file to the consumer reporting agency. Section 609 provides for disclosures by consumer reporting agencies to consumers, and section 610 sets forth conditions of disclosure. Section 612 permits a consumer reporting agency to impose charges for certain disclosures, including the furnishing of certain information to recipients of prior reports, as provided by section 611(d).

2. Proper Reinvestigation A consumer reporting agency conducting a reinvestigation must make a good faith effort to determine the accuracy of the disputed item or items. At a minimum, it must check with the original sources or other reliable sources of the disputed information and inform them of the nature of the consumer's dispute. In reinvestigating and attempting to verify a disputed credit transaction, a consumer reporting agency may rely on the accuracy of a creditor's ledger sheets and need not require the creditor to produce documentation such as the actual signed sales slips. Depending on the nature of the dispute, reinvestigation and verification may require more than asking the original source of the disputed information the same question and receiving the same answer. If the original source is contacted for reinvestigation, the consumer reporting agency should at least explain to the source that the original statement has been disputed, state the consumer's position, and then ask whether the source would confirm the information, qualify it, or accept the consumer's explanation.

3. Complaint of Insufficient File, or Lack of File The FCRA does not require a consumer reporting agency to add new items of information to its file. A consumer reporting agency is not required to create new files on consumers for whom it has no file, nor is it required to add new lines of information about new accounts not reflected in an existing file, because the section permits the consumer to dispute only the completeness or accuracy of particular items of information in the file. If a consumer reporting agency chooses to add lines of information at the consumer's request, it may charge a fee for doing so.

4. Explanation of Extenuating Circumstances A consumer reporting agency has no duty to reinvestigate, or take any other action under this section, if a consumer merely provides a reason for a failure to pay a debt (e.g., sudden illness or layoff), and does not challenge the accuracy or completeness of the item of information in the file relating to a debt. Most creditors are aware that a variety of circumstances may render consumers unable to repay credit obligations. Although a consumer reporting agency is not required to accept a consumer dispute statement that does not challenge the accuracy or completeness of an item in the consumer's file, it may accept such a statement and may charge a fee for doing so.

5. Reinvestigation of a Debt A consumer reporting agency must reinvestigate if a consumer conveys to it a dispute concerning the validity or status of a debt, such as whether the debt was owed by the consumer, or whether the debt had subsequently been paid. For example, if a consumer alleges that a judgment reflected in the file as unpaid has been satisfied, or notifies a consumer reporting agency that a past due obligation reflected in the file as unpaid was subsequently paid, the consumer reporting agency must reinvestigate the matter. If a file reflects a debt discharged in bankruptcy without reflecting subsequent reaffirmation and payment of that debt, a consumer may require that the item be reinvestigated.

6. Status of a Debt The consumer reporting agency must, upon reinvestigation, ''record the current status'' of the disputed item. This requires inclusion of any information relating to a change in status of an ongoing matter (e.g., that a credit account had been closed, that a debt shown as past due had subsequently been paid or discharged in bankruptcy, or that a debt shown as discharged in bankruptcy was later reaffirmed and/or paid).

Dispute Conveyed to Party Other Than the Consumer Reporting Agency A consumer reporting agency is required to take action under this section only if the consumer directly

communicates a dispute to it. It is not required to respond to a dispute of information that the consumer merely conveys to others (e.g., to a source of information). (But see, however, discussion in section 607, item 3A, of consumer reporting agencies' duties to correct errors that come to their attention.)

8. Dispute Conveyed to the Consumer Reporting Agency by a Party Other Than the Consumer A consumer reporting agency need not reinvestigate a dispute about a consumer's file raised by any third party, because the obligation under the section arises only where an ''item of information in his file is disputed by the consumer.''

9. Consumer Disclosures and Adverse Action Not Prerequisites to Reinvestigation Duty A consumer reporting agency's obligation to reinvestigate disputed items is not contingent upon the consumer's having been denied a benefit or having asserted any rights under the FCRA other than disputing items of information.

10. Reasonable Period of Time A consumer reporting agency is required to reinvestigate and record the current status of disputed information within a reasonable period of time after the consumer conveys the dispute to it. Although consumer reporting agencies are able to reinvestigate most disputes within 30 days, a ''reasonable time'' for a particular reinvestigation may be shorter or longer depending on the circumstances of the dispute. For example, where the consumer provides documentary evidence (e.g., a certified copy of a court record to show that a judgment has been paid) when submitting the dispute, the creditor may require a shorter time to reinvestigate. On the other hand, where the dispute is more complicated than normal (e.g., the consumer alleges in good faith that a creditor has falsified its report of the consumer's account history because of a personal grudge), the ''reasonable time'' needed to conduct the reinvestigation may be longer.

11. Frivolous or Irrelevant The mere presence of contradictory information in the file does not provide the consumer reporting agency ''reasonable grounds to believe that the dispute by the consumer is frivolous or irrelevant.'' A consumer reporting agency must assume a consumer's dispute is bona fide, unless there is evidence to the contrary. Such evidence may constitute receipt of letters from consumers disputing all information in their files without providing any allegations concerning the specific items in the files, or of several letters in similar format that indicate that a particular third party (e.g., a ''credit repair'' operator) is counseling consumers to dispute all items in their files, regardless of whether the information is known to be accurate. The agency is not required to repeat a reinvestigation that it has previously conducted simply because the consumer reiterates a dispute about the same item of information, unless the consumer provides additional evidence that the item is inaccurate or incomplete, or alleges changed circumstances.

12. Deletion of Accurate Information That has not Been Disputed The consumer reporting agency is not required to delete accurate information that could not be verified upon reinvestigation, if it has not been ''disputed by a consumer.'' For example, if a creditor deletes adverse information from its files with the result that information could not be reverified if disputed, it is still permissible for a consumer reporting agency to report it (subject to the obsolescence provisions of section 605) until it is disputed.

13. Consumer Dispute Statements on Multiple Items A consumer who disputes multiple items of information in his file may submit a one hundred word statement as to each disputed item.

14. Conveying Dispute Statements to Recipients of Subsequent Reports. A consumer reporting agency may not merely tell the recipient of a subsequent report containing disputed information that the consumer's statement is on file but will be provided only if requested, because subsection (c) requires the agency to provide either the statement or ''a clear and accurate codification or summary thereof.''

Section 612—Charges for Certain Disclosures ''A consumer reporting agency shall make all disclosures pursuant to section 609 and furnish all consumer reports pursuant to section 611(d) without charge to the consumer if, within thirty days after receipt by such consumer of a notification pursuant to section 615 or notification from a debt collection agency affiliated

with such consumer reporting agency stating that the consumer's credit rating may be or has been adversely affected, the consumer makes a request under section 609 or 611(d). Otherwise, the consumer reporting agency may impose a reasonable charge on the consumer for

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making disclosure to such consumer pursuant to section 609, the charge for which shall be indicated to the consumer prior to making disclosure; and for furnishing notifications, statements, summaries, or codifications to persons designated by the consumer pursuant to section 611(d), the charge for which shall be indicated to the consumer prior to furnishing such information and shall not exceed the charge that the consumer reporting agency would impose on each designated recipient for a consumer report except that no charge may be made for notifying such persons of the deletion of information which is found to be inaccurate or which can no longer be verified.''

1. Irrelevance of Subsequent Grant of Credit or Reason for Denial A consumer denied credit because of a consumer report from a consumer reporting agency has the right to a free disclosure from that agency within 30 days of receipt of the section 615(a) notice, even if credit was subsequently granted or the basis of the denial was that the references supplied by the consumer are too few or too new to appear in the credit file.

2. Charge for Reinvestigation Prohibited This section does not permit consumer reporting agencies to charge for making the reinvestigation or following other procedures required by section 611 (a)–(c).

3. Permissible Charges for Services Requested by Consumers A consumer reporting agency may charge
fees for creating files on consumers at their request, or for other services not required by the FCRA that are requested by consumers.

Section 613—Public Record Information for Employment Purposes ''A consumer reporting agency which furnishes a consumer report for employment purposes and which for that purpose compiles and reports items of information on consumers which are matters of public record and are likely to have an adverse effect upon a consumer's ability to obtain employment shall—

(1) at the time such public record information is reported to the user of such consumer report, notify the consumer of the fact that public record information is being reported by the consumer reporting agency, together with the name and address of the person to whom such information is being reported; or

(2) maintain strict procedures designed to insure that whenever public record information which is likely to have an adverse effect on a consumer's ability to obtain employment is reported it is complete and up to date. For purposes of this paragraph, items of public record relating to arrests, indictments, convictions, suits, tax liens, and outstanding judgments shall be considered up to date if the current public record status of the item at the time of the report is reported.''

1. Relation to Other Sections A consumer reporting agency that complies with section 613(1) must also follow reasonable procedures to assure maximum possible accuracy, as required by section 607(b).

2. Alternate Methods of Compliance A consumer reporting agency that furnishes public record information for employment purposes must comply with either subsection (1) or (2), but need not comply with
both.

3. Information From Another Consumer Reporting Agency If a consumer reporting agency uses information or reports from other consumer reporting agencies in a report for employment purposes, it must comply with this section.

4. Method of Providing Notice A consumer reporting agency may use first class mail to provide the notice required by subsection (1).

5. Waiver The procedures required by this section cannot be waived by the consumer to whom the report relates.
Section 614—Restrictions on Investigative Consumer Reports ''Whenever a consumer reporting agency prepares an investigative consumer report, no adverse information in the consumer report (other than information which is a matter of public record) may be included in a subsequent consumer report unless such adverse information has been verified in the process of making such subsequent consumer report, or the adverse information was received within the three-month period preceding the date the subsequent report is furnished.''
Section 615—Requirements on Users of Consumer Reports (a) Whenever credit or insurance for personal, family, or household purposes, or employment involving a consumer is denied or the charge for such credit or insurance is increased either wholly or partly because of information contained in a consumer report from a consumer reporting agency, the user of the consumer report shall so advise the consumer against whom such adverse action has been taken and supply the name and address of the consumer reporting agency making the report.

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(b) Whenever credit for personal, family, or household purposes involving a consumer is denied or the charge for such credit is increased either wholly or partly because of information obtained from a person other than a consumer reporting agency bearing upon the consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living, the user of such information shall, within a reasonable period of time, upon the consumer's written request for the reasons for such adverse action received within 60 days after learning of such adverse action, disclose the nature of the information to the consumer. The user of such information shall clearly and accurately disclose to the consumer his right to make such written request at the time such adverse action is communicated to the consumer. (c) No person shall be held liable for any violation of this section if he shows by a preponderance of the evidence that at the time of the alleged violation he maintained reasonable procedures to assure compliance with the provisions of subsections (a) and (b).''
1. Relation to Other Sections and Regulation B Sections 606 and 615 are the only two sections that require users of reports to make disclosures to consumers. Section 606 applies only to users of ''investigative consumer reports.'' Creditors should not confuse compliance with section 615(a), which only requires disclosure of the name and address of the consumer reporting agency, and compliance with the Equal Credit Opportunity Act, 15 U.S.C. 1691 *et seq.* and Regulation B, 12 C.F.R. 202, which require disclosure of the *reasons* for adverse action. Compliance with section 615(a), therefore, does not constitute compliance with Regulation B.
2. Limited Scope of Requirements The section does not require that creditors disclose their credit criteria or standards or that employees furnish copies of personnel files to former employees. The section does not require that the user provide any kind of advance notification to consumers before a consumer report is obtained. (See section 606 regarding notice of investigative consumer reports.)
3. Method of Disclosure The disclosures required by this section need not be made in writing. However, users will have evidence that they have taken reasonable steps to comply with this section if they provide written disclosures and retain copies for at least two years, the applicable statute of limitations for most civil liability actions under the FCRA.
4. Adverse Action Based on Direct Information This section does not require that a user send any notice to a consumer concerning adverse action regarding that consumer that is based neither on information from a consumer reporting agency nor on information from a third party. For example, no disclosures are required concerning adverse action based on

information provided by the consumer in an application or based on past experience in direct transactions with the consumer.
5. Creditors Using ''Prescreened'' Mailing Lists A creditor is not required to provide notices regarding consumer reporting agencies that prepare mailing lists by ''prescreening'' because they do not involve consumer requests for credit and credit has not been denied to consumers whose names are deleted from a list furnished to the agency for use in this procedure. See discussion of ''prescreening,'' under section 604(3)(A), item 6, *supra.*
6. Applicability to Users of Motor Vehicle Reports An insurer that refuses to issue a policy, or charges a higher than normal premium, based on a motor vehicle report is required to comply with subsection(a).
7. Securities and Insurance Transactions A consumer report user that denies credit to a consumer in connection with a securities transaction must provide the required notice, because the denial is of ''credit * * * for personal purposes,'' unless the consumer engages in such transactions as a business.
8. Denial of Employment An employer must provide the notice required by subsection (a) to an individual who has applied for employment and has been rejected based on a consumer report. However, an employer is not required to send a notice when it decides not to offer a position to an individual who has not applied for it, because in this case employment is not ''denied.'' (See discussion in section 606, item 4, *supra.*)
9. Adverse Action Involving Credit A creditor must provide the required notice when it denies the consumer's request for credit (including a rejection based on a scoring system, where a credit report received less than the maximum number of points possible and caused the application to receive an insufficient score), denies the consumer's request for increased credit, grants credit in an amount less than the consumer requested, or raises the charge for credit.

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10. Adverse Action Not Involving Credit, Insurance or Employment The Act does not require that a report user provide any notice to consumers when taking adverse action not relating to credit, insurance or employment. For example, a landlord who refuses to rent an apartment to a consumer based on credit or other information in a consumer report need not provide the notice. Similarly, a party that uses credit or other information in a consumer report as a basis for refusing to accept payment by check need not comply with this section. Checks have historically been treated as cash items, and thus such refusal does not involve a denial of credit, insurance or employment.
11. Adverse Action Based on Non-derogatory Adverse Information A party taking adverse action concerning credit or insurance or denying employment, ''wholly or partly because of information contained in a consumer report,'' must provide the required notice, even if the information is not derogatory. For example, the user must give the notice if the denial is based wholly or partly on the absence of a file or on the fact that the file contained insufficient references.
12. Name and Address of the Consumer Reporting Agency The ''section 615(a)'' notice must include the consumer reporting agency's street address, not just a post office box address.
13. Agency To Be Identified The consumer report user should provide the name and address of the consumer reporting agency from which it obtained the consumer report, even if that agency obtained all or part of the report from another agency.
14. Denial Based Partly on a Consumer Report A ''section 615(a)'' notice must be sent even if the adverse action is based only partly on a consumer report.
15. Denial of Credit Based on Information From ''Third Parties'' Subsection (b) imposes requirements on a creditor when it denies (or increases the charge for) credit for personal, family or household purposes involving a consumer, based on information from a ''third party'' source, which means a source *other* than the consumer reporting agency, the creditor's

own files, or the consumer's application (e.g., creditor, employer, landlord, or the public record). Where a creditor denies a consumer's application based on information obtained directly from another lender, even if the lender's name was furnished to the creditor by a consumer reporting agency, the creditor must give a ''third party'' disclosure.
16. Substance of Required ''Third Party'' Disclosures When the adverse action is communicated to the consumer, the creditor must clearly and accurately disclose to the consumer his or her right to make a written request for the disclosure of the nature of the third party information that led to the adverse action. Upon timely receipt of such a request, however, the creditor need disclose only the nature of the information that led to the adverse action (e.g., history of late rent payments or bad checks); it need not identify the source that provided the information or the criteria that led to the adverse action. A creditor may comply with subsection (b) by providing a statement of the nature of the third party information that led to the denial when it notifies the consumer of the denial. A statement of principal, specific reasons for adverse action based on third party information that is sufficient to comply with the requirements of the Equal Credit Opportunity Act (e.g., ''unable to verify employment'') is sufficient to constitute disclosure of the ''nature of the information'' under subsection (b).
Section 616—Civil Liability for Willful Noncompliance Section 616 permits consumers who sue and prove willful noncompliance with the Act to recover actual damages, punitive damages, and the costs of the action, together with reasonable attorney's fees. *Section 617—Civil Liability for Negligent Noncompliance* Section 617 permits consumers who sue and prove negligent noncompliance with the Act to recover actual damages and the costs of the action, together with reasonable attorney's fees.
Section 618—Jurisdiction of Courts; Limitation of Actions Section 618 provides that any action brought under section 616 or section 617 may be brought in any United States district court or other court of competent jurisdiction. Such suit must be brought within two years from the date on which liability arises, unless a defendant has materially and willfully misrepresented information the Act requires to be disclosed, and the information misrepresented is material to establishment of the defendant's liability. In that event, the action must be brought within two years after the individual discovers the misrepresentation.

16 CFR Ch. I (1–1–05 Edition) Pt. 600, App.
Section 619—Obtaining Information Under False Pretense Section 619 provides criminal sanctions against any person who knowingly and willfully obtains information on a consumer from a consumer reporting agency under false pretenses.
1. Relation to Other Sections The presence of this provision does not excuse a consumer reporting agency's failure to follow reasonable procedures, as required by section 607(a), to limit the furnishing of consumer reports to the purposes listed under section 604.
Section 620—Unauthorized Disclosures by Officers or Employees Section 620 provides criminal sanctions against any officer or employee of a consumer reporting agency who knowingly and willfully provides information concerning an individual from the agency's file to a person not authorized to receive it.
Section 621—Administrative Enforcement This section gives the Federal Trade Commission authority to enforce the Act with respect to consumer reporting agencies, users of reports, and all others, except to the extent that it gives enforcement jurisdiction specifically to some other agency. Those excepted from the Commission's enforcement jurisdiction include certain financial institutions regulated by Federal agencies or boards, Federal credit unions, common carriers subject to acts to regulate commerce, air carriers, and parties subject to the Packers and Stockyards Act, 1921.
1. General The Commission can use its cease-and-desist power and other procedural, investigative and enforcement powers which it has under the FTC Act to secure compliance, irrespective of commerce or any other jurisdictional tests in the FTC Act.
2. Geographic Coverage The Commission's authority encompasses the United States, the District of Columbia, the Commonwealth of Puerto Rico, and all United States territories but does not extend to activities outside those areas.

3. Status of Commission Commentary and Staff Interpretations The FCRA does not give any Federal agency authority to promulgate rules having the force and effect, of statutory provisions. The Commission has issued this Commentary, superseding the eight formal Interpretations of the Act (16 CFR 600.1–600.8), previously issued pursuant to § 1.73 of the Commission's Rules, 16 CFR 1.73. The Commentary does not constitute substantive rules and does not have the force or effect of statutory provisions. It constitutes guidelines to clarify the Act that are advisory in nature and represent the Commission's views as to what particular provisions of the Act mean. Staff opinion letters constitute staff interpretations of the Act's provisions, but do not have the force or effect of statutory provisions and, as provided in § 1.72 of the Commission's Rules, 16 CFR 1.72, do not bind the Commission.
Section 622—Relation to State Laws ''This title does not annul, alter, affect, or exempt any person subject to the provisions of this title from complying with the laws of any State with respect to the collection, distribution, or use of any information on consumers, except to the extent that those laws are inconsistent with any provision of this title, and then only to the extent of the inconsistency.''
1. Basic Rule State law is pre-empted by the FCRA only when compliance with inconsistent State law would result in violation of the FCRA.
2. Examples of Statutes that are not Preempted A State law requirement that an employer provide notice to a consumer before ordering a consumer report, or that a consumer reporting agency must provide the consumer with a written copy of his file, would not be pre-empted, because a party that complies with such provisions would not violate the FCRA.
3. Examples of Statutes that are Pre-empted A State law authorizing grand juries to compel consumer reporting agencies to provide consumer reports, by means of subpoenas signed by a court clerk, is pre-empted by the FCRA's requirement that such reports be furnished only pursuant to an ''order of the court'' signed by a judge (section 604(1)), or furnished for other purposes not applicable to grand jury subpoenas (section 604 (2)–
(3)), and by section 607(a). A State statute requiring automatic disclosure of a deletion or dispute statement to every person who has previously received a consumer report containing the disputed information, regardless of whether the consumer designates such persons to receive this disclosure, is preempted by section 604 of the FCRA, which permits disclosure only for specified, permissible purposes and by section 607(a), which requires consumer reporting agencies to limit the furnishing of consumer reports to purposes listed under section 604. Absent a specific designation by the consumer, the consumer reporting agency has no reason to believe all past recipients would have a

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present, permissible purpose to receive the reports.
4. Statute Providing Access for Enforcement Purposes A State ''little FCRA'' that permits State officials access to a consumer reporting agency's files for the purpose of enforcing that statute just as Federal agencies are permitted access to such files under the FCRA, is not pre-empted by the FCRA. (Information collection requirements in this appendix were approved by the Office of Management and Budget under control number 3084–0091)
[55 FR 18808, May 4, 1990, as amended at 57 FR 4935, Feb. 11, 1992; 60 FR 45660, Sept. 1, 1995]

PART 601—SUMMARY OF CONSUMER RIGHTS, NOTICE OF USER RESPONSIBILITIES, AND NOTICE OF FURNISHER RESPONSIBILITIES UNDER THE FAIR CREDIT REPORTING ACT
Sec. 601.1 Authority and purpose.
601.2 Legal effect.
APPENDIX A TO PART 601—PRESCRIBED SUMMARY OF CONSUMER RIGHTS
APPENDIX B TO PART 601—PRESCRIBED NOTICE OF FURNISHER RESPONSIBILITIES

APPENDIX C TO PART 601—PRESCRIBED NOTICE OF USER RESPONSIBILITIES
AUTHORITY: 15 U.S.C. 1681g and 1681s.
SOURCE: 62 FR 35589, July 1, 1997, unless otherwise noted. EFFECTIVE DATE NOTE: At 69 FR 69784, Nov. 30, 2004, part 601 was removed and reserved, effective Jan. 31, 2005.

§ 601.1 Authority and purpose.

(a) *Authority.* This part is issued by the Commission pursuant to the provisions of the Fair Credit Reporting Act (15 U.S.C. 1681 et seq.), as most recently amended by the Consumer Credit Reporting Reform Act of 1996 (Title II, Subtitle D, Chapter 1, of the Omnibus Consolidated Appropriations Act for Fiscal Year 1997), Public Law 104–208, 110 Stat. 3009–426 (Sept. 30, 1996).

(b) *Purpose.* The purpose of this part is to comply with sections 607(c) and 609(c) of the Fair Credit Reporting Act, as amended. Section 609(c)(3) directs the FTC to prescribe the form and content of a summary of consumers' legal rights under the FCRA that the amended law requires each consumer reporting agency to provide when disclosing the information in its file to consumers, and section 609(c)(4) provides that the summary need not be provided until the FTC has in fact prescribed its form and content. Section 607(d)(2) directs the FTC to prescribe the content of notices that consumer reporting agencies are required to provide to parties that supply information to, or purchase consumer reports from, the agency. These notices will set forth the responsibilities under the FCRA of all persons who furnish information to consumer reporting agencies or use information subject to the FCRA.

§ 601.2 Legal effect.

The forms prescribed by the FTC do not constitute a trade regulation rule. They carry out the directive in the statute that the FTC prescribe the summary and notices. A consumer reporting agency that provides notices substantially similar to those prescribed by the FTC will be in compliance with Section 607(d) or 609(c) of the FCRA, as applicable.

APPENDIX A TO PART 601—PRESCRIBED SUMMARY OF CONSUMER RIGHTS

The prescribed form for this summary is as a separate document, on paper no smaller than 81⁄2 × 11 inches in size, with text no less than 12-point type (8-point for the chart of federal agencies), in bold or capital letters as indicated. The form in this appendix prescribes both the content and the sequence of items in the required summary. A summary may accurately reflect changes in numerical items that change over time (e.g., dollar amounts, or phone numbers and addresses of federal agencies), and remain in compliance.

Attachment 7: FTC Opinion letters

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

Division of Credit
Practices
Clarke W. Brinckerhoff
Attorney
202-326-3224

June 9, 1998

Ms. Gail Goeke
LATHROP & GAGE
2345 Grand Boulevard
Kansas City, MO 64108

Re: Criminal records checks -- FCRA §§603(d), 603(f), 607(e)

Dear Ms. Goeke:

This responds to your letter concerning the application of the amended Fair Credit Re-porting Act ("FCRA") to criminal records checks done for employ-ment purposes. You report that state law requires certain employers (including members of the hospital association you represent) to request criminal records checks on employees within two working days of their hiring. Employers comply by obtaining from the Highway Patrol for $5.00 a list of convic-tions, which you have told us is public data available for that fee to anyone. Your questions and the response of the Commission staff are set forth below.

1. When a hospital employer, in compliance with state law, requests a criminal records check from the State Highway Patrol, must the employer comply with the FCRA?

No. In our view, a state agency that is providing information that is generally available to the public should not be considered a "consumer reporting agency" (CRA) under the FCRA, and the communication of that data by such an agency to an employer or other party should not be considered a "consumer report." While it is possible to interpret the very broad terminology in the definitions of those two terms set forth in Sections 603(d) and 603(f) to cover such public record sources,[(1)] some FCRA provisions cannot be sensibly applied to them. Most significantly, such public agencies could provide data only to parties who need it for a "permissible purpose" as defined in Section 604 of the FCRA,[(2)] which would be entirely con-trary to their basic mission as a source of public record information.[(3)] Therefore, if treated as CRAs, they would be forced to refuse access to parties who seek criminal records information for such common and useful purposes as research and journalistic endeavors, or for aid in law enforcement.

2. Is the Highway Patrol required to limit the information to seven years?

No. This question highlights one of the reasons it is inadvisable to consider public rec-ord

offices to be CRAs. Section 605 of the FCRA prohibits consumer reporting agencies from reporting adverse information to employers if it is more than seven years old. If criminal rec-ords sources were considered to be CRAs, they would thus be forbidden by Section 605 from telling any employer about an applicant's 7½-year-old felony conviction. There is nothing in the legislative history to indicate that Congress intended to require the Highway Patrol to with-hold important publicly available conviction information, even if it is over seven years old.

3. If the hospital association sets up a company to serve as a conduit to funnel criminal records requests from employer hospitals to the Highway Patrol, and the reports from the Patrol to the hospitals for a slight fee, does the company become a reseller under the FCRA?

No. Section 607(e), the provision that imposes duties on resellers, applies only to those who "procure a consumer report for purposes of reselling the report . . ." (emphasis added). Because the Highway Patrol would not be making a "consumer report" to the conduit, it is our view that the conduit would not be a reseller subject to this provision if its function was only to "funnel criminal records requests from employer hospitals to the Highway Patrol" as you indicate.[(4)]

Section 607(e)(1) requires a reseller to disclose to a CRA both the identity of the end-user of the report and each permissible purpose. Neither of these disclosures can be sensibly applied to a party consulting a public source that makes information available to all comers, such as the five-dollar Highway Patrol report discussed in your letter. The Highway Patrol must sell the information to anyone; it thus has no reason to know the identity,[(5)] or purpose, of the end-user of the report.

The opinions set forth in this informal staff letter are not binding on the Commission.

Sincerely yours,

Clarke W. Brinckerhoff

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1. Section 603(d)(1) states:

The term "consumer report" means any written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in estab-lishing the consumer's eligibility for (A) credit or insurance to be used primari-ly for personal, family, or household purposes; (B) employment purposes; or (C) any other purpose authorized under section 604.

Section 603(f) states:

The term "consumer reporting agency" means any person which, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties, and which uses any means or facility of interstate commerce for the purpose of preparing or furnishing consumer

reports.

2. Section 604 is designed to protect consumers' privacy interest in the files of credit bureaus and other consumer reporting agencies by limiting access to that data to parties who have one of the enumerated "permissible purposes" for the information. The most common purpose is afforded to a business (creditor, employer, insurer, landlord) to evaluate a consumer's application. The other listed purposes are the order of a court, written authorization of the con-sumer, review of an employee or credit account holder, and review by certain governmental authorities in order to establish or enforce a child support obligation.

3. Similarly, if public sources such as the Highway Patrol were CRAs, Section 609(a)(3) would require them to develop the capacity to tell every individual how many parties had checked his or her criminal history within the last 1-2 years. See footnote 5, below.

4. Although the conduit would not be a reseller subject to Section 607(e), it would probably be a "consumer reporting agency" as defined in Section 603(f), quoted in footnote 1 above, and thus subject to other FCRA provisions applicable to CRAs. The enclosed opinion letters (*LeBlanc*, 6/9/98; *Islinger*, 6/9/98) discusses that issue in some detail.

5. Contrariwise, the identity of the end user is critical to allow a credit bureau to comply with its duty to disclose to consumers the identities of recipients of their credit history under Section 609(a)(3). This information enables consumers to know if some party obtained their credit history improperly.

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WASHINGTON, D.C. 20580

Division of Credit
Practices
~
Helen Goff Foster
Attorney

August 27, 1998

Michael W. Haner
Electronic Security Service
6543 Ledbetter
Houston, Texas 77087

RE: Applicability of FCRA to Commercial Credit Reports

Dear Mr. Haner:

This is in response to your letter concerning the applicability of the Fair Credit Reporting Act ("FCRA") to reports disseminated by Dun & Bradstreet ("D&B"). Your letter indicates

that you are the sole proprietor in a business. You ask whether D&B's report on your business is a consumer report under the FCRA, because you are personally liable for the financial obligations of the business and the report contains information on you personally in its discussion of the company history. In our opinion, it is not.

Section 603(d) of the FCRA specifically defines "consumer report" as the communication of information which bears on the *consumer's* credit, character, general reputation, personal characteristics, or mode of living and "which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer's eligibility" for credit, insurance, employment or other permissible purpose. In the scenario you present, D&B reports information that it collects, and expects to be used, to evaluate your business. Neither your personal liability for the debts of that business, nor the inclusion of personal information about you in the report, changes the fact that the information in the report is collected and provided for commercial purposes. Commentary to the Fair Credit Reporting Act, 16 C.F.R. Part 600 Appendix, 55 Fed. Reg. 18,804, 18,810 (May 4, 1990), comment 603(d)-3C. Thus, the D&B report you describe is a commercial report, which is not subject to the provisions of the FCRA.

You have posed two additional questions regarding the applicability of specific FCRA provisions to your scenario. In light of our conclusion that the FCRA does not apply to the report you describe, however, the remaining two questions are moot.

The opinions set forth in this informal staff letter are not binding on the Commission.

Sincerely,

Helen G. Foster

UNITED STATES OF AMERICA
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WASHINGTON, D.C. 20580

Division of Credit
Practices
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Thomas E. Kane
Attorney

September 9, 1998

Michael R. Novak
Vice President & Director of Retail Banking
Cohoes Savings Bank
Cohoes, New York 12047

Re: Section 603(d) of the Fair Credit Reporting Act
Dear Mr. Novak:

This responds to your request for a staff opinion concerning whether the Fair Credit Reporting Act ("FCRA") permits your bank ("the Bank") to share information about the

Bank's customers with investment representatives ("IRs"). Based on your letter and our telephone conversation, it is my understanding that the relevant facts are as follows. From their desks in the Bank's lobbies, the IRs sell securities and insurance products created by a number of different entities. These entities have authorized a broker/dealer corporation ("the Broker"), which is not an affiliate of the Bank, to sell the products. The Broker leases the space in the Bank's locations where the IRs have their desks. The IRs sign agreements with the Broker. The Broker holds the IRs' securities and insurance licenses and is responsible for ensuring that the IRs comply with applicable securities and insurance laws.

The IRs' salaries and benefits are paid by a wholly-owned subsidiary of the Bank ("the Subsidiary"). As president of the Subsidiary (in addition to your role as vice president of the Bank), you interview the candidates for IR positions and decide which of them will be hired. The IRs sign contracts with the Bank in which they agree to comply with the Bank's personnel rules and the Bank's rules regarding access to Bank records. On a day-to-day basis, the IRs are supervised by Bank employees. When IRs sell securities and insurance products, the Subsidiary receives a large portion of the commission.

Currently, Bank employees search through the Bank's customer databases, select customers who might be good candidates for the IRs' products, contact those customers, and ask them if they would like an IR to contact them. If the customer agrees to such a contact, the Bank employee passes the customer's name and contact information to the IR. The Bank wishes to adopt a different procedure for sharing information with the IRs. In that regard, you ask the following question:

If the Bank sufficiently discloses to its customers that it plans to share customer information with its affiliates, is the Bank permitted to share the information with the IRs so the IRs can contact the customer directly?

The FCRA prohibits the furnishing of "consumer reports" to any individual or entity that does not meet a permissible purpose to obtain such a report under Section 604 of the statute. Because the IRs meet none of the permissible purposes listed under Section 604, they may not obtain the Bank's customer information if such information meets the definition of "consumer report," found in Section 603(d). During our telephone conversation, you described two types of information that the Bank wishes to share with the IRs. The first type includes lists of customers such as all those who have savings account balances of $10,000 or more ("customer lists"). The second type includes information, obtained by the Bank from customer loan applications, regarding the customer's transaction with entities other than the Bank ("application information").

Both the customer lists and the application information meet the general definition of "consumer report" set out Section 603(d)(1), *i.e.*, the information bears on the customers' "credit worthiness, credit standing, [or] credit capacity" and is "used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer's eligibility for . . . credit or insurance." The next issue, then, is whether the two types of information are excluded from the definition of "consumer report" under Section 603(d)(2), the relevant portions of which read as follows:

The term "consumer report" does not include . . . any (i) report containing information solely as to transactions or experiences between the consumer and the person making the report;

(ii) communication of that information among persons related by common ownership or by corporate control; or (iii) communication of other information among persons related by common ownership or by corporate control, if it is clearly and conspicuously disclosed to

the consumer that the information may be communicated among such persons and the consumer is given the opportunity, before the time that the information is initially communicated, to direct that such information not be communicated among such persons

Customer Lists

Section 603(d)(2)(A)(i) refers to "information solely as to transactions or experiences between the consumer and the person making the report." Such "transaction or experience" information includes the length of time the customer has held a credit card issued by the Bank, the number of times the customer has been late in making a payment on such a credit card, and the average monthly balance in the customer's savings account. A list of the Bank's customers who have savings account balances of $10,000 or more also would constitute "transaction or experience" information and would therefore be excluded from the definition of "consumer report" under Section 603(d)(2)(A)(i). Thus, the Bank would not violate the FCRA if it shared such information with the IRs or any other entity that requested the information.

Application Information

Based on our telephone conversation, it appears that the second type of information that the Bank wishes to share with the IRs, application information, would include lists of the customer's assets and liabilities with entities other than the Bank, and lists of the names of companies from whom the customer has purchased insurance and securities. This information could not be the Bank's "transaction or experience" information because it includes only the customer's transactions with entities other than the Bank. Because this second type of information is not "transaction or experience" information, it is not excluded from the definition of "consumer report" under Sections 603(d)(2)(A)(i) or (ii).

The next issue is whether such information may be excluded from the definition under Section 603(d)(2)(A)(iii), the "affiliate-sharing" exclusion. Under that section, as long as the Bank provides the proper disclosures and the consumer has not objected to the communication, it is permitted to "communicate" any customer information to the IRs -- and the customer information is excluded from the definition of "consumer report"-- if the IRs are "persons related by common ownership or by corporate control," i.e., "affiliates." The Subsidiary itself is an affiliate of the Bank, of course. We believe that the IRs are affiliates as well because they are employees of the Subsidiary. This conclusion is based on the following facts that we understand to be true: (1) the Subsidiary pays the IRs' salaries and benefits; (2) the IRs are supervised primarily by Bank employees; (3) the Subsidiary receives a large portion of the commissions that consumers pay for the insurance and securities products; and (4) the IRs would be obtaining the Bank's information only to select which consumers to contact about the insurance and securities products, rather than to forward the information to the Broker or the entities that created the insurance and securities products. (On this fourth point, we note that neither the Broker nor the other entities are "affiliates" of the Bank.) Because we conclude that the IRs are employees of a Bank affiliate, the Bank may communicate to the IRs all information obtained from customer loan applications regarding the customer's transactions with entities other than the Bank, as long as the Section 603(d)(2)(A)(iii) disclosure requirements are met. As noted above, that subsection requires that it be "clearly and conspicuously disclosed to the consumer that the information may be communicated among such persons and the consumer is given the opportunity, before the time that the information is initially communicated, to direct that such information not be communicated among such persons."

The views set forth in this informal staff opinion are those of the staff and are not binding on

the Commission. Please recognize that Section 621(e) of the FCRA authorizes the Board of Governors of the Federal Reserve System to issue interpretations of the FCRA, to the extent that the statute applies to banks and other financial institutions enumerated in that section.

Sincerely,

Thomas E. Kane

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Division of Financial
Practices
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Helen Goff Foster
Attorney

November 20, 1998

Ms. Linda J. Throne
Bodman, Longley & Dahling
229 Court Street
Cheboygan, Michigan 49721

Re: "Joint users" -- FCRA §§603(f) and 604(a)(3)(A)

Dear Ms. Throne:

This is in response to your correspondence concerning the Fair Credit Reporting Act ("FCRA"). You indicate that your bank client uses a loan application format which includes a section where the consumer may request that the bank forward the application to another lender if the bank is unable to make the loan. You ask whether the joint user exception to the definition of consumer reporting agency, found in the Federal Trade Commission Commentary on the FCRA ("the Commentary"), requires the disclosure to the consumer of the identity of the additional lenders to whom a loan application may be forwarded. We conclude that it does not.

As you note, Comment 603(f)-(8) takes the view that the FCRA definition of consumer reporting agency does not include a creditor that qualifies as a "joint user" with another party involved in evaluating a consumer's loan application. It states, in pertinent part:

Entities that share consumer reports with others that are jointly involved in decisions for which there are permissible purposes to obtain reports may be "joint users" rather than consumer reporting agencies. For example, if a lender forwards consumer reports . . . to another creditor for use in considering a consumer's loan application at the consumer's

request, the lender does not become a consumer reporting agency by virtue of such action.

16 C.F.R. 600 Appendix; 55 Fed. Reg.. 18,813 (May 4, 1990). In short, the Commentary treats entities as "joint users" when both parties are considering the same loan application and both have a permissible purpose.[1] The situation you present is the one set forth in the commentary example -- your client and the additional creditors to whom they forward a consumer's loan application are involved in the evaluation of a particular consumer loan application. Further, there is no doubt that your client has a permissible purpose in obtaining a consumer report in connection with a consumer's application for credit under Section 604(a)(3)(A). However, in order for the additional creditors to whom your client forwards the loan application to have a permissible purpose to obtain a consumer report, the potential credit transaction must be initiated by the consumer. For this reason, the Commentary notes that a lender may forward a loan application to another lender *at the consumer's request*. Accordingly, your client must obtain the consumer's consent prior to forwarding such information to additional lenders.

The FCRA and the Commentary are uniformly silent on what form such authorization should take. In light of this, we conclude that the inclusion in your client's loan application of a section which enables the consumer to indicate consent for the loan application file to be forwarded to "other lenders" would be sufficient to satisfy the requirement that subsequent creditors have a permissible purpose to receive the consumer report included in the file. Such action can only be taken, however, in pursuit of the approval of the loan application.

I hope that this information is helpful to you. The views expressed in this letter are those of the staff and do not necessarily represent the views of the Commission or of any individual Commissioner.

Sincerely,

Helen G. Foster

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1. Although the Commentary employs the term "joint user" to describe the two parties, its focus is not the *use* two parties make of a consumer report, but rather to determine whether one user is to be considered a "consumer reporting agency" under Section 603(f) if it simply forwards the report to a second such party.

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David Medine
Associate Director
Division of Financial
Practices

Direct Dial: 202-326-3224
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August 31, 1999

Ms. Susan R. Meisinger
Society for Human Resource Management
1800 Duke Street
Alexandria, Virginia 22314

Dear Ms. Meisinger:

Chairman Pitofsky has asked me to respond to your letter dated June 23, 1999, which sets forth your view that practical problems exist in applying the Fair Credit Reporting Act ("FCRA") to reports made to employers by third parties they hire to investigate allegations of sexual harassment or other workplace misconduct.

The cause of your concern is a staff opinion letter (*Vail*, 04/05/99) that states that a report to an employer by an investigative agency may be an "investigative consumer report" as defined in Sections 603(e) of the FCRA. If a report to an employer is a consumer report, the FCRA requires employers to obtain the report subject's consent before procuring the report, and make certain disclosures (which may include providing a copy of the report itself) to that individual. The staff opinion letter is an analysis of current law in response to a request for our interpretation of the terms of the FCRA as enacted by Congress.

We appreciate and are sympathetic to the practical problems that exist in applying the FCRA to investigations by third parties of workplace misconduct, enumerated in your June 23 letter. Of course, when Congress enacted its FCRA reforms in 1996, it could not have foreseen the two 1998 Supreme Court cases referenced in your letter. Prior opinion letters by our staff addressed some of the problems you note, and sought to help employers comply with the FCRA where it applies to reports they obtain from third parties.[(1)] Thus, we pointed out that an employee's consent to procurement of a consumer report, required by Section 604(b)(2)(A)(ii), can be routinely obtained at the start of employment, thereby relieving the employer of the awkward prospect of having to ask a suspected wrongdoer for permission to allow a third party to provide an investigative (or other) consumer report to the employer (*Brisch*, 06/11/98; *James*, 08/05/98). Employers seeking to obtain reports on employees can meet the disclosure requirements of 606(a)(1) and 604(b)(2)(A)(i) in a similar fashion (*Brisch*, 06/11/98). Another way for an employer to comply with these FCRA requirements without alerting a suspected wrongdoer is to ask all current employees to sign a consent form, and provide them any required notice, at the same time (*James*, 08/05/98). To assist an employer who will be required by Section 604(b)(3)(A)(i) to provide a copy of a report to an employee prior to adverse action,[(2)] an investigative agency may draft its report

to the employer to minimize risks attendant to such disclosure, most importantly by not naming parties that provide negative information regarding the employee (*Hahn*, 07/08/98).

Section 621(a)(4) specifies that the Commission is not permitted to issue rules or other regulations with respect to the FCRA. Therefore, any changes or exceptions must come from Congress. However, when the staff is asked to interpret the statute, we respond by informal letters as we did to Ms. Vail. We also do our best to assist affected parties to comply with the FCRA, as we did in that letter and in correspondence to others cited above. Please take this letter in the same spirit, and feel free to call on me if you have further questions about the FCRA.

Copies of the letters (also found at www.ftc.gov) cited above are enclosed.

Yours truly,

David Medine

Enclosures

cc:
The Honorable James Jeffords
The Honorable William Goodling
The Honorable Ida Castro

Endnotes:

1. We have also emphasized to employers that the FCRA does not apply to investigations they conduct themselves through their own personnel (*Pickett*, 07/10/98). Similarly, the FCRA would not apply where the employer uses a third party that does not "regularly engage" in preparing such reports and thus does not fall under the definition of "consumer reporting agency" set forth in Section 603(f).

2. The Vail letter makes it clear that the FCRA specifies no fixed "waiting period" that an employer must observe prior to terminating an employee for workplace misconduct based in whole or in part on a consumer report.

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Division of Financial
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Bureau of Consumer
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Ronald G. Isaac
Attorney

April 29, 1999

Mr. Don Gowen
Senior Vice President
Security Mutual Financial Services, Inc.
1310 Cantwell Avenue, S.W.
Decatur, Alabama 35601

Dear Mr. Gowen:

This will respond to your letter posing a series of questions related to the efforts of creditors to market additional credit to current and former borrowers of closed end consumer credit. Your questions focus on the term "credit or insurance transaction that is not initiated by the consumer," which is used in the amended Fair Credit Reporting Act ("FCRA"), 15 U.S.C. §§ 1681-1681u, to refer to the practice of prescreening.[(1)] You observe that Section 603(m)(1) of the FCRA provides that this term does not include the use of a consumer report by a person with whom the consumer has an account or insurance policy for purposes of "reviewing the account or insurance policy," but the section offers no guidance as to what constitutes "reviewing." I believe your questions can be answered more easily by summarizing the treatment of current and former borrowers under the FCRA.

Current Borrowers

Section 604(a)(3)(A) of the FCRA gives a creditor a permissible purpose to obtain a consumer report without the consumer's consent "in connection with a credit transaction involving the consumer on whom the information is to be furnished and involving the extension of credit to, or review or collection of an account of the consumer." Section 604(a)(3)(F)(ii), which relates to deposit or other non-credit accounts, similarly provides a permissible purpose "to review an account to determine whether the consumer continues to meet the terms of the account." When obtaining consumer reports for such purposes, creditors need not comply with prescreening disclosure requirements because these transactions are exempt under Section 603(m)(1) of the FCRA.[(2)]

Your questions raise the issue of whether a creditor in a closed end credit transaction may exploit consumer reports obtained for "review" purposes in order to market its products or services. In the circumstances you described, we believe the answer is "no.". First, "review" is not a purpose for which a closed-end creditor would ordinarily need to obtain consumer reports on its customers. In commenting on the proposed provision which became Section 604(a)(3)(F)(ii), the Senate Committee on Banking, Housing, and

Urban Affairs stated:

Like creditors, banks and others may need to consult a consumer's report in order to determine whether the consumer's current account terms should be modified. For example, the institution may provide more favorable pricing terms after consulting the report. *The permissible purpose created by this provision, however, is limited to an account review for the purpose of deciding whether to retain or modify current account terms*. (emphasis added).[(3)]

The terms of a closed-end credit transaction are predetermined and generally may not be changed unilaterally by the creditor unless the contract expressly provides for such action (*e.g.*, in the event of default). Therefore, the creditor is unlikely to have a reason to consider "whether to retain or modify current account terms" and, thus, would not have any routine need to procure consumer reports to "review" its accounts. Second, the credit bureau must, pursuant to Section 607(a), require the creditor to "certify the purposes for which the information is sought, and *certify that the information will be used for no other purpose*." (emphasis added). Because Section 604(a) provides no authority for a creditor (or any party) to use a consumer report for marketing purposes,[(4)] a creditor would violate its certification by using an existing report in such a manner.

Former Borrowers

As the previously-quoted legislative history makes clear, "review" of an account under Section 604(a)(3) refers to an *existing* (i.e., open or current) account. A creditor has no *existing* business relationship with consumers whose closed end credit accounts have been paid off, *i.e.*, former borrowers. Hence, the creditor would either have to (1) obtain those consumers' written authorizations pursuant to Section 604(a)(2) to access their credit reports or (2) comply with the prescreening requirements set forth in Section 604(c) and, where applicable, Section 615(d).

Adverse Action

In response to your question, it is not considered an "adverse action" under the FCRA for a creditor to decide not to include a current borrower in a credit solicitation based in whole or in part on the creditor's review of consumer report information, whether that information is new or was previously acquired and retained in the borrower's file. Section 603(k) provides that with respect to actions involving credit, the term "adverse action" has the same meaning as the term is defined under the Equal Credit Opportunity Act ("ECOA"). Under the ECOA, adverse action must involve either (1) an "application" by the consumer[(5)] or (2) a termination of the consumer's account or an unfavorable change in the terms of that account that does not affect all or a substantial portion of the creditor's accounts within that class.[(6)] Failure to include a consumer in a solicitation for credit does not qualify as adverse action, as defined by the ECOA. Therefore, it does not constitute adverse action as defined by Section 603(k) of the FCRA.[(7)]

I trust this answers all of your questions. This is an informal staff opinion and is not binding on the Commission.

Sincerely,

Ronald G. Isaac

1. The Commission's Commentary on the Fair Credit Reporting Act defines "prescreening" as "the process whereby a consumer reporting agency compiles or edits a list of consumers who meet specific criteria and provides this list to the client or a third party (such as a mailing service) on a behalf of the client for use in soliciting these consumers for the client's products or services." 55 Fed. Reg. 18,815.

2. In commenting on Senate Bill 650, which contained provisions very similar to the ones enacted as the "Consumer Credit Reporting Reform Act of 1996," the Senate Committee on Banking, Housing, and Urban Affairs stated:

Section 603(m) makes it clear that the prescreening provisions of the FCRA do not apply where a consumer report is obtained by a creditor in connection with reviewing or collecting an *existing* account of the consumer for safety and soundness purposes, even if the creditor subsequently decides to change the credit available to the consumer (emphasis added).

S. Rep. No. 104-185 at 33 (1995). Hence, a creditor may obtain consumer reports for the purpose of reviewing its current closed end (or other) credit accounts without having to comply with the FCRA requirements applicable to prescreened transactions.

3. *Id.* at 35.

4. *Trans Union Corp. v. FTC*, 81 F. 3d 228, 234 (D.C. Cir. 1996).

5. Section 202.2(e) of Regulation B, the implementing regulation of the ECOA, defines "application" to mean "an oral or written request for an extension of credit that is made in accordance with procedures established by a creditor for the type of credit requested."

6. Section 202.2(c) of Regulation B.

7. See S. Rep. No. 104-185 at 32, which states:

The definition [adverse action] does not cover situations such as those where a creditor obtains consumer reports on its customers in connection with a review of its credit or other portfolio and, in connection with the review, a consumer's account is not changed, or is changed in a way that is not less favorable to the interest of that consumer, even if the accounts of other consumers are changed in a more favorable manner.

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Division of Financial Practices
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Clarke W. Brinckerhoff
Attorney
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202-326-3224

June 8, 1999

Gregory J. Shibley, Esquire
784 USHighway One, Suite 23
North Palm Beach, FL 33408

Dear Mr. Shibley:

This responds to your request for our view on whether Section 604(a)(3)(F) of the Fair Credit Reporting Act ("FCRA") provides a dentist with a permissible purpose to obtain a credit report on the parent of a minor child at the time of providing an initial free office visit, but before the parent has authorized any further course of treatment.

Section 604(a)(3)(F) permits consumer reporting agencies (such as credit bureaus) to provide consumer reports to any party who has a "legitimate business need for the information in connection with a business transaction that is initiated by the consumer." In the attached staff opinion letter (*Coffey*, 2/11/98), we discuss in some detail the application of that provision in the context of a consumer who enters an auto dealer's premises to inquire about products and prices. In that case, we concluded that such a query does not constitute a "business transaction that is initiated by the consumer" and that Section 604(a)(3)(F) therefore did not provide a permissible purpose. In the fact situation you pose, there is similarly no "business transaction." The acceptance of a complimentary initial visit to the dentist is analogous to an automobile "test drive" that the *Coffey* letter states is insufficient, standing alone, to provide a permissible purpose under Section 604(a)(3)(F). In those circumstances, therefore, we believe that this provision does not provide the dentist with a permissible purpose to obtain a credit report on the parent of the patient.

An alternative available to the dentist (also noted in the *Coffey* letter) would be to obtain the consumer's written consent, because Section 604(a)(2) provides a permissible purpose for a consumer report "[i]n accordance with the written *instructions* of the consumer to whom it relates." (Emphasis added.) You note that the parent signed a patient history form including the statement "I *understand* that *where appropriate*, credit bureau reports may be obtained." (Emphasis added.) Although you do not ask our opinion on the point, we believe that the quoted language is insufficient because it is more in the nature of a notification that a consumer report might be procured when a permissible purpose arises than a grant of permission by the consumer to the dentist to obtain a credit report. Credit card issuers, likewise, often choose to notify applicants that a consumer report will be obtained, even though they are not required to do so. Also, the term "where appropriate" may leave the consumer with the mistaken impression that the authorization is limited, while the dentist attempts to broadly construe the provision to permit procurement of a consumer report at

any time for any reason. However, if a consumer signs a document that clearly "authorizes" a party to procure his or her credit report, that party would have a permissible purpose under Section 604(a)(2) to obtain the report. *Hammons v. Enterprise Leasing Co.*, 993 F. Supp. 1388 (W.D.Okla. 1998).

The opinions set forth in this informal staff letter are not binding on the Commission.

Sincerely yours,

Clarke W. Brinckerhoff

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

Division of Financial
Practices
Bureau of Consumer
Protection
~
Ronald G. Isaac
Attorney

November 5, 1999

INDIVIDUAL'S NAME.
AND ADDRESS
WITHHELD

Re: Section 605(a)(1) of the Fair Credit Reporting Act
Dear Mr. :

This will respond to your letter inquiring whether Section 605(a)(1) of the Fair Credit Reporting Act ("FCRA") allows a consumer reporting agency to report the filing of an involuntary bankruptcy petition for more than seven years when the petition was dismissed without the entry of any order for relief and without any adjudication of bankruptcy, and when the consumer report does not fall within one of the exemptions set forth in Section 605(b).

You assert that, unlike a voluntary bankruptcy filed under Section 301 of the Bankruptcy Act, 11 U.S.C. § 301, there is no presumption or determination of bankruptcy for an involuntary bankruptcy petition filed under Section 303, 11 U.S.C. § 303, unless and until an order for relief is entered or an adjudication of bankruptcy is made by the court. Thus, you maintain, where a petition for involuntary bankruptcy has been dismissed with no entry of an order for relief, information regarding the involuntary petition does not qualify to be reported for ten years under Section 605(a)(1); rather, it should be reported no longer than seven years, as permitted for most other adverse items of information under Section 605(a) of the FCRA.

Section 605(a)(1) permits a consumer reporting agency to report the following information

for up to ten years:

Cases under title 11 [United States Code] or under the Bankruptcy Act that, from the date of entry of the order for relief or the date of adjudication, as the case may be, antedate the report by more than 10 years.

While there was no order for relief entered in the case you described in your letter, there was apparently an adjudication. You state, "After numerous hearings in the bankruptcy court, the involuntary petition was dismissed by the bankruptcy judge in an order entered on April 23, 1992." Inasmuch as that involuntary bankruptcy proceeding qualifies as a case under Section 303 of the Bankruptcy Act, it appears that information regarding the order dismissing the petition may be reported for ten years from the date that order was entered; *i.e.*, until April 23, 2002. If the involuntary petition for bankruptcy is being reported without identifying it as involuntary or without disclosing that it has been dismissed, you may require, pursuant to Section 611 of the FCRA, that the item be reinvestigated and updated to reflect its complete and accurate current status.

You express concern that permitting involuntary bankruptcy petitions to be reported for ten years might spur a rash of such vexatious suits by "Rambo litigators." The Bankruptcy Code provides a remedy for such actions. Section 303(i) states:

If the court dismisses a petition under this section other than on consent of all petitioners and the debtor, and if the debtor does not waive the right to judgment under this subsection, the court may grant judgment -

. . .

(2) against any petitioner that filed the petition in bad faith, for -

(A) any damages proximately caused by such filing; or

(B) punitive damages.

This is an informal staff opinion and is not binding on the Commission. At your request, we will not include your name and address in versions of this letter we make available to the public.

Sincerely,

Ronald G. Isaac

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

Division of Credit Practices
Bureau of Consumer
Protection
~
Clarke W. Brinckerhoff
Attorney
-
(202) 326-3224

August 31, 1998

Mr. Clifford A. Johnson
[redacted]

Re: FCRA §§ 605(c) and 623(a)(5) - "Commencement of the delinquency"

Dear Mr. Johnson:

This responds to your request for our views concerning the calculation of the period for which a consumer reporting agency ("CRA") is permitted to report accounts that have been charged off, placed for collection, or subject to similar action, under the amended Fair Credit Reporting Act ("FCRA"). You report that the following series of events occurred with respect to one of your credit accounts:

"My last payment was received by the creditor 12/96. My payments were due monthly and I missed the 1/97 payment and all subsequent payments culminating in a charge off. This creditor does not report to the credit bureau until the account is 90 days delinquent. . . . The creditor contends that the delinquency did not occur until 3/97 because that is when they first reported it."

Section 623(a)(5) requires a creditor that reports a chargeoff to a CRA to notify the agency (within 90 days of reporting the account) of "the month and year of the commencement of the delinquency that immediately preceded" the chargeoff. Section 605(a)(4) provides that the credit bureau may report the chargeoff for seven years. Section 605(c)(1) provides that seven year period begins 180 days from that date. In the scenario your reported, it is our view that the delinquency that led to the charge-off "commenced" in January 1997, the month the first payment was missed. Thus, that is the month and year that the creditor must report to the CRA, and that the CRA must use to calculate the time period dictated by Section 605.

We are not in accord with the contention that the date "when (the creditor) first reported" the chargeoff to the CRA constituted the start of the delinquency. Sections 605(c)(1) and 623(a)(5) were recently added to the FCRA to correct the ineffectiveness of the previous FCRA, under which the date that started the seven-year period was uncertain or under the control of the creditor.[(1)] The legislative history of these provisions makes it clear that they were designed to correct the often lengthy extension of the period that resulted from

delayed creditor action:

Current law generally prohibits consumer reporting agencies from including in a consumer report accounts placed for collection or charged to profit and loss which antedate the report by more than seven years. *The Committee is concerned that this seven year limitation is ineffective. In some cases, the ... action occurs months or even years after the commencement of the preceding delinquency.* ... Consequently, the consumer report may contain such information even if the delinquency commences more than seven years before the date on which the report is provided to a user.

The Committee bill specifies that the seven-year period with respect to information concerning a delinquent account charged to profit and loss . . . may begin no more than 180 days after the commencement of the delinquency immediately preceding the ... action.

S. Rept. 104-185, 104th Cong., 1st Sess. 39-40 (emphasis added).

Thus, Congress intended to establish a date certain -- the start of the delinquency -- to begin the obsolescence period (now seven years, plus 180 days).[(2)] The alternate view stated to you (that the date of reporting controls) is at variance with both the plain language of these amendments, and the intent of Congress in enacting them.

In sum, we believe that the phrase "commencement of the delinquency that led to the action" in Sections 605(c)(1) and 623(a)(5) of the FCRA should be construed according to its normal meaning. If a consumer falls behind on an account and never catches up, the delinquency has its "commencement" when the first payment is missed. From that point on, the account is past due and thus delinquent.

The opinions set forth in this informal staff letter are not binding on the Commission.

Sincerely yours,

Clarke W. Brinckerhoff

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1. The Consumer Credit Reporting Reform Act of 1996 (Title II, Subchapter D, of Public Law 104-280, signed into law on September 30, 1996), made many other changes to the FCRA.

2. The additional 180 day period accords a measure of flexibility to credit bureaus whose furnishers may provide them with the wrong date. However, the expansion of the time period that Section 605 allows chargeoffs and similar actions to be reported accents the desirability of treating the "commencement" of the delinquency as the first missed payment -- not some later date that would further extend the period.

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

David Medine
Associate Director
Division of Financial
Practices

March 22, 1999

Ms. Lee S. Harris
Office of the General Counsel
U. S. Department of Education
600 Independence Avenue, SW
Washington, DC 20202

Dear Ms. Harris:

This responds to your letter dated March 10, 1999, concerning the applicability of the Fair Credit Reporting Act ("FCRA") to the reporting by educational institutions of additional information to credit bureaus about defaulted student loans. You report that in some cases the new information corrects a report that was erroneous (*e.g.*, the loan was wrongly reported as delinquent, because a deferment authorized delayed repayment), and in others the subsequent information updates a report that was accurate when it was made (*e.g.*, the loan was correctly reported as delinquent, but has subsequently been paid). Further, you report that in some cases "the school no longer has a contractual relationship" with the credit bureau to which it reported the account originally. You ask if the school must report the updated information to the original credit bureau, and if that agency is required to accept the data. Based on the facts presented in your letter, we answer both questions affirmatively.

Section 623(a)(2) of the FCRA addresses the duty to correct and update information by "furnishers," or persons who furnish information to consumer reporting agencies ("CRA") such as credit bureaus. In particular, this section requires a person that "has furnished to a consumer reporting agency information that the person determines is not complete or accurate" to "promptly notify the consumer reporting agency of that determination" and provide any information needed to make it complete and accurate.[(1)] Thus, on its face, this provision requires a furnisher to provide corrected or updated information to the consumer reporting agency that it had reported to originally. A furnisher that reports current information to a different CRA has done nothing to "correct and update information" with CRA that possess the information that the furnisher has now determined is incomplete or erroneous. This duty extends to all student loan accounts reported to CRAs, regardless of whether they were accurate at one point, because the section requires the furnisher both to "update" accounts as well as to "correct" those that were erroneous when submitted to the CRA.

Section 607(b) of the FCRA requires CRAs to "follow reasonable procedures to assure maximum possible accuracy of information" in their consumer reports. It is our view that a CRA that refuses to accept updated and corrected information from a furnisher on student loan accounts, if it still maintains that information in its database, does not have in place

"reasonable procedures" to comply with this section with respect to such accounts.

The opinions set forth in this informal staff letter are not binding on the Commission.

Yours truly,

David Medine

1. This duty applies only to a person that "regularly and in the ordinary course of business furnishes information to one or more consumer reporting agencies."

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

Division of Financial Practices
~
Clarke W. Brinckerhoff
Attorney

July 6, 2000

Kevin Jay Long, B.S.
Medicolegal Research Company
4572 N. Milwaukee Ave. (#5B)
Chicago, Illinois 60630-3745

Dear Mr. Long:

This is in response to your letter requesting a staff opinion concerning Section 604 of the Fair Credit Reporting Act ("FCRA"). Specifically, you request the Commission staff's view as to whether a landlord's attorney, seeking to collect a disputed debt arising from a month-to-month lease, has a permissible purpose under Section 604 to obtain a consumer report in connection with legal action after the tenant has vacated the apartment. For the reasons set forth below, we believe that no permissible purpose exists under Section 604 in such a case. You also request information as to remedies available to consumers under the FCRA for such violations.

Section 604 of the FCRA provides that a consumer reporting agency ("CRA") may furnish a consumer report only for specified permissible purposes. Only Section 604(a)(3)(A) and 604(a)(3)(F) are arguably applicable to the factual scenario described in your letter.[1] It is our view that neither of these provisions would provide a landlord or landlord's attorney with a permissible purpose to obtain a consumer report in the situation you present.

Section 604(a)(3)(A) allows a third party to receive a consumer report if the third party "intends to use the information in connection with a credit transaction involving the consumer . . . and involving the extension of credit to, or review or collection of an

account, of the consumer." In our view, this provision is inapplicable to the residential lease outlined in your letter. Section 604(a)(3)(A) applies only to the review or collection of a *credit* account, as well as to an extension of credit to a consumer.[(2)] As discussed in the enclosed staff opinion letter (*Riddle*, 3/17/99), a typical residential lease does not constitute a credit relationship under the FCRA. Section 604(a)(3)(F) allows a person to obtain a consumer report in connection with *non-credit* transactions. Section 604(a)(3)(F)(i) provides a permissible purpose on behalf of a party who has a legitimate business need for a report "in connection with a business transaction that is initiated by the consumer." Thus, for example, a merchant may procure a report on a consumer who offers to pay for goods with a personal check. Section 604(a)(3)(F)(ii) provides a permissible purpose for a party that has a legitimate business need in connection with an ongoing relationship "to review an account to determine whether the consumer continues to meet the terms of the account." Thus, a financial institution may obtain a report on an existing checking or savings account customer. For the reasons set forth in the following paragraphs, it is our opinion that Section 604(a)(3)(F) does not provide a permissible purpose for a landlord or landlord's attorney to obtain a consumer report when considering legal action against a former tenant.

Section 604(a)(3)(F)(i) is clearly inapplicable in the fact situation presented, where the tenant has vacated the apartment when the landlord's attorney obtained the report. Certainly, this provision would permit a landlord to procure a consumer report to evaluate a consumer's rental application (that is, when the lease "transaction . . . is initiated by the consumer"). However, it does not give any business the right to obtain a report on a customer long after the transaction commenced. Given that Congress (1) amended the FCRA in 1996 so that this purpose is contingent on the consumer initiating the transaction, and (2) conspicuously omitted the "review" purpose allowed in the case of credit and non-credit accounts by Sections 604(a)(3)(A) and (F)(ii), it would not be consistent with the legislative scheme to interpret Section 604(a)(3)(F)(i) to provide a permissible purpose for a landlord or attorney to obtain a consumer report to consider suing a former tenant.

Section 604(a)(3)(F)(ii) is inapplicable because it permits a report user to obtain a consumer report only "to review an account to determine whether the consumer continues to meet the terms of the account." The legislative history shows the narrow focus of this subsection: "The permissible purpose created by this provision . . . is limited to an account review for the purpose of deciding whether ro retain or modify current account terms."[(3)] When a tenant has vacated an apartment, a landlord (or attorney) has no need for a "review" to see if the former tenant "continues to meet the terms of the account" as required by the subsection, and the "limited ... purpose of deciding whether to retain or modify current account terms" does not exist.

Civil liability and the amount of redress available for violations of the FCRA depends on the culpability of the violator. Sections 616 and 617 impose liability for willful noncompliance and negligent noncompliance with the FCRA, respectively. Both sections provide for redress in the form of actual damages proven by the consumer, plus costs and attorneys fees. For willful violations of the FCRA, the court may also award punitive damages. A person who obtains a consumer report under false pretenses, or knowingly without a permissible purpose, is liable for the consumer's actual damages or $1000, whichever is greater.

The opinions set forth in this informal staff letter are not binding on the Commission.

Sincerely,

Clarke W. Brinckerhoff

Endnotes:

1. The other permissible purposes set forth in Section 604 are not at issue in the fact situation outlined in your letter. Under that section, a CRA may also furnish a consumer report based on a court order or subpoena, the written instructions of the consumer, in connection with employment, insurance, licenses or benefits, and in some circumstances involving child support. For example, a landlord could arrange for the tenant to authorize a credit report at the time he or she applies to rent the apartment, providing a permissible purpose under Section 604(a)(2).

2. *See* S. Rep. No. 103-209, at 11.

3. S. Rep. No. 103-209, at 11.

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

Division of Credit
Practices
Bureau of Consumer
Protection

Cynthia S. Lamb
Investigator

July 17, 1998

Jonathan D. Jaffe
Hinchy, Witte, Wood, Anderson & Hodges
525 B Street - Suite 1500
San Diego, CA 92101-4401

Re: Section 623(a)(1)(A)of the Fair Credit Reporting Act

Dear Mr. Jaffe:

Thank you for your recent letter in which you ask for a staff opinion as to whether the practices of your client, a residential mortgage lender, are in compliance with the Fair Credit Reporting Act ("FCRA").

As you point out in your letter, prior to the amendments that went into effect on September 30 of last year, entities such as your client that reported information to consumer reporting agencies did not have legal obligations under the FCRA. However, the amended FCRA now imposes obligations upon such information furnishers. These duties are found in

Section 623 and include a general duty to report accurately, as well as a number of specific duties relating to updating information, reporting closed accounts, and providing notice of delinquencies. You ask for our guidance as to the obligations of your client under Section 623.

You note that, under some circumstances, title to a particular property is transferred to a third person ("new owner") without your client's consent. As an example, this situation can occur on the death of the original borrower when title to the property is transferred to a relative pursuant to a will or a trust document. In other instances, the terms of the promissory note[(1)] and security instrument (a trust deed or mortgage) may permit the new owner to take title without your client's consent. Under such circumstances, your client will not require the new owner to formally assume the original borrower's loan obligation by executing an agreement to assume the original borrower's obligations under the note. Rather, the new owner takes title to the property "subject to" your client's existing security instrument but without becoming personally obligated on the note.

Some of the new owners fail to maintain payments due under the note. It has been your client's standard practice in the past to report to consumer reporting agencies borrower delinquencies and defaults on loans held or serviced by your client. Historically, the practice has been to report new owners who fail to maintain payments due on the note after they take title to the property, regardless of whether or not they have formally assumed the original borrower's obligations under the note. In light of your client's new duties under the FCRA, you ask whether your client may continue to report payment delinquencies, defaults and foreclosures under the "new owner's" name.

We believe that the answer to your question depends upon the "new owner's" obligations under state law and, if appropriate, the terms of the specific note and security instrument. If state law treats non-consensual transfers of property as creating duties on the part of the individuals or parties who inherit or otherwise obtain control of the property that are largely identical to the duties that the original mortgagees had -- including the duty to make monthly payments for as long as the mortgage is in effect -- then we believe that your client may treat the new owner in the same fashion as the original borrower would have been treated. In these circumstances, your client may report delinquencies, defaults and foreclosures when they occur. On the other hand, if under state law the "new owner" has only limited liabilities, your client may report delinquencies or other occurrences only to the extent that the new owner is actually liable under state law.

The opinions set forth in this informal staff letter are not binding on the Commission.

Yours truly,

Cynthia S. Lamb

---

1. You state that each loan made by your client is evidenced by a promissory note secured by a trust deed or mortgage encumbering the residential real property. When a loan is made, the original borrower executes and becomes personally obligated under both the promissory note and the trust deed or mortgage.

Attachment 8: FTC Orders (beginning with In re Trans Union)

In re *Trans Union Credit Information Co.*
102 F.T.C. 1109, 1121 (1983).

Decision And Order

The Federal Trade Commission having initiated an investigation of certain acts and practices of the respondent named in the caption hereof, and the respondent having been furnished thereafter with a copy of a draft of complaint which the Bureau of Consumer Protection proposed to present to the Commission for its consideration and which, if issued by the Commission, would charge respondent with violation of the Fair Credit Reporting Act and Federal Trade Commission Act; and The respondent, its attorneys, and counsel for the Commission having thereafter executed an agreement containing a consent order, and admission by the respondents of all the jurisdictional facts set forth in the aforesaid draft of complaint, a statement that the signing of said agreement is for settlement purposes only and does not constitute an admission by respondents that the facts as alleged in the complaint are true or that any law has been violated as alleged in such complaint, and waivers and other provisions as required by the Commission's Rules; and The Commission having thereafter considered the matter and having determined that it had reason to believe that the respondent has violated the said Acts, and the complaint should issue stating its charge in that respect, and having thereupon accepted the executed consent agreement and placed such agreement on the public record for a period of sixty (60) days, now in further conformity with the procedure prescribed in Section 2.34 of its Rules, the Commission hereby issues it [sic] complaint, makes the following jurisdictional findings and enters the following order:

1. Respondent Trans Union Credit Information Company is a corporation organized, existing and doing business under and by virtue of the laws of the State of Delaware, with its office and principal place of business located at 111West Jackson Boulevard, in the City of Chicago, State of Illinois.
2. The Federal Trade Commission has jurisdiction of the subject matter of this proceeding and of the respondents, and the proceeding is in the public interest.

ORDER

It is hereby ordered, That respondent Trans Union Credit Information Company (''Trans Union'' or ''respondent''), a corporation, its successors and assigns, and its officers, agents, representatives, and employees, directly or through any corporation, subsidiary, division or other device, in connection with the furnishing of consumer reports by its owned bureaus derived from consumer files owned by Trans Union, in or affecting commerce, as ''commerce'' is defined in the Federal Trade Commission Act, shall forthwith cease and desist from:
I. Failing to maintain reasonable procedures designed to limit the furnishing to private investigative or detective agencies of consumer reports to the purposes listed under Section 604 of the Fair Credit Reporting Act (''FCRA''). For the purpose of this Order such procedures consist of:

A. Requiring all users to certify in writing, before respondent furnishes any consumer reports to such users, the nature of their businesses, the purpose(s) for which they will use respondent's consumer reports and that the consumer reports will be used for no other

purpose. For current users for which respondent does not possess such certifications, respondent shall obtain such certifications within six months of the date this Order becomes effective.

B. Making reasonable efforts to verify the identity of a prospective user, the nature of its business and its proposed uses of respondent's reports prior to furnishing consumer reports to such user.

C. Requiring private investigative agencies and detective agencies to certify in writing or orally at the time of each request for a consumer report:

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1. The specific purpose or purposes for which each consumer report is sought;
2. That the information will be used for no other purpose;
3. That the user understands that Federal law provides that a person who obtains information from a consumer reporting agency under false pretenses shall be fined no more than $5,000 or imprisoned not more than one year or both.

If the user's certification is oral rather than in writing, respondent shall either

1. request the user to confirm the certification in writing within ten business days after such request or
2. maintain a written record of the identity of the requestor, the date of the request, the identity of the consumer (name and address) on whom the consumer report was requested and the purpose(s) certified for the request. For any such user for which respondent requests subsequent written certification rather than maintains a written record, respondent may not furnish additional consumer reports if it does not receive such certification within the ten day period. In such cases, additional consumer reports may be furnished after the written certification is received. Private investigative agencies and detective agencies do not, for the purpose of this provision, include credit bureaus that prepare or issue investigative consumer reports, as that term is defined in Section 603(e) of the FCRA.

D. With respect to each prospective user, after six months from the date this Order becomes effective, either

1. consulting the current telephone yellow pages for the geographical areas in which respondent sells consumer reports for a listing of all detective agencies, private investigative agencies, investigators, and security services, or (2) conducting an on-site inspection of the premises of such user, in order to determine whether it is a detective agency or private investigative agency, and is thus a user from which the certification described in (C) above must be obtained.
2. With respect to current users, within six months from the effective date of this Order, either

(1) consulting the current yellow page for the geographical areas in which respondent sells consumer reports and determining whether any of the businesses listed therein as detective agencies, private investigative agencies, investigators, or security services are current subscribers, or

(2) conducting on-site inspections of the premises of such current users, in order to determine, for each current user, whether it is a detective agency or a private investigative agency and is thus a user from which the certification described in (C) above must be obtained. E. Furnishing a consumer report to any detective agency or private investigative agency when that agency has not certified a specific permissible purpose for obtaining that consumer report or when respondent has otherwise received notice that such agency is seeking to obtain the consumer report for a purpose that is not permissible under Section 604 of the FCRA. For the purpose of this provision, certifications of specific permissible purposes include, but are not limited to, certifications of one of the purposes listed in Section 604(3)(A)–(D) of the FCRA.

II. Failing to maintain reasonable procedures designed to limit the furnishing of consumer reports to government agencies, or departments of government agencies, which have as a principal function the enforcement of civil or criminal laws and which do not in the ordinary course of business regularly extend credit or insurance for personal, family or household use or evaluate consumers' eligibility for licenses or government benefits for which the agency is required by law to consider the applicant's financial responsibility or status, to the purposes listed under Section 604 of the FCRA. For the purpose of this Section respondent is required to cease and desist from:

A. Failing to require such agencies or departments to certify either in writing or orally at the time of each request for a consumer report:
   1. The specific purpose or purposes for which each consumer report is sought;
   2. That the information will be used for no other purpose; and
   3. That the user understands that Federal law provides that a person who obtains information from a consumer reporting agency under false pretenses shall be fined no more than $5,000 or imprisoned not more than one year or both. If the user's certification is oral rather than in writing, respondent shall either:

1. request the user to confirm the certification in writing within ten business days after such request; or
2. maintain a written record of the identity of the requestor, the date of the request, the identity of the consumer (name and address) on whom the consumer report was requested and the purpose(s) certified for the request. For any such user for which respondent requests subsequent written certification rather than maintains a written record of the certification, respondent may not furnish additional consumer reports if it does not receive such certification within the ten day period. In such cases additional consumer reports may be furnished after the written certification is received. The requirements of Section II of this Order do not apply to requests by government agencies for information limited to the consumer's name, address, former addresses, places of employment and former places of employment.

B. Furnishing a consumer report to any such government agency or department when it has not certified a specific permissible purpose for obtaining that consumer report or when respondent has otherwise received notice that such agency or department is seeking to obtain the consumer report for a purpose that is not permissible under Section 604 of the FCRA. For the purpose of this provision, certifications of specific permissible purposes include, but are not limited to, certifications of one of the purposes listed in Section 604(3)(A)–(D) of the FCRA.

III.

A. Failing to follow reasonable procedures to avoid issuing any consumer report, except as authorized by Section 605(b) of the FCRA, containing any account placed for collection or repossession or charged to profit and loss whose date (month and year) so placed or charged, or if not available whose date (month and year) first furnished to or received by respondent, antedates the report by more than seven years.

B. 1. Failing to follow reasonable procedures designed to assure that, for each account placed for collection or repossession or charged to profit and loss entered into the data base, the date (month and year) the item first reached the indicated status, or, if not supplied, the date (month and year) the item was first furnished to or received by respondent, is inserted into the data base as the purge date for such item.
   2. Failing to follow reasonable procedures designed to assure that such purge dates are not advanced by the submission by credit grantors or collection agencies of subsequent information about the accounts in question.

C. 1. Within one hundred eighty (180) days of the effective date of this Order, respondent shall:
(a) produce a computer dump of all accounts with the corre-

sponding names and addresses of the consumers in whose files they are maintained in the data base bearing a manner of payment code ‘‘08,’’ ‘‘8A,’’ ‘‘8D,’’ ‘‘09,’’ or ‘‘9B’’ and bearing purge dates of July 1978 through March 1979;

(b) mail, to each credit grantor or collection agency for which account information meeting the criteria described in (a) above exists in respondent’s data base, a completed copy of the form letter included as Exhibit A to this Order, requesting that the recipient review or permit respondent to review the actual dates closed or placed for collection or repossession of accounts held by the recipient and meeting the criteria described in (a) above. The letter shall contain an estimate of the number of credit grantor’s or collection agency’s accounts to be reviewed. If the credit grantor or collection agency has not replied to the letter within forty-five (45) days of the date it was mailed respondent shall, within fifteen (15) days of the expiration of that 45 day period, send a follow-up letter again requesting that the recipient perform the review or permit respondent to perform the review. If the recipient replies that it will perform this review, respondent shall deliver to it, within two weeks of receipt of that reply, that portion of the computer dump described in (a) above that pertains to accounts held or handled by the recipient. If the credit grantor or collection agency replies that it will permit respondent to perform this review, respondent shall commence such review within sixty (60) days of receipt of the credit grantor’s or collection agency’s reply.

2. (a) For those accounts for which the credit grantor or collection agency responds, or respondent determines, upon performing the review, as having an earlier date on which the indicated status was reached or the item was first furnished to respondent than the purge date contained in the data base, respondent shall replace the purge date contained in the data base with such earlier date.
(b) For accounts held by those credit grantors or collection agencies which do not respond to either of the letters described in 1(b) above, or respond that they will not perform the review or permit respondent to perform the review, respondent may maintain the purge dates contained in the data base, except as respondent is otherwise required to change or delete such data pursuant to the consumer dispute and reinvestigation procedures of Section 611 of the FCRA.

D. For any of respondent’s bureaus, with respect to that portion of the data base pertaining to such bureau or any part of that portion of the data base, respondent may, as an alternative to performing the procedures described in (C) above, purge all accounts bearing one of the above-mentioned manner of payment codes and a purge date falling within the above-designated period.

IV.
A.
1. Failing, upon request and proper identification of any consumer, to clearly and accurately disclose to the consumer the nature, substance and source of all information on that consumer recorded and retained by respondent regardless of how the information is stored.
2. Failing, in any bureau that furnishes any consumer report(s) to a user or users by means of a cathode ray tube (CRT) terminal, to make disclosure to consumers as required by (A)(1) above by CRT terminal using the same point source threshold, and allowing for display of the same number of files whose score equals or exceeds that threshold, as the CRT terminal(s) used for furnishing consumer reports to users.

V. Failing, when issuing a consumer report containing information with respect to which the consumer has filed a dispute statement pursuant to Section 611(b) of the FCRA, to clearly note in any subsequent consumer report containing the information in question that such information is disputed by the consumer and provide to the user either the consumer's statement or a clear and accurate codification or summary thereof, and in particular:

A. Failing, for each written or printed consumer report issued containing information with respect to which the consumer has filed a dispute statement, to provide in the consumer report itself the dispute statement or a clear and accurate codification or summary thereof.
B. Failing, in each consumer report issued by telephone containing information with respect to which the consumer has filed a dispute statement, to read to the inquirer the contents of the dispute statement, or a clear and accurate codification or summary thereof, before reading the disputed information, and to refuse to read the disputed information if the inquirer does not permit the dispute statement or the codification or summary thereof to be so read.
C. Failing, for each consumer report issued by telephone concerning a consumer who has filed a dispute statement, to maintain a record of the identity of the consumer, the identity of the inquirer and the date the dispute statement or codification or summary thereof was supplied to the inquirer, unless respondent previously incorporated such dispute statement or codification or summary thereof in the consumer's file in the data base.

VI. Purging from the data base or any portion thereof, after one hundred eighty (180) days from the date this Order becomes effective, consumer files containing credit account information that is solely nonderogatory and whose most recent date(s) of activity is (are) less than five year old, unless respondent:

A. Delivers, by first class mail or in person, a separate printed notification to the user's (other than another credit bureau) personnel listed below. This notification shall state that respondent's bureaus from time to time perform such purges and that respondent will, upon written request, disclose in writing the dates and criteria of any purges performed within the past two years on the portion(s) of respondent's data base pertaining to the bureau(s) from which the user principally purchases respondent's reports, as well as any other bureau for which the user requests such information. This notification shall also contain a recommendation that the information contained in it be transmitted to the user's employee in charge of developing consumer credit or benefit evaluation criteria and employee who supervises the consumer credit application or benefit evaluation process.
    1. Any individual who is to execute a subscriber contract or agreement with respondent on behalf of any person, business, or government agency. The notification may be delivered to this person together with the contract or agreement form to be signed.
    2. Within thirty days after the execution of such contract for any prospective user, and within one hundred eighty (180) days after the effective date of this Order for any user authorized to obtain consumer reports from respondent, such user's individual in charge of consumer credit or benefit operations. For any previous user not authorized, as of the effective date of this Order, to obtain consumer reports from respondent, respondent need not deliver the notification until thirty (30) days after that user is reauthorized to obtain consumer reports. The notification shall not be delivered to this person together with any billing invoice.

B. Upon written request from an existing or prospective user

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(other than another credit bureau), make the disclosure specified in (A) above, with the exception that respondent need not make the disclosure for such purges as may have been performed prior to the effective date of this Order, and for which, as of that date, it was not in possession of records. In the case of that exception, respondent need only disclose instead that there may have been purges performed prior to that date, for which it no longer has the exact dates or criteria.

C. Inserts into the consumer's file (including, when necessary, reestablishing a file on the consumer), upon the consumer's request, any item of account information when a consumer, disputing the completeness of his or her file, indicates he or she has such account under his or her name, and when that account is held by a subscriber to respondent's consumer reporting services and is verifiable.

Section VI of this Order does not apply to purges of files on consumers whose current addresses, as reflected in the file, do not fall within the geographic area covered by the portion of the data base in which the files are maintained. It does not apply to purges of files performed as part of a purge by respondent of all files in a portion of the data base pertaining to a specific geographic area. It does not apply to purges of files performed at the request of consumers to whom those files pertain, and it also does not apply to purges of trade line information performed at the specific request of a subscriber to which it pertains.

VII. Failing, when the completeness or accuracy of any item of information contained in his or her file (as defined in Section 603(g) of the FCRA) is disputed by a consumer and that dispute is directly conveyed to respondent by the consumer, to:

A. Reinvestigate and record the current status of that information within a reasonable period of time after the dispute is directly conveyed, unless respondent has reasonable grounds to believe the dispute is frivolous or irrelevant.
B. Inform the consumer of the results of the reinvestigation, orally or by placing the results in first class mail, within a reasonable period of time after the completion of the reinvestigation.

It is further ordered, That the respondent shall:

VIII.

A. Have its management, and the staff of its Cronus Support, Quality Control and Systems and Programming Departments, continue to review its credit reporting system. Such review will include the detection and remedying of significant inaccuracies in information maintained or reported by the system. During the period from thirty-six (36) months to five (5) years from the effective date of this Order, respondent will document the procedures it uses for such review, the results of such review, and measures it takes to increase accuracy.
B. 1. Review the display algorithm of its credit reporting system with respect to its functions of distinguishing between seniors and juniors; consumers with the same last name and first initial living at the same address; consumers with the same last name, first initial and house number and living at different addresses; consumers with the same last name and first initial and having different social security numbers; and preventing display of ''B'' files that pertain to different consumers than the ''A'' files displayed. Respondent shall also review the merge algorithms of its credit reporting system with respect to their functions of preventing mixing in the same file of information on juniors and seniors or individuals otherwise having the same last name

2. Determine, for each of the functions mentioned in (B)(1), whether the measures specified in the initial compliance report filed concurrently with this Order are feasible and effective in increasing the accuracy of respondent's computerized credit reporting system. Such determination shall be made on the basis of a documented cost-benefit analysis (*i.e.* dollar expenditures or decrease in reporting information pertaining to the consumer inquired on versus decrease in reporting information not pertaining to the consumer inquired on)

3. Compliance with the cost-benefit analyses referred to in (B)(2) with respect to display algorithm changes (aside from ascertaining dollar expenditures) shall be made by conducting empirical studies employing methodology similar to that used by respondent in the empirical studies it previously conducted [(a) through (d) below describe that methodology] to determine whether a display algorithm change would result in retrieval of additional files in response to inquiries. Compliance with the cost-benefit analyses with respect to merge algorithm changes shall be made by conducting similar empirical studies to determine whether such changes could reduce merger into individual files of information pertaining to different consumers below that occurring presently without reducing to an undue extent the merger into individual files of information that pertains to the same consumer. The methodology for the display algorithm cost-benefit analyses includes:

(a) compiling a sample of captured inquiries actually made by users and inquiries devised by respondent that adequately addresses the relevant variables and is large enough to provide a basis for determining the effect of the measure(s) over the general population of inquiries and data base files;

(b) processing these inquiries against the data base using the existing display algorithm;

(c) examining the files retrieved from the data base to determine which do and which do not pertain to the consumer inquired on and analyzing what changes in the display algorithm would result in retrieval of fewer files not pertaining to the consumers inquired on;

(d) devising modified display algorithm(s) and testing them to determine if they reduce retrieval of files not pertaining to the consumer inquired on, without reducing to an undue extent retrieval of files pertaining to the consumer inquired on.

4. For each function, if respondent determines pursuant to (B)(2) and (B)(3) above that the measure(s) specified in the initial compliance report are feasible and effective in increasing accuracy, respondent shall implement such measure(s) or alternative measure(s) that respondent determines, pursuant to the above-described type of cost-benefit analysis, are as or more effective in increasing accuracy as the measure(s) specified in the initial compliance report.

5.If respondent determines that any of the measures listed in the initial compliance report, after performing the relevant cost-benefit analysis, is not effective in increasing accuracy beyond that produced by respondent's current algorithms, respondent need not make that change.

6. For each function described in (B)(1), multiple measures need not be implemented if they have only substantially identical, and not supplemental, effects on accuracy. Any actions required under Section VIII(B) of this Order shall be completed within eighteen (18) months of the effective date of this Order.

C. 1. During the period from eighteen (18) months to twenty four (24) months from the effective date of this Order, and on a one-time basis only, take reasonable steps to identify other types of Enforcement Orders Against Consumer Reporting Agencies Appx. H.3.2 761 significant inaccuracies that may be occurring concerning reporting information pertaining to consumers other than the ones inquired on, other than those

inaccuracies which are caused by credit grantor's isolated and non-systematic errors in recording information concerning a consumer's account, or which involve a disagreement between the consumer and the credit grantor over the time or amounts of payments made by the consumer on the account, or which involve disputes over the quality of goods or services purchased. These steps include

(a) having the managers of respondent's bureaus document the types of such inaccuracies reported to those bureaus by credit grantors or other users of respondent's reports during that period and

(b) examining, for each of respondent's bureaus, the consumer relations files established for the first, third, and fifth months of that six month period. The bureaus shall prepare and forward to respondent's Computer Division written summaries of the types of such inaccuracies identified pursuant to (a) or (b). The bureaus shall also attach actual examples of reports containing those types of inaccuracies.

2. Devise measure(s) that can reduce the occurrence of the types of inaccuracies identified pursuant to (C)(1) above.
3. Implement those of the measures devised pursuant to (C)(2) above that respondent determines to be feasible and effective in decreasing the occurrence of the types of inaccuracies identified pursuant to (C)(1) above on the basis of documented cost-benefit analyses, as described in Section (B) above. For each type of inaccuracy identified pursuant to (C)(1) above, multiple measures need not be implemented if they have any substantially identical, and not supplemental, effects on accuracy. Any actions required under Order Section VIII(C)(2) and (3) shall be completed within the period of twenty-four (24) to thirty six (36) months from the effective date of this Order. It is further ordered, That respondent shall: IX. A. 1. Immediately, upon the date this Order becomes effective, begin to develop systematic procedures, whether performed by computer or otherwise, to perform the functions described in (2) below.

2. After eighteen (18) months from the effective date of this Order, ascertain, each time a credit grantor computer tape is processed and for each manner of payment code contained in the account information submitted, the number of accounts bearing that code, and to review those statistics and compare them to previous months' statistics for that credit grantor as a means of detecting likely systematically erroneous codes submitted by the credit grantor or otherwise inserted into the data base. If the above-mentioned comparison process is automated, respondent shall within eighteen (18) months of the effective date of this Order provide to the Commission the criteria employed in such comparison.
3. After eighteen (18) months from the effective date of this Order provide the credit grantor printed copies of the statistics described in (A)(1) above following any significant change in the computer program used to process the credit grantor's account information into the data base or whenever respondent determines that the statistics for that credit grantor are, in respondent's good faith judgment based upon its experience gained pursuant to its obligation under Section IX(A)(1) of this Order, significantly different from previous statistics.
4. After eighteen (18) months from the effective date of this Order, if respondent has reasonable grounds for believing, based on the review described in (A)(2) above or otherwise, that any credit grantor is supplying systematically erroneous manner of payment codes or that systematically erroneous manner of payment codes are being produced by respondent's procedures for processing the information on credit grantor tapes into the data base, take reasonable steps to correct the erroneous codes entered into the data base and take reasonable steps to assure that:

(a) subsequent tapes submitted by that credit grantor do not contain systematic transcription or formatting errors that cause erroneous manner of payment codes to be processed into the data base; and

(b) respondent's credit grantor tape translation programs or other procedures for processing information into the data base do not by themselves, or in conjunction with the types of problems described in (a) above, generate erroneous manner of payment codes. With respect to any tapes submitted to respondent which contain account information pertaining to more than one credit grantor and whose processing results in the printing out of aggregate manner of payment code statistics rather than statistics for each credit grantor, the requirements contained in (A)(1)–(4) above with respect to individual credit grantors shall apply instead to the supplier of the tape. With respect to any credit grantor that furnishes more than one tape to respondent in any month, respondent is not required to aggregate all monthly statistics for that credit grantor but shall rather treat the statistics generated from each tape separately.

B. Alternatively, respondent may satisfy its obligations under

Section IX of this Order by instituting other reasonable procedures to detect and correct systematic errors in manner of payment codes as submitted by credit grantors or otherwise processed into respondent's data base. Respondent may institute alternative procedures only if it determines after reasonable documented inquiry that the alternative procedures will be substantially as effective as the procedure described in (A) above. *It is further ordered*, That respondent shall submit to the Commission, within seven (7) months after the date of service of this Order, a compliance report detailing the actions respondent has already taken and intends to take to comply with each of the provisions of the Order. Respondent shall also maintain for a period of five (5) year from the effective date of this Order, unless a shorter time period is specified, and make available upon written request made by Commission staff:

1. . A printout of respondent's computer maintained subscriber listing, current as of the date of receipt of Commission staff's request.
2. The written certifications and records called for by Sections (I)(A) and (C) and II(A) of this Order, for the most recent twenty four (24) month period.
3. The records specified in Section V(C) of this Order, for the most recent twelve (12) month period.
4. Such written requests as are received from users pursuant to Section VI(B) of this Order, for a period of twelve (12) months from the date received.
5. Documentation required by Section VIII(A) of this Order and documentation generated for the purpose of, in the course of conducting, or as a result of any of the analyses, determinations, reviews, identifications, examinations, implementations, information gathering and other actions called for by Section VIII(B) and (C) of this Order.
6. With respect to the monthly statistics mentioned in Section **Appx. H.3.2** *Fair Credit Reporting* 762

IX(A) of this Order, respondent shall maintain records of such statistics for six months after their generation. Upon written request made by Commission staff, respondent shall prepare with respect to each individual subscriber tape (or with respect to each tape containing information from multiple credit grantors whose processing produces only aggregate statistics) and for the designated month(s) a summary form indicating the percentage change, positive
or negative, in the number of accounts processed into the data base under each manner of payment code. Respondent shall, for each summary form, designate the subscriber (or tape

supplier) by a consistently used identifying number rather than by name. Respondent shall make a special indication on the form when it pertains to a tape that produces only aggregate statistics for multiple credit grantors. This provision does not require respondent to supply any documentation or information to the Commission that would identify the subscriber to which the above mentioned statistics or reports pertain.

7. The documented inquiry called for by Section IX(B) of this Order, if Section (B) is followed as an alternative to Section (A).
8. Any and all written or printed materials used by respondent to make any of the disclosures or notifications mentioned in provisions of this Order, except those required by Order Section

VII and except that with respect to Order Section III, respondent shall, for twelve (12) months after completion of its obligations under that section, maintain and make available upon written request by Commission staff: the number of credit grantors, and the number of accounts, contained in the computer dump produced pursuant to Section III(C)(1)(a); the number of letters sent to credit grantors; and the number of credit grantors or collection agencies that responded to the letters under III(C)(1)(b); the number of credit grantors or collection agencies that performed the review themselves; the number of credit grantors or collection agencies for which respondent performed the review; which bureaus, if any, determined to purge all or some of the relevant accounts rather than contact the credit grantors or collection agencies; and the number of accounts entirely purged and the number of accounts for which changed purge dates were inserted in the data base. *It is further ordered*, That respondent shall maintain, for a period of five (5) years from the effective date of this Order, the computer dump required under Order Section III(C)(1)(a), copies of the letters sent to credit grantors or collection agencies, and written responses received and respondent's records of oral responses received pursuant to Order Section III(C)(1)(b). *It is further ordered*, That respondent's obligations under Section

VI of this Order shall terminate five (5) years from the date this Order becomes effective. Respondent's obligations under Section

IX of this Order shall terminate five (5) years from the date respondent complete implementation of the procedures required by Section IX(A)(1)–(4), or Section IX(B), of this Order. *It is further ordered*, That respondent notify the Commission at least thirty (30) days prior to any proposed change in its corporate structure such as dissolution, assignment or sale resulting in the emergence of successor corporations, the creation or dissolution of subsidiaries or any other changes in the corporation which may affect compliance obligations arising out of this Order. *It is further ordered*, That the respondent shall forthwith distribute a copy of this Order to each of its management personnel and to each of its management personnel of each of its owned bureaus.

Alabama v. Trans Union

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION, STATE OF ALABAMA, STATE OF ARKANSAS, PEOPLE OF THE STATE OF CALIFORNIA, STATE OF CONNECTICUT, STATE OF FLORIDA, STATE OF IDAHO, STATE OF ILLINOIS, STATE OF MICHIGAN, STATE OF MISSOURI, STATE OF NEVADA, STATE OF NEW HAMPSHIRE, STATE OF NEW MEXICO, STATE OF NEW YORK, STATE OF OHIO COMMONWEALTH OF PENNSYLVANIA, STATE OF TEXAS, and STATE OF WASHINGTON Plaintiffs,

v. TRANS UNION CORPORATION, Defendant. Civil Action No. 92c 7101 *CONSENT ORDER*

The parties have agreed to the entry of this Consent Order without trial or adjudication of any issue of fact or law. The parties having requested the Court to enter this Consent Order, it is by the Court this 26th day of October, 1992, ORDERED, ADJUDGED AND DECREED that:

A. This Court has jurisdiction of the subject matter herein and of the parties hereto.
B. Trans Union enters into this agreement based upon the shared concerns of Trans Union and the Attorneys General of the States regarding the protection of Consumers in the credit reporting process. Trans Union expressly denies that it has committed any violation of the Fair Credit Reporting Act or the laws of any States. The States' execution of this agreement shall not constitute an approval by the States of any of Trans Union's past or future practices.
C. This Order shall not be enforceable by any third parties. Other than with respect to a proceeding or action in this court by any of the State(s) against Trans Union, neither this Order nor any provision thereof shall be offered or received in evidence against or on behalf of Trans Union in any action or proceeding of any kind or nature, or otherwise used as evidence or an admission of any fact or acknowledgement of liability of any kind by Trans Union.
D. This Order resolves any and all controversies between the States and Trans Union, in existence as of the date of entry of this Order, that relate to those credit reporting policies and practices of Trans Union, or actions taken by Trans Union in the credit reporting process, that are governed by this Order; and the States hereby release Trans Union from any and all liability for past violation of any laws regarding credit reporting policies or practices which are governed by this Order.
E. Any and all litigation arising from or interpreting this Order shall be conducted in the United States District Court for the Northern District of Illinois.
F. For purposes of this Order, the following definitions shall apply:

1. ''FCRA'' refers to the Fair Credit Reporting Act (15 U.S.C. §§ 1681–1681t), as amended or as it may hereinafter be amended.

2. The terms, ''Person,'' ''Consumer,'' ''Consumer Report,'' ''Consumer Reporting Agency,'' ''File,'' and ''Employment Purposes'' have the meanings set forth in sections 603(b), (c), (d), (f), (g), and (h), respectively, of the FCRA, 15 U.S.C. §§ 1681a(b), 1681a(c), 1681a(d), 1681a(f), 1681a(g), and 1681a(h).

3. ''Affiliate'' means any Consumer Reporting Agency not wholly owned by Trans Union to which Trans Union provides data base management services, either alone or in conjunction with other services.

4. ''B2/B3 Segments of the Metro Consumer Reporting Format'' means credit information reported in twelve-month or twenty-four-month segments.

5. ''Credit Information'' means the information Trans Union maintains bearing on any of the characteristics listed in section 603(d) of the FCRA with respect to any Consumer and from which Trans Union creates Consumer Reports.

6. ''Derogatory Information'' means information in a Consumer Report or File indicating a bankruptcy adjustment plan, bankruptcy, liquidation, reorganization, charge off, collection account, charge off now paying, deed in lieu of foreclosure, foreclosure proceedings, government claim, late payment, paid by dealer, paid charge off, paid collection account, paid foreclosure, paid repossession, repossession, judgment of tax lien.

7. ‘‘Designated Representatives’’ means a group of no more than five (5) of the States, a list of which shall be provided to Trans Union within ten (10) days of the date of this Order and which may be changed on ten (10) days’ written notice of Trans Union.

8. ‘‘Full Identifying Information’’ means full last and first name; middle initial; full street address; zip code; year of birth; any generational designation; and social security number.

9. ‘‘Market Area’’ means a defined geographic area serviced by a Trans Union bureau or an Affiliate, in which the data pertaining to Consumers residing in that area is owned by Trans Union or its Affiliate.

10. ‘‘Mixed File’’ refers to a Consumer Report in which some or all of the information pertains to a person or persons other than the person or persons who is/are the subject of the Consumer Report.

11. ‘‘Multiple File’’ refers to the case where multiple files on the same Consumer are contained within Trans Union’s data base and the files are owned by different entities, as, for example, by both Trans Union and an Affiliate, or by two or more Affiliates.

12. ‘‘Prescreening’’ means the process whereby Trans Union, utilizing Credit Information, compiles or edits for a customer a list of Consumers who meet specific credit criteria and provides this list to the customer or a third party (such as a mailing service) on behalf of the customer for use in soliciting those Consumers for the purpose of offering credit to the Consumer.

13. ‘‘States’’ means Alabama, Arkansas, California, Connecti- **Appx. H.3.3** *Fair Credit Reporting* 764 cut, Florida, Idaho, Illinois, Michigan, Missouri, Nevada, New Hampshire, New Mexico, New York, Ohio, Pennsylvania, Texas, and Washington.

14. ‘‘Subscriber’’ means any person or entity who furnishes Credit Information to Trans Union or who requests or obtains a Consumer Report from Trans Union, excluding Consumers who seek or obtain disclosure of their Consumer Reports or Files, public record sources, and independent contractors who provide public record information.

15. ‘‘Trans Union’’ means Trans Union Corporation, its successors and assigns, its divisions and subsidiaries which are engaged in credit reporting, and its officers and employees.

G. Trans Union, in furtherance of the shared concerns of the Attorneys General of the States, agrees to comply with each State’s deceptive practices act and will:

1. Implement or continue to utilize and maintain reasonable procedures to avoid the occurrence or reoccurrence of Mixed Files.
2. Implement or continue to follow reasonable procedures to assure maximum possible accuracy.
3. Analyze incoming data submitted by Subscribers to Trans Union as well as historical statistics in an attempt to detect data format errors, programming errors, or other inaccuracies, and take such corrective action with respect thereto as may be appropriate.
4. Take reasonable measures to prevent reporting of information that is not likely to pertain to the Consumer who is the subject of the Report and to prevent duplicate

listings of an account with the same member number, opening date and consumer account number.

5. Within one hundred twenty (120) days of the date of this Order, advise its current Subscribers and Affiliates and, for four (4) years following the date of this Order, advise its new Subscribers and requests its Affiliates to advise their Subscribers, that they shall attempt to
   - (i) obtain Full Identifying Information from Consumers;
   - (ii) use, when provided by the Consumer, Full Identifying Information when reporting Credit Information to Trans Union; and
   - (iii) use Full Identifying Information when requesting Consumer Reports, except where a reliable and accurate alternate methodology is utilized for requesting Consumer Reports.

6. Within ninety (90) days of the date of this Order, advise its current Subscribers and request its Affiliates to advise their Subscribers, and for four (4) years following the date of this Order, advise its new Subscribers and Affiliates, that they shall, to the extent possible consistent with their respective practices, adopt the B2/B3 Segments of the Metro Consumer Reporting Format.
7. Within thirty (30) days of the date of this Order, implement and then continue, in good faith, for the four (4) year period from the date of this Order, a program to provide Consumers toll-free access to Trans Union's consumer assistance personnel.
8. Furnish a Consumer Report requested by a Consumer within four (4) business days after Trans Union receives a request from the Consumer (accompanied by proper payment, if necessary, and sufficient identification) for the Consumer Report. Deposit of the Consumer Report in the United States Mail in an envelope addressed to the Consumer at the address in Trans Union's file on the Consumer, with postage prepaid, within the time limit shall constitute compliance with this provision. However, in the event a Consumer requests that the Consumer Report be mailed to an address other than the address for the Consumer which is contained in the Consumer's file in Trans Union's data base, then Trans Union shall not be required to furnish the Consumer Report within four (4) business days of receipt of the request. In such cases Trans Union shall, within four (4) business days, request verification of the new address and shall furnish the Consumer Report within four (4) business days of receipt of required verification of the new address by depositing the Consumer Report in the United States Mail in an envelope addressed to the Consumer at the verified new address with postage prepaid. So long as Trans Union maintains reasonable procedures to comply with the provisions of this paragraph Trans Union shall not be in breach of this paragraph in any instance in which it is unable to furnish a Consumer Report as required herein due to factors beyond its control, nor shall Trans Union be in breach of this paragraph in any instance in which Trans Union voluntarily furnishes a Consumer Report to a Consumer under circumstances in which Trans Union is not required to furnish such a Consumer Report.
9. Where a Consumer Report is based on data owned, in whole or in part, by an Affiliate, provide in the Consumer Report the name, address and telephone number of the Affiliate if it is the entity that will perform reinvestigation of any items of information, the completeness or accuracy of which is disputed by a Consumer.
10. Institute and maintain procedures to ensure that in the case of any Consumer who may have Multiple Files,
    - (i) the Consumer receives all Credit Information contained in all such Multiple Files whenever such Consumer requests his or her Consumer Report and provides Trans Union with the required data necessary to retrieve all such Multiple Files, and
    - (ii) the Subscriber receives all Credit Information contained in all such Multiple Files which is normally disclosed to Subscribers, whenever such Subscriber

requests the Consumer's Consumer Report and provides Trans Union with the required data to retrieve all such Multiple Files. Trans Union shall advise Consumers at the time of disclosure of their report, or earlier, of any information necessary to obtain Multiple Files on the Consumer, and shall disclose all such information, in all Files, without additional charge, within four (4) business days of receipt of the necessary information. Trans Union shall advise its Subscribers and Affiliates of any information which is necessary to obtain Multiple Files on a Consumer and advise them they should use such information, where provided by the Consumer.

11. Implement procedures designed to eliminate Multiple Files no later than June 30, 1993, including the deletion of Files in Market Areas other than the one in which the Consumer resides and merging of the information in such Files with the File for the Market Area where the Consumer resides. It is expressly understood that if a Consumer maintains more than one residence, (e.g., IL and FL), Multiple Files may exist for this Consumer and this fact shall not be deemed to be a violation of this Order. It is further understood that the merging process described is not automatic and shall occur upon an inquiry requesting the Consumer's File.
12. For a period of four (4) years from the date of this Order, furnish a Consumer with his or her Consumer Report without charge if: a. A Trans Union Subscriber has received a Consumer Report on the Consumer from Trans Union and has wholly or partially denied credit to the Consumer or increased the charge for such credit, based in whole or in part on such Consumer Report, within sixty (60) days of the Consumer's request for the Consumer Report; or b. Trans Union is given written evidence that an entity which received a Consumer Report on the Consumer issued by a Trans Union competitor has wholly or partially denied credit

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to the Consumer or increased the charge for such credit within (60) days of the Consumer's request for the Trans
Union Consumer Report; provided, however, that Trans Union shall not be required to comply with this subparagraph when such Consumer requests arise in common from a significant error by such competitor in the acquisition or reporting of Credit Information of the competitor which uniformly and adversely affects a substantial number of Consumers, including the Consumer making the request. Further, Trans Union shall not be required to comply with the provisions of this paragraph where it has a reasonable good faith basis for believing that the Consumer was not denied credit or had not had the cost of such credit increased.

13. Beginning January 1, 1993, and continuing for four (4) years thereafter, subject to paragraph 12 above, make available to any Consumer disclosure of his or her Consumer Report for the amount of $8.00. Beginning January 1, 1994, this amount may be adjusted on January 1 of each year based proportionally on changes in the consumer price index designated as ''CPI-U-USA city average, 1982-84-100,'' with fractional changes rounded off to the nearest fifty cents.
14. Reinvestigate items of information contained in a Consumer Report, the completeness or accuracy of which is disputed by a Consumer, when the Consumer directly conveys the dispute to Trans Union and Trans Union does not have reason to believe the dispute is frivolous or irrelevant; and after the reinvestigation, record in its system the current status of such items of information. a. Trans Union shall use reasonable efforts in such reinvestigation which shall include:

    (i) Completing any reinvestigation, including verifying, deleting, or modifying all disputed items in the Consumer's File, within thirty (30) days of receipt of the

Consumer's dispute by Trans Union; provided, however, that if Trans Union in good faith cannot determine the nature of the Consumer's dispute, Trans Union shall attempt to determine the nature of the dispute by contacting the Consumer by depositing a notice to the Consumer in the United States Mail, or telephone within five (5) business days of receiving the Consumer's dispute, and complete its reinvestigation within thirty (30) days of receiving the Consumer's response if Trans Union in good faith can then determine the nature of the Consumer's dispute. Trans Union has provided the States with a copy of the letter it will send to Consumers when it cannot determine the nature of the Consumer's dispute as described in this paragraph and the States agree that the contents of this letter satisfy the requirements of this subparagraph. If Trans Union contacts the Consumer by telephone rather than by mail as described in this paragraph, Trans Union shall at a minimum communicate to the Consumer the same information contained in the letter described in this paragraph;

(ii) Providing to the source used to verify the disputed information, or the Subscriber who provided the disputed information to Trans Union, the nature and substance of the Consumer's dispute;

(iii) Ensuring that every Consumer is provided instructions on how to convey his or her dispute to the Trans Union Consumer Relations Center or the Affiliate that will perform the reinvestigation and that a Consumer need not meet any condition or requirement not set forth in section 611 of the FCRA (15 U.S.C. § 1681i);

(iv) Upon receipt of information or documentation from the Consumer which Trans Union determines is reliable and/or authentic and which supports the Consumer's version of the disputed information, correcting or deleting the disputed item; provided, however, that Trans Union may reinsert the information if it reinvestigates the dispute by contacting the source of the documentation or checking the public record and verifying that the documentation is not authentic or not dispositive of the dispute, and provides to the Consumer notification of such verification and reinsertion of the information and of his or her right to file a dispute statement pursuant to Section 611 of the FCRA (15 U.S.C. § 1681i);

(v) As to Consumer disputes concerning Mixed Files, assigning such disputes, for investigation and resolution, to Senior Investigators who are experienced in handling such disputes. In such cases the Investigator shall, as appropriate:

1) pull all files which may be involved in the dispute;

2) fully verify disputed tradelines to determine whether the tradeline is owned by the Consumer in whose file it resides;

3) make any changes, deletions, or additions to correct the Consumer's file and resolve the dispute; and

4) for files which are found to be mixed, prepare a summary of the problem and forward this summary and hard copies of the files involved to the systems support division of the Data Processing Department, for review and analysis by that Department as to the need for corrective action.

(vi) When a Consumer disputes information regarding a tax lien, judgment, or other public record, using reasonable procedures to ascertain the current status of the disputed item from court or other public records, including an examination, performed by Trans Union or an independent contractor, of such

records to search for a release of a tax lien or satisfied judgment, or changing the disputed item to the Consumer's version; and

(vii) Beginning six (6) months from the date of this Order, providing the Consumer, upon his or her request, with the name and address of the source of the disputed Credit Information, if the reinvestigation has not resulted in deletion of the disputed Credit Information or a change to the Consumer's version. (In the case of public record information, the government repository of the public record shall be provided to the Consumer.)

(a) Trans Union shall maintain a system or methodology under which the single Trans Union bureau or the Affiliate where the Consumer resides shall have the primary responsibility to conduct a reinvestigation and take corrective action with respect thereto as to all Consumer Files for the Consumer, including Files maintained or owned by Trans Union bureau or Affiliate outside of the Market Area which the Consumer resides.

(b) So long as Trans Union maintains reasonable procedures, including procedures for referring or transferring disputes received at offices other than the office at which the reinvestigation will be performed, to comply with the provisions of paragraph 14.a., Trans Union shall not be deemed in violation of such provisions in any instance in which Trans Union is unable to comply with such provisions due to factors beyond its control.

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(c) eginning three (3) months from the date of this Order, Trans Union shall ensure that all correspondence to Consumers is dated.

15. If Trans Union concludes a Consumer's dispute is frivolous or irrelevant and declines to reinvestigate the dispute, notify the Consumer, within seven (7) business days of the day on which Trans Union receives such dispute, of Trans Union's refusal to reinvestigate and the specific reasons for concluding the dispute is frivolous or irrelevant; provided, however, that the provisions of paragraph 14.c. above shall also apply to this paragraph.

16. For a period of four (4) years from the date of this Order, upon conclusion of the reinvestigation of information, the completeness or accuracy of which was disputed by a Consumer:

(a) Provide the Consumer with the current correct version of his or her Consumer Report as determined by Trans Union; and

(b) If the information has not been changed to the Consumer's version, notify the Consumer of his or her right to file a statement in accordance with section 611 of the FCRA (15 U.S.C. § 1681i) setting forth the nature of the Consumer's dispute and that Trans Union will include the statement or a codification or summary of it in any subsequent Consumer Report containing the information the Consumer has disputed.

17. Beginning June 30, 1993, maintain reasonable procedures so that information disputed by a Consumer, which is deleted as inaccurate or unverifiable upon reinvestigation, does not subsequently appear on Consumer Reports pertaining to that Consumer, including but not limited to procedures so that Derogatory Information or other information deleted from a File as a consequence of a Consumer's dispute of such information is suppressed or deleted from the entire File and that it does not subsequently reappear on that Consumer's Consumer Report; provided, however, that if, after Trans Union has deleted such information from the File, and Trans Union reverifies such information, Trans Union may reinsert such information in the File and report such information on subsequent Consumer Reports concerning that Consumer

if, and only if, Trans Union advises the Consumer in writing that the information has been reinserted.

18. Where a Consumer has disputed the status of information contained in a tradeline in the Consumer's Report, and the disputed information as reported cannot be verified, either because there is no response to Trans Union's verification request or the source verifies the Consumer's version of the disputed information is correct, employ a methodology to ensure that when the disputed information is corrected, the entire trade line containing the disputed information is not deleted from the Consumer Report.
19. Make clear and conspicuous disclosure to Consumers, (consistent with Trans Union's current practice at the time of disclosure) in connection with any reinvestigation in which an item has been deleted or corrected, of the Consumer's right, pursuant to section 611(d) of the FCRA (15 U.S.C. § 1681i(d)), to request Trans Union to furnish notification to users of Consumer Reports who have received a Consumer Report from Trans Union for that Consumer, within the past two (2) years for employment purposes or within the past six (6) months for any other purpose, that an item has been deleted or corrected.
20. Within 120 days of the date of this Order and for a period of four (4) years from the date of this Order, make clear and conspicuous written disclosure at the time Trans Union provides a Consumer Report in writing to a Consumer of the Consumer's right to dispute the completeness or accuracy of any information on the Consumer Report and to have such information changed or deleted if it cannot be reverified, unless the Consumer's dispute is frivolous or irrelevant.
21. Within twelve (12) months of the date of this Order, evaluate, through the products of consumer research, to be conducted by an appropriately qualified outside consultant selected by Trans Union, whether the format of the Trans Union Consumer Report may be made easier for a Consumer to read and understand and, within the same time period, implement in good faith reasonable changes, if any. For a period of four (4) years from the date of this Order, Trans Union shall notify the States' Designated Representatives if it intends to make significant changes to such Consumer Report disclosure format, and shall not make any such change unless it believes in good faith that the change will not make such Consumer Report more difficult for a Consumer to read or understand.
22. Disclose risk scores in a form and manner that complies with such comments or guidelines as may be issued by the Federal Trade Commission.
23. Require in Trans Union's contracts with those who obtain Consumer Reports from Trans Union in the form of lists developed through Prescreening that a firm offer of credit be made to each person to whom an offer is mailed. Further, the Trans Union salesperson who sold the Prescreened list shall enure that a letter is or has previously been sent to the purchaser of the list informing the purchaser of the Federal Trade Commission Commentary regarding Prescreening and requesting a copy of the mailing which will extend the offer of credit. The mailing piece, if available, as well as any available information as to the purchaser's compliance with the Federal Trade Commission guidelines, shall be reviewed by appropriate Trans Union personnel.
24. Within ninety (90) days of the date of this Order, advise its Affiliates that it has entered into this agreement and in a letter to each Affiliate, which shall be accompanied by a copy of this Order, request and encourage the Affiliate to comply with the provisions of the Order. In the event that Trans Union contracts with any Affiliate to perform the disclosure and reinvestigation responsibilities of such Affiliate under the FCRA, Trans Union will comply in all respects with the undertakings of this Order in connection with the services so performed for such Affiliate.
25. For four (4) years following the date of this Order, report annually in writing to the States' Designated Representatives:

(a) A summary of the reports concerning Mixed Files produced under paragraph H.14(a)(v);

(b) The appropriate total number of Consumer Reports issued by Trans Union to Consumers in the preceding calendar year;
(c) The total number of Consumers who conveyed disputes relating to the contents of their Consumer Reports in the preceding calendar year
(d) The approximate total number of disputed items in the preceding calendar year; and
(e) The total number of disputes by Trans Union's dispute type code in the preceding calendar year.

26. Cause a copy of this Order to be delivered to all present and future Trans Union management and supervisory personnel.
27. For the five (5) year period following the date of this Order, notify the Designated Representatives of the States in writing of any dissolution, assignment or sale of Trans Union which may affect compliance with this Order, upon the effective date of such

dissolution, assignment or sale or the public announcement thereof, whichever comes first.

H. If during the effective period of this Order, federal legislation is enacted which is contrary to the requirements or duties imposed upon Trans Union by this Order, then any such provisions of this Order will become null and void upon the effective date of such legislation, except where existing legislation of one of the States, which is not preempted by federal legislation, imposes the same requirements or duties upon Trans Union, in which case the provision(s) of this Order are null and void except to that State. If state legislation is enacted which is contrary to the requirements or duties imposed upon Trans Union by this Order, then any such provisions of this Order will become null and void, as to that State only, upon the effective date of such legislation.

I. The State(s) shall not initiate or join in any litigation against Trans Union for a breach of this Order unless:
1. the State(s) have advised Trans Union in writing of an alleged breach of this Order;
2. the notification referred to in subsection 1 specifically states the provision(s) of the Order which are alleged to have been breached by Trans Union and the specific acts or omissions of Trans Union which are alleged to constitute the breach;
3. the notification referred to in subsection 1 is addressed to: Oscar M. Marquis, Vice President and General Counsel, Trans Union, 555 W. Adams, Chicago, IL 60661 and shall be sent via United States Mail, return receipt requested; and 4) counsel for the State(s) and Trans Union have met and conferred.

J. All information designated as proprietary by Trans Union shall remain confidential and shall not be disclosed except as necessary to enforce this Order, or as required by court order or state law. In the event of a disclosure to be made pursuant to court order or state law, the State(s) shall inform Trans Union in writing of such request, addressed to: Oscar M. Marquis, Vice President and General Counsel, Trans Union, 555 W. Adams, Chicago, IL 60661 via United States Mail. K. Trans Union shall pay to the States the sum of $220,000, to be distributed as they may determine, as the States' costs in connection with this matter. ENTER: James B. Zagel United States District Judge Dated: 10-26-92

US v. Trans Union
UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION
UNITED STATES OF AMERICA, Plaintiff,
v. TRANS UNION LLC, Defendant CIVIL ACTION NO.

CONSENT DECREE

WHEREAS: Plaintiff, the United States of America, has commenced this action by filing the Complaint herein; defendant has waived service of the Summons and Complaint; the parties have been represented by attorneys whose names appear hereafter; and the parties have agreed to settlement of this action upon the following terms and conditions, without adjudication of any issue of fact or law. This Consent Decree is for settlement purposes only and neither its execution by the parties nor its entry by the Court constitutes an admission by defendant that any law has been violated as alleged by the plaintiff, that there are valid grounds for the imposition of a civil penalty sought by the plaintiff, or that the facts alleged by the plaintiff, other than jurisdictional facts, are true. Defendant specifically denies the plaintiff's allegations and denies that it has violated any law as alleged by the plaintiff or otherwise. THEREFORE, on the joint motion of plaintiff and defendant, it is hereby ORDERED, ADJUDGED, AND DECREED as follows:

1. This Court has jurisdiction of the subject matter and of the parties.
2. The Complaint raises a legal dispute over which the Court has jurisdiction under Sections 5(a)(1), 9, 13(b) and 16(a) of the Federal Trade Commission Act, 15 U.S.C. §§ 45(a)(1), 49, 53(b) and 56(a), and under the Fair Credit Reporting Act, 15 U.S.C. §§ 1681–1681u.

DEFINITIONS

As used in this Consent Decree:

3. The Fair Credit Reporting Act, or FCRA, refers to 15 U.S.C. §§ 1681–1681u, as amended;
4. The term ''defendant'' means Trans Union LLC, its successors and assigns, in its capacity as a consumer reporting agency that compiles and maintains files on consumers on a nationwide basis, within the meaning of 15 U.S.C. § 1681g(c)(1)(B);
5. The term ''consumer disclosure'' means any written disclosure of information in the consumer's file by the defendant to the consumer in accordance with Section 609 of the FCRA, 15 U.S.C. § 1681g;
6. The term ''qualified caller'' or any derivation thereof means a consumer who has received a consumer disclosure which contains a telephone number in accordance with Section 609(c)(1)(B) of the FCRA, 15 U.S.C. § 1681g(c)(1)(B). Defendant may utilize reasonable methodologies to confirm that a caller is a qualified caller;
7. The term ''normal business hours'' means Monday through Friday, 8:30 A.M. to 4:30 P.M. in the time zone in which a call originates, excluding federal holidays and other holidays regularly observed by defendant. Commencing January 17, 2000, defendant must provide notice of its normal business hours on all consumer disclosures;
8. The term ''measurement period'' means normal business hours during each contiguous two week interval. The first measurement period shall commence on January 17, 2000. There are twenty-six (26) measurement periods in a year;
9. The term ''blocked call'' or any derivation thereof means a call that
   (a) does not reach a live agent due to insufficient circuits, trunks, call capacity, or any other lack of technological capacity within defendant's control regardless of cause or origin; or
   (b) does not reach a live agent due to any limit or threshold established by defendant; or
   (c) is from a qualified caller and is terminated in any way by the defendant prior to call completion with the exception of callers who behave in an abusive or obscene manner;

10. The term ‘‘calls attempted’’ or any derivation thereof means a telephone call initiated by dialing a telephone number that was printed on a consumer disclosure in accordance with Section 609(c)(1)(B) of the FCRA, including the dialing of telephone numbers that were printed on consumer disclosures received by the consumer within sixty (60) calendar days prior to placing the call;
11. The term ‘‘blocked call rate’’ means the number of blocked calls during the measurement period divided by the total calls attempted during the measurement period;
12. The term ‘‘average speed of answer’’ means the average time interval between the earliest point that qualified callers select an option to speak to a live agent and when qualified callers reach a live agent. Average speed of answer is calculated as the sum of the time it takes for each call from a qualified caller during the measurement period to reach a live agent from the earliest point the caller selects an option to speak to a live agent, divided by the total number of calls from qualified callers that select an option to speak to a live agent during the measurement period;
13. The term ‘‘audit interval’’ or any derivation thereof means a set of thirteen contiguous measurement periods. Audit intervals shall commence and conclude on the dates stated in Appendix C to this Consent Decree.

MONETARY SETTLEMENT

14. Defendant shall pay to plaintiff the amount of one million dollars ($1,000,000.00), which shall be deemed to satisfy completely plaintiff’s claim in this action for a civil penalty pursuant to Section 621(a)(2)(A) of the FCRA, 15 U.S.C. § 1681s(a)(2)(A) and Section 5(m)(1)(A) of the Federal Trade Commission Act, 15 U.S.C. § 45(m)(1)(A).
15. Defendant shall make the payment required by paragraph 14 within five (5) business days of the date of entry of this Consent Decree by electronic fund transfer in accordance with the instructions provided by: The Office of Consumer Litigation, Civil Division, U.S. Department of Justice, Washington, D.C. 20530, for appropriate disposition.

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16. In the event of any default in payment, which default continues for ten (10) calendar days beyond the due date of payment, the entire unpaid payment, together with interest, as computed pursuant to 28 U.S.C. § 1961 from the date of default to the date of payment, shall immediately become due and payable.

INJUNCTION

17. Defendant, and its officers, agents, servants, employees, and representatives, and all persons in active concert or participation with any one or more of them who receive actual notice of this Consent Decree by personal service or otherwise, are hereby enjoined from violating, directly or through any corporation, subsidiary, division, or other device, Section 609(c)(1)(B) of the FCRA, 15 U.S.C. § 1681g(c)(1)(B) as amended, or as Section 609(c)(1)(B) may be amended hereafter.
18. For a period of five (5) years commencing on January 17, 2000, defendant shall maintain the following levels of service which, for that five year period and solely for purposes of this Consent Decree, also shall be deemed to satisfy defendant’s obligations under paragraph 17 of this Consent Decree for all telephone numbers printed on consumer disclosures pursuant to Section 609(c)(1)(B) of the FCRA, 15 U.S.C. § 1681g(c)(1)(B):

(a) a blocked call rate of no greater than ten percent (10%);
(b) an average speed of answer of no greater than three (3) minutes and thirty (30) seconds.

19. In computing the blocked call rate and the average speed of answer over each measurement period, the first business day following the day upon which a federal holiday is observed shall not be included.
20. Defendant shall not be deemed in violation of paragraph 17 or paragraph 18 of this Consent Decree for any period prior to January 17, 2000, provided that defendant makes good faith efforts to comply with the levels of service specified in paragraph 18 during that time (excluding compliance with paragraph 26 of this Consent Decree).
21. Defendant shall not be deemed in violation of paragraph 17 or paragraph 18 of this Consent Decree if circumstances beyond defendant's reasonable control (such as acts of God, telecommunications interruptions, equipment malfunctions, labor shortages caused by illness or organized labor action, or significant increases in call volume due to unforeseen circumstances) preclude it from complying with paragraph 17 or paragraph 18, provided that the defendant takes reasonable steps to minimize the impact of these events on its toll-free telephone number service and promptly restores service to levels that comply with this Consent Decree.
22. In addition to the circumstances in paragraph 21 of this Consent Decree, prior to June 5, 2000, failure to comply with paragraphs 17 or 18 of this Consent Decree shall not be a violation of said paragraphs provided that defendant demonstrates that such failure results from a significant increase in the number of calls attempted from qualified callers that is directly related to Y2K (*i.e.*, the transition from the year 1999 to the year 2000) and was not reasonably predictable. Defendant must use good faith efforts to promptly restore service to levels that comply with paragraph 18.
23. Defendant shall be deemed to be in compliance with paragraph 18 of this Consent Decree if it meets the levels of service stated in paragraph 18 during twelve (12) or more of the thirteen (13) measurement periods in each audit interval.
24. In the event that defendant's blocked call rate exceeds ten percent (10%) in any measurement period, defendant shall be deemed in compliance with paragraph 18 of this Consent Decree for that measurement period only if defendant can prove that it did not block more than ten percent (10%) of the calls attempted by qualified callers in that measurement period.
25. In complying with paragraph 18 of this Consent Decree, defendant shall maintain personnel accessible to consumers for each telephone number printed on consumer disclosures in accordance with Section 609(c)(1)(B) of the FCRA, 15 U.S.C. § 1681g(c)(1)(B), for a period of at least sixty (60) calendar days after that telephone number is no longer printed on consumer disclosures.
26. Commencing on January 17, 2000, defendant shall not block any calls during normal business hours based upon telephone number of origin, including, but not limited to, area code, geographic point of origin within the United States of America, or specific telephone number, except for calls from known credit repair organizations as defined in 15 U.S.C. § 1679a(3). With respect to this exception, defendant shall bear the burden of proof to establish that the originating telephone number of any call blocked was a known credit repair organization at the time that the call was blocked.
27. Defendant shall not deny callers without Touchtone(TM) or dual-tone multifrequency capability the ability to reach a live agent.
28. Defendant shall audit its compliance with this Consent Decree for each audit interval. Defendant shall provide a report of the results of such audit to the Associate Director, Division of Financial Practices, Federal Trade Commission, 600 Pennsylvania Avenue, NW, Washington D.C. 20580, in the form and substance delineated in Appendix A to this Consent Decree, within sixty (60) calendar days of the close of

each audit interval. Acorporate officer of defendant shall certify, in the form delineated in Appendix B to this Consent Decree, that each audit and report was prepared in accordance with this Consent Decree and is true, complete, and accurate.

29. Upon reasonable request, defendant shall make knowledgeable personnel available to the Federal Trade Commission or the United States Department of Justice to explain or clarify its audit procedures, report, and/or documents retained pursuant to this Consent Decree.
30. The Federal Trade Commission or the United States Department of Justice may, upon reasonable notice and at plaintiff's expense, either directly or through an outside auditor, audit all documents in defendant's custody and control relating to defendant's compliance with this Consent Decree.
31. For a period of three (3) years after the conclusion of each audit interval, defendant shall maintain and make available to the Federal Trade Commission or the United States Department of Justice, within fourteen (14) business days of receiving a written request by the Federal Trade Commission or the United States Department of Justice, business records demonstrating compliance with the terms and provisions of this Consent Decree.
32. Materials submitted pursuant to this Consent Decree and designated confidential shall be accorded the protections accorded to materials designated confidential under Federal Trade Commission Rule 4.10(e), 16 C.F.R. § 4.10(e).
33. If the FCRA is amended (or other similar federal legislation enacted) or the FTC issues any interpretation of the FCRA, relating to any obligation imposed on defendant herein, which creates any

new requirement that directly conflicts with any obligation imposed on defendant by this Consent Decree, defendant may conform the manner in which it conducts its business to the requirements of such new statutory provision or interpretation, provided however that, defendant shall notify the FTC promptly if it intends to change its conduct as provided for in this paragraph, and provided further that nothing in this provision shall limit the right of the FTC to challenge defendant's actions hereunder and to seek enforcement of defendant's obligations under this Consent Decree. For purposes of this Consent Decree, and by way of example only, a ''direct conflict'' between this Consent Decree and a new statutory amendment or interpretation shall include a requirement in any such amendment or interpretation that a consumer reporting agency that compiles and maintains files on consumers on a nationwide basis maintain a level of service that is different than the level of service specified in paragraph 18.

PERSONS AFFECTED: CONTINUING JURISDICTION

34. . Defendant shall, within thirty (30) calendar days of the entry of this Consent Decree, provide a copy of this Consent Decree and the FCRA to each of defendant's officers, agents, servants, and employees having administrative or policy responsibilities with respect to the subject matter of this Consent Decree; secure from each such person a signed statement acknowledging receipt of a copy of this Consent Decree and the FCRA; and, within ten (10) calendar days of complying with this paragraph, file an affidavit with the Court; and serve the Federal Trade Commission, by mailing a copy thereof to the Associate Director for Financial Practices, Bureau of Consumer

Protection, Federal Trade Commission, 600 Pennsylvania Avenue, N.W., Washington DC 20580, setting forth the fact and manner of its compliance, including the name and title of each person to whom a copy of the Consent Decree has been provided.

35. Defendant shall notify the Associate Director for Financial Practices, Bureau of Consumer Protection, Federal Trade Commission, 600 Pennsylvania Avenue, N.W., Washington, DC 20580, at least thirty (30) calendar days prior to any change in defendant's business that may affect defendant's obligations under this Consent Decree, including, but not limited to, merger, incorporation, dissolution, assignment, sale which results in the emergence of a successor corporation, and the creation or dissolution of a subsidiary or parent.
36. Defendant is hereby required, in accordance with 31 U.S.C. § 7701, to furnish to the Federal Trade Commission its taxpayer identifying numbers, which shall be used for purposes of collecting and reporting on any delinquent amount arising out of its relationship with the government.
37. This Consent Decree shall not be enforceable by parties other than defendant, the Federal Trade Commission, and/or the United States of America.
38. This Consent Decree resolves any and all controversies between the parties to this action in existence as of the date of entry of this Consent Decree that relate to Section 609(c)(1)(B) of the FCRA, 15 U.S.C. § 1681g(c)(1)(B). Plaintiff hereby releases defendant from any and all liability for any violations of Section 609(c)(1)(B) of the FCRA as of the date this Consent Decree is entered.
39. If, after the entry of this Consent Decree, the parties should have any dispute arising out of or relating to this Consent Decree or the parties' respective rights and duties hereunder, the Court will entertain no motion for enforcement of any provision of this Consent Decree unless counsel for both parties shall have previously conferred concerning, and in good faith tried to resolve, all of the disputed issues.
40. Except for the payment specifically described in paragraph 14 above and any penalty, fine, redress or remedy relating to violations of this Consent Decree, nothing in this Consent Decree shall be interpreted to compel or call for the payment of any monies by either party to the other, and each party shall bear its own expenses, costs, fees, attorneys' fees and disbursements of any sort associated with the investigation, prosecution, defense, negotiation, settlement and any other aspect of this settlement.
41. This Court shall retain jurisdiction of this matter for the purposes of enabling any of the parties to this Consent Decree to apply to the Court at any time for such further order or directive as may be necessary or appropriate for the interpretation or modification of this Consent Decree, for the enforcement of compliance therewith, or for the punishment of violations thereof. JUDGMENT IS THEREFORE ENTERED in favor of plaintiff and against defendant, pursuant to all the terms and conditions recited above. [Date] UNITED STATES DISTRICT JUDGE

Attachment 9: FTC Accuracy Study (FACT Act Studies and Report to Congress)

Attachment 9 FTC findings 120904.pdf

Report to Congress

Under Sections 318 and 319 of the Fair and Accurate Credit Transactions Act of 2003

Federal Trade Commission

December 2004

FACT Act

Report to Congress

Under Sections 318 and 319 of the Fair and Accurate Credit Transactions Act of 2003

December 2004

Federal Trade Commission

Deborah Platt Majoras, Chairman
Orson Swindle, Commissioner
Thomas B. Leary, Commissioner
Pamela Jones Harbour, Commissioner
Jon Leibowitz, Commissioner

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Appendix A: Roundtable Federal Register Notice

Appendix B: Pilot Study Federal Register Notice

Appendix C: "Same Report" Federal Register Notice

Executive Summary

The Federal Trade Commission ("FTC" or "Commission") submits this report pursuant to Sections 318 and 319 of the Fair and Accurate Credit Transactions Act of 2003, Pub. L. 108-159, 117 Stat. 1952 ("FACT Act"). The FACT Act, which was enacted on December 4, 2003, amends the Fair Credit Reporting Act, 15 U.S.C. §§ 1681 *et seq.* ("FCRA"), and contains, among other things, a number of provisions designed to enhance the accuracy and completeness of credit reports. Among these provisions are Sections 318 and 319, which require the Commission to conduct five studies regarding credit report accuracy and completeness.

The accuracy and completeness of credit report data is of paramount importance to consumers. Credit reports are used by creditors and others to make critical decisions about the availability and costs of various products and services, including credit, insurance, and employment. The reports enable creditors to make fast and accurate decisions in providing these products and services, which benefits both creditors and consumers. At the same time, any errors in the data contained in these reports can cause consumers to lose these benefits or pay higher costs for them.

Since the emergence of the credit reporting industry nearly a century ago, creditors and others have furnished data to the consumer reporting agencies ("CRAs") on a voluntary basis. In 1970, Congress passed the FCRA, which provided significant consumer protections to, among other things, assure the accuracy of the data in credit reports. The FCRA's protections include mechanisms for consumers to learn about possible errors in their credit reports and have them corrected, and a requirement that the CRAs that collect this data follow "reasonable procedures to assure maximum possible accuracy of the information" they report. Amendments in 1996 strengthened these protections by, among other things, placing certain legal obligations on creditors and other furnishers of data to the CRAs with respect to the accuracy of the information they provide. In 2003, the FACT Act further enhanced the FCRA by adding new requirements related to accuracy and completeness. These requirements include measures to strengthen the dispute and reinvestigation process, a new consumer right to obtain a free annual file disclosure, new requirements on those who furnish information to the CRAs, and measures designed to reduce identity theft (the unauthorized procurement and use of another's personal information for fraudulent purposes).

In addition to imposing new substantive protections, the FACT Act also directs the Commission to study and report to Congress on various issues related to credit report accuracy and completeness. Specifically, Section 319 requires an ongoing study of credit report accuracy and completeness, with a final report due to Congress in 2014. (*See* "Accuracy and Completeness," below.) During the ongoing study, the Commission must submit five interim reports to Congress every two years beginning in December 2004. Part III of this report is the Commission's first interim report to Congress.

Section 318 directs the Commission to study and report to Congress on the benefits and costs of various specific proposals for improving credit report accuracy and completeness. Specifically, the studies must examine:

- the effects of requiring the CRAs to match more points of identifying information (e.g., name, social security number, address) to ensure that a consumer is the correct individual to whom a credit report relates (See "Data Matching Proposal," below);
- the effects of requiring that a consumer who has experienced an "adverse action" (for example, the denial of credit) based on a credit report receives a copy of the same report that the creditor relied on in taking the adverse action (See "Same Report Proposal," below);
- the effects of requiring notification to consumers when negative information has been added to their credit reports (See "Negative Information Notice Proposal," below); and
- whether there are any common financial transactions that are not generally reported to the CRAs, but that would provide useful information in determining creditworthiness, and what actions might be taken to encourage greater reporting of these transactions. (See "Common Unreported Transactions," below.)

Parts IV, V, VI, and VII of this report comprise the Commission's Report to Congress under Section 318.

Over the past year, the FTC has used a variety of means to obtain information for these studies. Among other things, FTC staff interviewed consumer advocacy groups, the CRAs, resellers of credit reports, furnishers and users of credit report information, and numerous other knowledgeable sources. The staff also issued *Federal Register* Notices seeking relevant information and convened a roundtable meeting of experts to discuss issues related to designing the ongoing Section 319 study. For all of the studies, the FTC focused primarily on the activities of the three nationwide credit bureaus, which comprise the vast majority of the credit reporting industry. The studies also focused on the use of credit reports in credit transactions, which is the chief concern of the Section 318 proposals.

Accuracy and Completeness Study

In its ongoing accuracy and completeness study, the FTC has thus far (1) examined the history and current practices of the credit reporting industry; (2) identified the key areas where errors in credit report data could occur; (3) reviewed and evaluated the studies conducted to date on credit report accuracy and completeness; (4) examined possible methodologies for conducting a more reliable and comprehensive study, focusing in particular on the possibility of conducting a national consumer survey; and (5) proposed to conduct a pilot study to determine the feasibility of such a national consumer survey.

As described in the report, there are a number of potential sources of inaccuracy and incompleteness in credit reports. These include the following:

- First, a creditor or other furnisher of data to the CRAs may provide information that is incorrect, may provide incomplete information, or may not provide information at all.

- Second, there may be problems with assigning data to the proper consumer's file, perhaps because the identifying information accompanying the data is incomplete or wrong. In such cases, the data might be assigned to the wrong file – thus creating a "mixed file" that includes data from more than one consumer. Alternatively, the CRA might mistakenly create a new file for a consumer that already has a file in the CRA's system – thus creating a "fragmented file."
- Third, there may be problems when the CRA retrieves a consumer's file in response to an inquiry from a user of credit reports. For example, a CRA might send the wrong report, might send multiple reports (one or more of which pertain to the right person), or might send no report at all for a consumer with a file in the system.

In addition, there is a trade-off between accuracy and completeness. For example, when a CRA receives data from a furnisher, the information identifying the consumer may be inaccurate or incomplete. In such cases, the CRA must choose between adding information to an existing file or creating a new file. If the CRA adds information to an existing file, and the information in fact belongs to a different consumer, the CRA has created a "mixed file," which is a source of inaccuracy. Further, if the added information is negative, it can lead to an erroneous denial of credit or an increase in the cost of credit. On the other hand, if the CRA creates a new file, but the information belongs to a consumer's file already in the CRA's system, the CRA has created a "fragmented file," which is a source of incompleteness. Such a file can harm consumers to the extent that it fails to include information that reflects the consumer's positive credit experience.

Prior studies of consumer report accuracy and completeness essentially fall into three categories – consumer surveys, studies based on dispute data statistics, and studies based on anonymous data provided by the CRAs about a large number of individual consumers. The FTC's review of these studies determined that, although each approach provides some useful information about credit report accuracy and completeness, none provides a comprehensive view. Indeed, none of the existing studies relied on the participation of all three of the key stakeholders in the credit reporting process: consumers, data furnishers, and the CRAs. Questions have also been raised about the reliability and representativeness of the samples used in the prior studies. For many of the same reasons, looking to consumer complaints filed with the Commission and other law enforcement agencies does not give a statistically reliable picture of the accuracy of all information in CRA files. (Consumer complaints are important, however, for other FCRA compliance purposes and the FACT Act thus prescribes a complaint-sharing mechanism, discussed further below.)

The FTC is evaluating whether and how to conduct a survey that would attempt to address some of the limitations of the prior studies. In particular, it would focus on consumers and their experiences in identifying and disputing errors in their credit reports, would be based on a nationally representative sample, and would use a reliable method for identifying errors and omissions. The survey would also categorize errors by type and seriousness in terms of potential consumer harm. The pilot study will both test the feasibility of a national survey and allow the FTC to estimate the potential costs of such a survey. Depending on the outcome of the pilot study, the FTC may conduct further pilot studies; it may also need to reassess the design currently being contemplated for the national survey. The results of the pilot study, and the next

steps taken by the FTC in its ongoing accuracy study, will be provided in a later interim Report to Congress under Section 319.

Data Matching Proposal

The FTC's Data Matching study examines the costs and benefits of requiring the CRAs to increase the number of points of identifying information used to match a consumer to a credit report – for example, requiring an "exact match" on name, social security number, address, and zip code. The proposed requirement is intended to address an important potential source of inaccuracy in credit reporting – namely, that a CRA could fail to assign data to the correct consumer's file, or could furnish a file to a creditor or other user of credit reports relating to the wrong consumer. The FTC's study examines the effects of the proposal on both the process of assigning data to consumer files ("file building") and the process of retrieving data in response to an inquiry ("file retrieval").

As described in the report, matching difficulties arise from problems with the data available to the CRAs. For example, furnishers of information to the CRAs may possess and report identifying information for individual consumers that is not accurate or complete. As a result, matching with 100% certainty is sometimes impossible.

The report concludes that, if the proposed matching requirement were imposed on the matching process for file building, there would likely be a reduction in "mixed files" because data would be less likely to be assigned to the wrong file. Although mixed files can be costly for consumers, the purpose of the FCRA's dispute procedure is to reduce these costs by enabling consumers to spot and correct errors. (How CRAs and furnishers handle consumer disputes is the subject of another study, which will be separately reported to Congress under Section 313(b) of the FACT Act.) For this reason, the benefits of the proposal may be limited. At the same time, because the data provided by furnishers is imperfect and unlikely to allow precise matching, the proposal also would likely lead to more "fragmented files." If this occurred, credit reports would be less informative and the cost of credit could increase substantially.

For file retrieval, the proposed requirement could lead to a reduction in the number of times the CRA furnishes the wrong file. However, available evidence suggests that the incidence of this problem may be quite small, whereas the matching requirements could impose substantial costs. For example, the requirements would likely increase the frequency with which a user's request does not return any file, which would impose costs and inconveniences on both users of credit reports and credit applicants.

The report also discusses a new FACT Act requirement which may further the same goals intended by the matching proposal. Section 315 of the FACT Act requires CRAs to notify the user of a credit report when the address provided for a consumer "substantially differs" from the addresses in the CRA's file. Although the main goal of this provision is to create a "red flag" pointing to possible identity theft, such a notice would also serve to notify the user of the possibility of an error. The FTC and the federal banking agencies are currently developing regulations to implement this new requirement.

Same Report Proposal

The Same Report study examines the effects of providing a consumer who has experienced an "adverse action" with the "same report" relied on by the creditor in taking the adverse action. Under current law, consumers can request a free copy of their credit report following denial of a loan or other adverse action. This right enables them to spot and dispute any errors in the report that may have led to the adverse action. The purpose of the "same report" proposal is to address the situation in which a report provided to a consumer following an adverse action does not contain the same information that was provided to the creditor. The FTC study examines the effect of the proposal under two possible approaches: (1) requiring the CRA that provided the report to the creditor to provide the "same report" to the consumer, and (2) requiring the creditor who took the adverse action to provide the "same report."

The report concludes that the proposed requirement could benefit consumers in those situations when a creditor was provided with the wrong consumer's report or with multiple reports, not all of which pertain to the correct consumer. In both cases, however, the extent of harm caused by these errors, and the presumed benefits of the proposed requirement, are unclear. For example, available data suggest that multiple files are sent in less than 1% of cases. Although even this small percentage could translate into a significant number of credit reports each year, many creditors who receive multiple reports already take extra steps to correct the problem. For example, some creditors show the reports they receive to the consumer, which would alert the consumer to the existence of multiple reports. Thus, the harm caused by this practice – and the benefit of the proposed "same report" requirement – is likely to be limited.

At the same time, the proposal could impose substantial costs on both consumers and industry as a whole. The potential costs to consumers would include the privacy concerns raised by receiving a report that could pertain to another person. Further, if creditors were required to provide reports automatically with an "adverse action" notice, this could increase the volume of reports being sent and thus raise identity theft concerns. Additionally, a same report requirement would help consumers understand only what was in their file at the time the report was furnished. To the extent that a consumer wanted to verify the accuracy of information currently in the file, the same report requirement would be less helpful because the "same report" would be somewhat out of date and perhaps incomplete. In contrast, consumer disclosures currently mandated under the FCRA provide all information about a consumer in the CRA's files at the time the consumer requests disclosure. A same report requirement could thus indirectly impose additional costs on consumers attempting to identify and correct information currently contained in their reports.

The potential costs to industry would be substantial because, if the CRAs were required to provide the report, they would need to build systems to house every report that is ever provided to a creditor, even though only a fraction of these (those subsequently leading to "adverse action") would ever be sent to consumers. If the creditors were required to provide the reports, they would need to build systems to produce reports in a consumer-friendly format. Further, creditors who receive only summary data from the CRAs might need to supplement their data to ensure complete and meaningful disclosures to consumers.

New FACT Act requirements may provide a more targeted response to this concern. For example, Section 315, discussed above, requires CRAs to notify the user of a credit report when

the address of a consumer "substantially differs" from the address on file. Section 114 requires users of credit reports to implement procedures to identify and respond to identity theft "red flags," or common signs that identify theft has occurred. Both of these requirements will impose added responsibilities on creditors to determine that the credit applicant is indeed the person to whom a credit report pertains. For example, if the creditor receives two credit reports, one of which pertains to the wrong consumer, it is likely that the wrong report will contain an address that does not match that of the applicant. This will trigger a notification by the CRA to the creditor that the address in that report does not match.

Negative Information Notice Proposal

The Negative Information Notice study examined the effects of requiring notification to consumers when negative information has been added to their credit reports. Currently, the FCRA requires creditors to notify consumers when they take "adverse action" based on information in a credit report. By the time a consumer receives this notification, however, it may be too late for the consumer to salvage the transaction by correcting any inaccuracies in his or her report. The idea behind the proposed notice is that consumers would learn about negative information in their reports before they apply for credit, when there still might be sufficient time to remedy the problem.

The report concludes that the proposed notice could benefit consumers by allowing them to check the accuracy of information in their credit reports before any errors become an obstacle to obtaining credit or other services. However, these benefits may be limited. For example, if the furnisher provided the notice, it would not be in a position to notify consumers about certain negative information that is added to consumers' files – for example, public record information, which the CRAs obtain themselves. A requirement that the CRA provide the notice would not have these limitations.

Regardless of who provides the notice, the costs to both industry and consumers could be substantial. Although furnishers are in regular contact with consumers, they would still need to revise their systems and procedures in order to be able to provide this new notice. If CRAs provided the notice, the costs would be even higher. Every year, a significant amount of negative information is added to credit reports from a variety of sources. The CRAs would be required to provide the notice each time such information is added, even when the information is accurate. In addition, it is unclear how consumers would respond to notices received from a CRA, especially if they are unfamiliar with the sender. Some would not read the notices; others could find unsolicited notices intrusive. Sending numerous unsolicited notices to consumers could also open avenues for fraud. Some reports will inevitably be misdirected or sent to old addresses. Moreover, there is a risk of creating an environment conducive to "phishing" schemes, in which fraudulent operators pose as CRAs to obtain sensitive consumer information.

An opt-in system, in which consumers elect to receive negative information notices, could fulfill the goals of the proposed requirement while avoiding many of the costs. The market has begun to provide such systems in the form of credit monitoring services. These services are new, and the costs and benefits they provide should become clearer as the market develops. In addition, the new FACT Act requirement mandating a free annual report should increase

consumers' access to their consumer reports, and the likelihood that they will spot and correct any errors. The FTC has issued regulations implementing this requirement and the program began to take effect on December 1.

Common Unreported Transactions

The Common Unreported Transaction study examined whether there are common financial transactions that are not generally reported to the CRAs, but that would provide useful information in determining creditworthiness. It also examined whether there are any actions that might be taken within a voluntary system to encourage the reporting of these types of transactions.

The idea behind the study is that many Americans may be missing out on the benefits associated with the credit reporting system because certain types of payments are not typically reported to the CRAs.

The report concludes that there are common underreported transactions that could be useful in evaluating creditworthiness – in particular, rental payments and utility payments. It also concludes that there are certain barriers to reporting these payments that may or may not hinder efforts to encourage greater reporting. For rental payments, the main barrier appears to be the diffuse rental market and the lack of centralized data collection, which could be difficult to change. For utility payments, the barriers appear to be cost, some state privacy laws, and possible disincentives created by state regulatory systems. To the extent that state regulatory systems create barriers, these would need to be addressed at the state level.

Despite these barriers, there are private sector efforts underway to capture and report this type of data. These efforts are still at the beginning stages. As they develop, the FTC will continue to monitor these efforts to determine whether they succeed in providing greater access to information about common unreported transactions.

Conclusion

Based on the findings and conclusions of these studies, the Commission is not making legislative or administrative recommendations at this time. In addition to concluding that the costs of specific proposals examined in the Section 318 studies could exceed their benefits, the Commission believes that it is premature to enact alternative requirements of this nature. Indeed, as discussed above, the FACT Act imposed a host of new requirements that, when fully implemented, should further enhance the accuracy and completeness of credit reports. These requirements should also address some of the specific concerns underlying the Section 318 proposals. For example, consumers' new right to obtain a free annual file disclosure should help consumers spot negative information before it causes harm, consistent with the goals of the negative information notice proposal. Also, the requirement that CRAs notify creditors when the address that a creditor provides for a consumer "substantially differs" from the address in the CRA's file coincides with the goals of the proposed matching requirements.

In addition, the credit reporting industry is in a period of rapid change, due not only to the FACT Act reforms but also to the increasing prominence of consumer reports in today's economy. Once limited to credit transactions, credit reports are now used, for example, to screen job applicants and price insurance. The greater use of risk-based pricing increasingly means that relatively modest differences in credit scores are more relevant to consumers. Consumers are also increasingly aware of the importance of credit reports and the need to check their accuracy. In the midst of these changes, the market appears to be responding to some of the problems highlighted in the Section 318 proposals. For example, the industry now provides credit monitoring services that, for a fee, alert consumers when certain information is added to their files. Although these services are relatively new, they could fulfill some of the same goals as the negative information notice, albeit at a cost to consumers. Further, new products have been recently introduced that attempt to gather information on rental payments, utility payments, and other common unreported transactions. The success of these products remains to be seen, but they could help ensure that this information is considered in evaluating consumers for credit.

Finally, the ongoing accuracy and completeness study that the Commission is considering, beginning with the pilot study, could help shed light on the continuing concerns that are addressed in this report. In particular, the Commission believes that the ongoing accuracy study may provide a better estimate of the costs and benefits of the specific proposals that the Commission currently considers to be premature. As the Commission pursues the study, it will attempt to identify any areas where further reform is needed, as well as any improvements observed due to the FACT Act or the ongoing changes in the marketplace.

I. Introduction

The Federal Trade Commission ("FTC" or "Commission") submits this report pursuant to Sections 318 and 319 of the Fair and Accurate Credit Transactions Act of 2003, Pub. L. 108-159, 117 Stat. 1952 ("FACT Act"). The FACT Act, which was enacted on December 4, 2003, amends the Fair Credit Reporting Act, 15 U.S.C. §§ 1681 *et seq.* ("FCRA"), the statute that governs the operation of the nation's consumer reporting system.

As described more fully in the following sections, the enactment of the FCRA in 1970, and its amendment in 1996, coincided with the development of a modern credit reporting system in the United States. This system consists of a number of consumer reporting agencies ("CRAs"), three of which have emerged as the major national credit bureaus, and numerous smaller CRAs. CRAs compile consumer information (such as payment history) submitted voluntarily by creditors and other businesses ("furnishers"), and disseminate compilations of that information in "consumer reports"[1] to creditors, insurance companies, employers, and others with a legitimate business need for that information. These consumer report "users" analyze the information to assess risks, often through a credit score that represents the risk numerically.[2] This flow of information enables credit grantors and others to make more expeditious and accurate decisions, to the benefit of consumers.

The FCRA provides the framework for the operation of the consumer reporting system, and includes significant protections for consumers. Chief among those protections are a variety of provisions designed to enhance the accuracy of consumer reports. Consumer report data are used to make critical decisions about consumers' eligibility for credit and insurance (and the cost of those services), as well as employment and other benefits. Because even small differences in a consumer's credit score can affect the cost or availability of credit, the accuracy of the information underlying the score is of great importance. Moreover, consumer report information often is the first indication to a consumer that he or she has been a victim of identity theft.

As will be discussed in more detail, the FCRA employs two primary approaches to achieving the goal of optimal accuracy. First, it requires CRAs to follow "reasonable procedures to assure maximum possible accuracy of the information" they report. Second, the FCRA establishes mechanisms for consumers to learn about possible errors in their consumer reports and have them corrected. For example, consumers have the right to know all of the information in their files, receive notice when they suffer "adverse action" as a result of information in their report, and dispute the accuracy or completeness of that information.

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1. Consumer reports include credit reports and other "written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer's credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer's eligibility for" credit, insurance, employment, or other "permissible purpose" as defined by the FCRA. FCRA § 603(d), 15 U.S.C. § 1581a(d).

2. *See* Robert B. Avery, Paul S. Calem, Glenn B. Canner & Raphael W. Bostic, *An Overview of Consumer Data and Credit Reporting, Federal Reserve Bulletin* (Feb. 2003), at 49 [hereinafter 2003 FRB Study]; *see also The Accuracy of Credit Report Information and the Fair Credit Reporting Act: Hearing Before the Senate Committee on Banking, Housing, and Urban Affairs,* 108th Cong. (July 10, 2003) (statement of Stuart K. Pratt, Consumer Data Industry Association ("CDIA")) [hereinafter Statement of Stuart K. Pratt].

The FACT Act, among other things, enhances the accuracy provisions of the FCRA in several respects. For example, the FACT Act provides consumers with the right to a free annual consumer report from each of the three nationwide CRAs, as well as from "nationwide specialty consumer reporting agencies." In addition, the FACT Act gives consumers the right to obtain their credit scores in certain situations, and to dispute information in their reports directly with the furnisher of that information. The FACT Act also requires creditors to provide a "risk-based pricing" notice when they offer consumers less advantageous terms based on information in consumer reports. Further, the Act contains a number of new provisions designed to prevent or remedy identity theft.[3]

In addition to these affirmative requirements, Sections 318 and 319 of the FACT Act direct the Commission to study and report to Congress on various issues related to the accuracy and completeness of consumer reports. Specifically, Section 319 requires "an ongoing study of the accuracy and completeness of information contained in consumer reports prepared or maintained by CRAs and methods for improving the accuracy and completeness of such information." The study is to take place over eleven years, with the final report due to Congress in 2014. During the ongoing study, the Commission must also submit five interim reports to Congress, to be completed every two years beginning in December 2004. Each report must contain a summary of the Commission's findings to date, as well as any recommendations for legislative or administrative action. Part III of this report is the Commission's first interim Report to Congress under Section 319.

Section 318 directs the Commission to study proposals to improve the operation of the FCRA. The proposals to be studied are:

- *Increasing the number of points of identifying information (e.g., name, social security number, address, etc.) that a credit reporting agency is required to match to ensure that a consumer is the correct individual to whom a consumer report relates.* Section 318(a)(2)(A) of the FACT Act directs the FTC to study whether increasing the amount of identifying information might be an effective means of ensuring that the data in a consumer's file relate to the intended consumer. This is discussed in Part IV ("Data Matching Study") below.
- *Requiring that a consumer who has experienced an adverse action based on a credit report receives a copy of the same report that the creditor relied on in taking the adverse action.* Section 318(a)(2)(C) of the Act asks the FTC to study the degree to which providing consumers with the same report that the creditors used might help consumers spot errors (for example, that the wrong consumer's information was provided). This is addressed in Part V ("Same Report Study") below.
- *Requiring notification to consumers when negative information has been added to their credit reports*. Section 318(a)(2)(B) of the Act asks the FTC to study whether informing consumers when negative information, such as a reported delinquency, has been added to their files might be an effective way to help consumers identify errors or fraudulent information in their reports. This is addressed in Part VI ("Negative Information Study") below.

3. Many of the regulations implementing these FACT Act provisions are still being developed.

- *Identifying any common financial transactions that are not generally reported to the consumer reporting agencies, but that would provide useful information in determining creditworthiness, and any actions that might be taken to encourage greater reporting of such transactions.* Sections 318(a)(2)(D) and (E) of the Act ask the FTC to study whether there are transactions that are not generally reported and whether there might be ways to encourage greater reporting. The question is motivated by the notion that many consumers, who may be hampered in obtaining credit because they lack traditional credit histories, might have other unreported payment experiences that are useful predictors of risk. This is addressed in Part VII ("Common Unreported Financial Transactions Study") below.

Section 318 directs the Commission to submit a report to Congress one year after enactment that includes the findings and conclusions of the study, along with any legislative or administrative recommendations. Parts IV, V, VI, and VII of this report comprise the Commission's Report to Congress under Section 318.

This report examines issues that have generated considerable discussion and disagreement in recent years. Although a variety of interested parties – including consumer groups, industry organizations, Federal Reserve Board ("Board" or "FRB") staff, and the Government Accountability Office (formerly General Accounting Office) ("GAO") – have examined consumer report accuracy and completeness, they often have reached different conclusions, and the reliability of the data is uncertain. As discussed below, the Commission plans to conduct a pilot study, as part of the study required by Section 319 of the FACT Act, to determine the feasibility of conducting a more comprehensive and reliable survey of this issue.

The report is organized as follows: Part II describes the information gathering process that the Commission staff used in preparing this report. Part III, the Section 319 portion of the report, summarizes the Commission's findings and conclusions thus far in the ongoing accuracy study and, in particular: (1) summarizes the history and current practices of the credit reporting industry; (2) provides background on the FCRA's accuracy requirements and the FTC's efforts to ensure compliance with them; (3) reviews the studies that have been undertaken to date to examine consumer report accuracy and completeness; and (4) discusses the FTC's preparation and design of a pilot study to assess the feasibility of a nationwide consumer survey. Parts IV, V, VI, and VII – which together comprise the Section 318 portion of the report – provide detailed discussions of the benefits and costs of each of the Section 318 proposals. Finally, Part VIII contains the report's conclusion.

II. The Information Gathering Process

In preparing this report, the Commission used a variety of means to obtain information.[4] The Commission staff reviewed current literature. In addition, the Commission sought comment on specific issues related to the studies from interested parties, obtaining input from over 50 organizations and 100 individuals. Those consulted represent a wide spectrum of interests, and include consumer groups, consumer reporting agencies, resellers of consumer reports, furnishers of consumer report information, and users of consumer report information.

4. Not every study used all of the information gathering techniques.

Depending on the specifics of the information required, Commission staff used different methods of collecting information for the different parts of the report. For instance, in analyzing the data matching proposal, the Commission staff found it necessary to gather information about the specific matching processes used by the nationwide CRAs. Because these matching techniques are proprietary, and the CRAs were unwilling to disclose them in a public forum, Commission staff conducted confidential interviews with representatives of the nationwide CRAs.

In collecting information for the "same report" proposal, it was important to understand the experiences of creditors and consumers in the use of consumer reports. To this end, the Commission solicited comments in a *Federal Register* Notice seeking public comment on the issues raised by the "same report" proposal.[5] The notice sought comment on a number of specific issues related to the proposal, including the factors that account for the differences between the reports received by creditors and those received by consumers; the problems created by these differences; the benefit to consumers from a requirement that they be given the "same report" provided to creditors; the impact of the proposed requirement on identity theft; and the costs associated with implementing the proposed requirement. The Commission received 63 comments in response to this notice,[6] which greatly assisted the agency in preparing the "same report" study and were also useful in preparing the other studies.

In addition, the Commission convened a roundtable meeting on June 30, 2004 to discuss issues related to designing the Section 319 Accuracy Study.[7] FTC staff invited many researchers and practitioners in the consumer reporting industry to give prepared remarks at the roundtable. Appendix A includes the *Federal Register* Notice announcing the roundtable. The agenda, list of participants, and official transcript of the proceedings are available through the Commission's website.[8]

For all of the studies, the FTC focused primarily on the activities of the three nationwide CRAs – Equifax Information Services, LLC ("Equifax"), Experian Information Solutions, Inc. ("Experian"), and TransUnion LLC ("TransUnion"), which comprise the vast majority of the industry. To understand their operations in more detail, Commission staff obtained information from these CRAs and conducted discussions with their representatives, including their technical staff. Although much of this information was provided on a confidential basis, the information provided allowed FTC staff to gain considerable insight into the CRAs' procedures.

The report also focuses, in particular, on the use of consumer reports in credit transactions. Although consumer reports are increasingly used in non-credit related determinations such

5. 69 Fed. Reg. 33,387 (June 15, 2004). This *Federal Register* Notice can be found in Appendix C and at http://www ftc.gov/os/statutes/fcrajump htm.

6. These comments are available on the FTC's website at http://www.ftc.gov/os/comments/factaadverseactstudy/index.htm.

7. 69 Fed. Reg. 32,549 (June 10, 2004). This *Federal Register* notice can be found in Appendix A and at http://www ftc.gov/os/statutes/fcrajump htm.

8. *See* http://www.ftc.gov/be/workshops/.

as insurance and employment,[9] the provisions of the FACT Act mandating the studies focus primarily on "credit reports." Further, many of the issues that the studies address – e.g., the effectiveness of matching systems and the accuracy of information furnished to CRAs – have particular relevance and importance in the context of credit determinations. Focusing on credit determinations also limits the scope of the studies in a way that ensures their manageability.

III. Accuracy And Completeness

A. Introduction

Section 319 of the FACT Act requires the Commission to conduct:

> an ongoing study of the accuracy and completeness of information contained in consumer reports prepared or maintained by consumer reporting agencies and methods for improving the accuracy and completeness of such information.[10]

The study is to take place over eleven years, with the final report due to Congress in 2014 and five interim reports to be completed every two years from December 2004 onward (until December 2012).

In preparing this first interim report, Commission staff reviewed the current literature on the accuracy of credit reporting, and convened a roundtable of experts and interested parties to discuss methods for conducting the mandated study. Commission staff also held discussions with many representatives of industry and consumer groups, and these discussions were helpful in gathering the information for this report.

This report summarizes the Commission's findings and conclusions thus far on the ongoing study and, in particular: (1) summarizes its research on the history and current practices of the consumer reporting industry; (2) provides background on the FCRA's accuracy requirements and the FTC's efforts to ensure compliance with them; (3) reviews the studies that have been undertaken to date to examine consumer report accuracy and completeness; and (4) discusses the FTC's preparation and design of a pilot study to assess the feasibility of a nationwide consumer survey. The discussion in this report also provides background for the Section 318 studies described later in this report, which examine specific proposals for improving the accuracy and completeness of consumer reports.

9. A credit report is one type of "consumer report" regulated by the FCRA. As defined in the FCRA, consumer reports include a broad array of information used to make decisions in consumer-initiated transactions, such as reports provided by tenant screening or employment screening services. FCRA § 603(d), 15 U.S.C. § 1681a(d).

10. "Completeness" as used in Section 319 of the FACT Act (and in this report) has a different meaning from "completeness" under Section 611 of the FCRA. Under Section 319, "completeness" refers to the quantity of information in a consumer's file that would be increased by the addition of more transactions, such as those referred to in FACT Act Section 318(a)(2)(D) and (E) to the consumer reporting system. (A file would be more "complete" if it included information about the consumer's rental payments.) "Completeness" in Section 611 of the FCRA refers to the sufficiency of the information in a specific item in the consumer's file. (A credit account item would not be "complete" if it omitted two payments that had been made after the item was last updated by the CRA.).

B. The Credit Reporting System in the United States

The U.S. credit reporting industry consists primarily of three nationwide CRAs and currently contains a wide range of information on approximately 200 million consumers.[11] Creditors and others voluntarily submit this information to centralized, nationwide repositories of information. Users of consumer reports analyze this data and other information to assess the risk posed by applicants, often using sophisticated predictive models such as credit scores.[12] This flow of information enables credit grantors and others to make fast and accurate decisions about a consumer's eligibility for various products and services, which benefits both lenders and consumers. Indeed, in the U.S., consumers can typically obtain credit from a complete stranger within minutes.

Once used primarily for granting loans, the information held by CRAs and the credit scores derived from it are increasingly used in other transactions, such as the granting and pricing of telecommunications services and insurance. Given the wide use of credit reports for multiple purposes, the accuracy and completeness of the data contained in them is of great importance to consumers.

1. History

Credit reporting has a long history in the United States.[13] CRAs emerged more than a century ago, at a time when most consumer credit was extended by retailers. At the time, retail markets were local, limited to a single town or neighborhood. Most CRAs began as cooperative agreements through which retailers shared information about customers who had failed to repay their obligations. Faced with a new customer, a retailer could draw on the experience of other local shops in deciding whether to extend credit. These early CRAs operated on a reciprocal basis – furnishing information to the bureau was a precondition for gaining access to the CRA's information.

During the 20th century, consumer reporting evolved considerably in response to changes in the economy and technology. One important change was that lending moved from local to national markets. Retail markets became larger, expanding to regional and then national chains. At the same time, the primary source of consumer credit shifted from retailers to banks and finance companies. Although banks were constrained for a long time by restrictive banking laws, these restrictions became less important with the growth of bank-issued credit cards, which banks were interested in offering on a regional or national scale. These changes made local consumer report information less valuable and spurred demand for access to more comprehensive data,

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11. *See* 2003 FRB Study and Statement of Stuart K. Pratt, *supra* note 2.

12. Scoring products (sometimes referred to as "risk scores" or "credit scores") are predictive models based on analyses of historical consumer credit history and performance data. When a consumer applies for credit or insurance, the models use information in the consumer's credit history to predict the risk posed by that consumer. The risk is typically summarized in a numerical score.

13. For a more detailed discussion of the history and development of the consumer reporting system in the United States, see Robert M. Hunt, *The Development and Regulation of Consumer Credit Reporting in America* (Federal Reserve Bank of Philadelphia Working Paper No. 02-21, Nov. 2002).

which in turn spurred the growth of the larger credit bureaus. Additionally, the development of computers made it possible to store and retrieve consumer credit data much more efficiently. Apart from improving the efficiency of CRA operations, the computerization of creditor records enabled CRAs to accept automated account updates in electronic format.

These changes led to a shift from local, cooperative CRAs to a system dominated by a few nationwide firms. By the end of the 1980s, several firms had made the significant fixed investment in information technology and data necessary to offer national coverage; three of them (Equifax, Experian, and TransUnion) now dominate the U.S. market for consumer credit reporting.[14] Instead of a reciprocal system in which members share information, the CRAs sell information to "subscribers." These subscribers may or may not provide information about their accounts to the CRAs. Most large banks and finance companies supply information about their credit accounts to all three of the nationwide CRAs, though they may be a customer of only one.[15]

The total amount of consumer credit extended grew substantially over the course of the 20th century. From 1919 to 1969, consumer credit grew at four times the pace of the expansion in consumer spending.[16] As consumer credit expanded after the Second World War, consumer reporting also became more widespread; by the end of the 20th Century, credit reports were used in a wide variety of credit and non-credit transactions. As consumer reports became more important, concerns grew about their accuracy and how inaccurate information might harm consumers. The CRAs make money by selling information, and the quality of their product is largely determined by the accuracy and completeness of the information. This implicit quality requirement creates market incentives to maintain and improve the accuracy and completeness of the reports they sell. Nevertheless, given the inevitable costs involved in achieving maximum accuracy, concerns arose about whether the CRAs were taking sufficient steps to ensure accuracy. Consumers who were the subject of inaccurate reports had little or no recourse. In some cases, CRAs forbade their subscribers from sharing the information in a consumer report with the consumer who was the report's subject.[17] This situation led to the concern that a consumer's reputation might be unfairly tarnished by an inaccurate report provided by an anonymous source.

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14. Some nationwide CRAs have contractual relationships with various smaller regional or local CRAs. These smaller agencies, traditionally called "service bureaus" or "affiliates," generally are independently owned and operated entities. In the Commission's Free Annual File Disclosures Rule, these agencies are termed "associated consumer reporting agencies." 16 C.F.R. § 610.1(b)(2). Associated agencies generally are not under common ownership or control with a nationwide CRA and are thus not corporate affiliates. Rather, they typically have a contracted right to house some or all of the consumer data that they own on the systems of one or more nationwide CRAs. The nationwide CRA with which such an entity is associated maintains the data for the associate bureau and has the right to sell that consumer data to its customers; the associated CRA may also have the right to sell consumer information owned by the nationwide CRA.

15. *See* Statement of Stuart K. Pratt, *supra* note 2.

16. *See* Hunt, *supra* note 13, at 10.

17. *See* Michael E. Staten & Fred H. Cate, *Joint Center for Housing Studies Working Paper Series No. BABC 04-14: Does the Fair Credit Reporting Act Promote Accurate Credit Reporting?* (Feb. 2004).

The Fair Credit Reporting Act of 1970 addressed these issues by providing a number of new consumer protections. First, it gave consumers a right to information about their CRA file,[18] without charge in the case of a consumer who has been turned down for credit as a result of a report from the CRA.[19] Second, it created a dispute process by which a consumer could contest items in a consumer report that he or she believed to be in error.[20] Third, the FCRA required that CRAs implement "reasonable procedures to ensure maximum possible accuracy" in consumer reports.[21] In guaranteeing consumers access to their own credit reports and creating the dispute process, Congress recognized that consumers have a critical role in ensuring the accuracy of consumer reports. Rather than precisely regulating the way that CRAs maintain their files, Congress opted to hold CRAs accountable for their procedures, and to give consumers the opportunity to check the accuracy of their files. Amendments in 1996 strengthened the FCRA's consumer protections by, among other things, placing certain legal obligations on furnishers with respect to the accuracy of information provided.[22] In passing the FACT Act in 2003, Congress further strengthened this approach by, for example, requiring that consumers have access to a free copy of their consumer report each year.

Consumer credit in the U.S. has continued to expand since enactment of the FCRA. For instance, the Federal Reserve Board reports that the fraction of U.S. households with bank-type credit cards increased from 16% in 1970 to 68% in 1998.[23] Among the lowest income quintile, the fraction rose from 2% of households in 1970 to 28% in 1998. Further, as the credit market has matured, lenders' incentives have changed. In addition to avoiding bad credit risks, lenders now focus on identifying people with good credit history so as to expand the market for lender products.[24]

2. How the system works today

The three nationwide CRAs maintain files on approximately 200 million U.S. consumers and issue more than 1.5 billion reports a year in response to consumer applications for credit,

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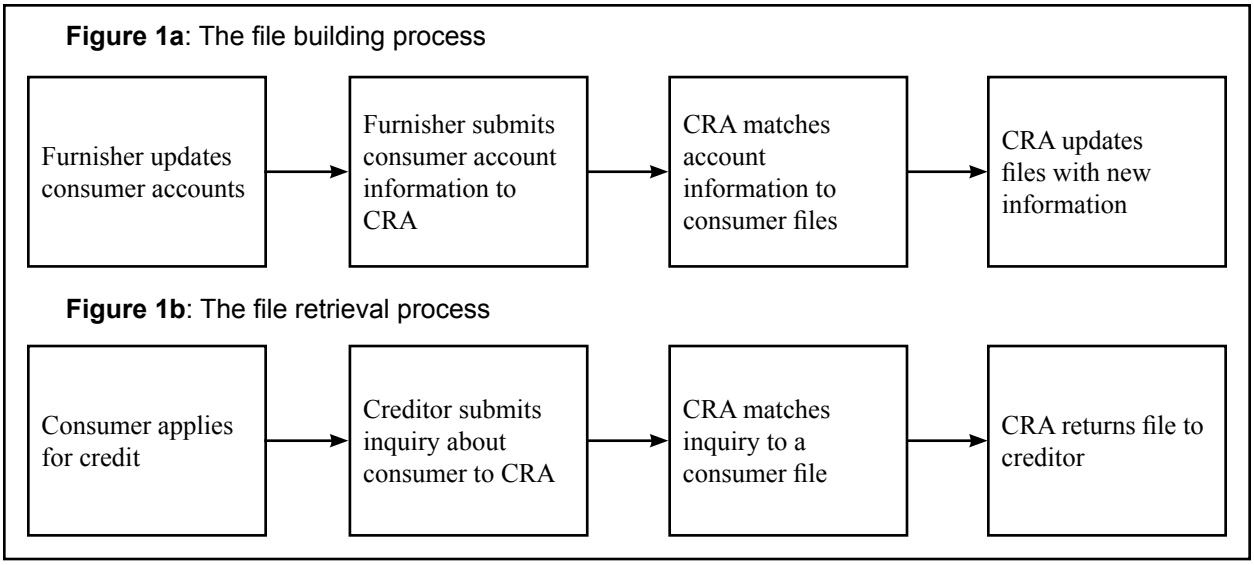
18. FCRA § 609, 15 U.S.C. § 1681g. Originally, consumers had a right under the FCRA only to the "nature and substance" of the information in their file. In the 1996 FCRA amendments, this right was expanded to include all information in the consumer's file, except for risk scores. *See* Consumer Credit Reporting Reform Act of 1996, P.L. 104-208, 110 Stat. 3009-426 (the Omnibus Consolidated Appropriations Act for Fiscal Year 1997, Title II, Subtitle D, Chapter 1).
19. FCRA § 612(b), 15 U.S.C. § 1681j(b).
20. FCRA § 611, 15 U.S.C. § 1681*i*.
21. FCRA § 607(b), 15 U.S.C. § 1681e(b).
22. Consumer Credit Reporting Reform Act of 1996, 110 Stat. at 3009-426.
23. *Testimony of Dolores S. Smith, Federal Reserve Board, before the Subcommittee on Financial Institutions and Consumer Credit of the House Committee on Financial Services*, 107th Cong. (Nov. 1, 2001).
24. *See, e.g.,* John M. Barron & Michael Staten, *The Value of Comprehensive Credit Reports: Lessons from the U.S. Experience* (2001) (Credit Research Center, Georgetown University). In the section entitled "The Value of Positive Information," these authors describe a simulated measurement of the curtailment of credit when information in consumer reports is restricted to negative information.

employment, and insurance. The data in these files are provided on a voluntary basis by about 30,000 data furnishers.[25]

The CRAs obtain records related to consumers' credit history from creditors, collection agencies, and public sources. Each record is attached to identifying information such as name, social security number ("SSN"), address, and birth date. The CRAs organize these records into "files," which refer to all records that the CRA believes to belong to the same person. The CRAs attempt to maintain exactly one file for every credit-using consumer and to include as many of that consumer's accounts and other records as possible. This report will refer to the process of adding information to consumer files as "file building." A simplified version of the process is described in Figure 1a.[26]

The CRAs make the information in their files available to subscribers. Subscribers may be the final users of consumer reports, or they may be "resellers," entities that purchase consumer reports from the nationwide CRAs and sell the information to final users. In some cases, the reseller provides further input to the consumer report information, such as merging the reports from different nationwide CRAs, checking for accuracy, or adding information from other data sources. This report refers to the process of furnishing consumer reports in response to inquiries as "file retrieval." (See Figure 1b.)



25. *See* Statement of Stuart K. Pratt, *supra* note 2. These figures and the discussion that follows were also based on conversations between FTC staff and representatives of the three nationwide CRAs.

26. In the past, at least one of the nationwide CRAs organized its database differently. Rather than maintaining consumer files, it maintained a dataset of separate records (accounts or public records). When an inquiry was submitted, the CRA's computer program located all records that matched the identifying information in the inquiry and compiled that data into a consumer report. This meant that two inquiries that used different identifying information for the same consumer might yield different reports (e.g., a credit report for Ann Margaret Smith might be different depending on whether she applied for credit under the name "Ann Smith" or "A. M. Smith"). It also meant that the same trade line might show up on the reports of two different consumers. For example, an account belonging to "John Doe" might show up on the reports of both John Doe, Jr. and John Doe, Sr. None of the nationwide CRAs follows this procedure any longer; every incoming record is assigned to exactly one consumer file within a given CRA's database.

The FCRA refers to information furnished to a final user as a "consumer report." Although this report is based on the information in an individual's file, it may not contain all the information in the file.[27] In many cases, it may consist only of a credit "score" that summarizes a consumer's credit history.

There are many different types of credit scores in use today.[28] Each of the nationwide CRAs offers a variety of scores, such as scores that measure general creditworthiness, scores that are specific to certain types of credit such as auto loans or mortgages, and credit-based scores used to measure risk for auto or homeowners insurance.[29] Some of these scores are developed by the CRAs themselves, and others are developed by third parties, such as Fair Isaac Corp. (developers of the "FICO" scores).[30] Users have the option to purchase a score for a consumer without receiving any other information from the consumer's file. There are also lenders and insurers that have developed their own custom scores. Some of these companies receive raw credit data from the CRA, typically in machine readable format, and use that data to calculate the score.[31] Others make arrangements with a CRA to have the CRA calculate the score.

3. What is in a file?

Consumer information in the files maintained by the nationwide CRAs can be divided into five categories:

1. Identifying information. This information typically includes name, address, birth date, SSN, and past or alternate names and addresses. Identifying information is used to link information provided by different furnishers, and to determine to which consumer file a subscriber's inquiry pertains.

2. Credit account information. This category involves information about current and past credit accounts, including mortgages, car loans, credit cards, and installment payments for retail goods. The 2003 Federal Reserve study, which examined a sample of files from one of the nationwide CRAs, reported that 87% of files in the sample contained at least one credit account, and 80% contained an account that is open and active.[32] Credit account information includes the identity of the creditor, the date the account was opened (and closed, if applicable), whether the account is open and in good standing, the balance and credit limit, the amount past due, and past payment performance.

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27. In fact, the FCRA prohibits CRAs from disclosing some information in a consumer's file to most users – for example, inquiries for certain transactions not initiated by the consumer and some medical information. FCRA §§ 604(c), (g), 15 U.S.C. §§ 1681b(c), (g).

28. Section 215 of the FACT Act mandates a study of the effects of "credit scores and credit-based insurance scores on availability and affordability of financial products," to be completed jointly by the FTC and the Federal Reserve Board, in consultation with the Department of Housing and Urban Development. This study is in progress and is due in December of 2005.

29. There are also scores that measure different types of risk, such as default risk or bankruptcy risk.

30. Fair Isaac representatives provided an overview of their score development at the roundtable meeting hosted by the FTC on June 30, 2004. A transcript is available at http://www.ftc.gov/ftc/workshops.htm (pages 65-73).

31. They may also combine the credit history data with other information, such as information from an application, to calculate a score based on more than just credit history.

32. *See* 2003 FRB Study, *supra* note 2, at 51.

3. Public records. Public records listed in consumer reports can include bankruptcies, foreclosures, civil judgments, and tax liens. According to the 2003 Federal Reserve study, approximately 12% of files included at least one public record.[33]

4. Collection accounts. This category includes unpaid debts that have been turned over to a collections agency – for example, an unpaid hospital bill. The 2003 Federal Reserve study found that approximately 30% of files had at least one collection agency account listed in them, although 52% of these collection actions appeared to be associated with medical bills and only 6% were associated with credit accounts. For about 10% of the files surveyed, the only information in them was a collections account.[34]

5. Inquiries. When a subscriber requests a consumer report, a record of that "inquiry" becomes part of the consumer's file. Approximately 58% of consumer files in the Federal Reserve study included at least one inquiry.[35]

C. Challenges in Assuring Accuracy and Completeness

Accurate and complete consumer reports are important for consumers in two basic ways:

- For an individual consumer, a good credit rating may be the key to getting approved for a loan, job, apartment, insurance, phone service, or other services and benefits. For products or services where the credit rating determines approval or denial, an inaccuracy in a consumer report could cause the consumer to be rejected rather than accepted. For many products, such as credit and insurance, consumer reports are widely used to set pricing or other terms, depending on the consumer's risk ("risk-based pricing").[36] For these products, an inaccuracy could cause the consumer to pay a higher price.

- At the market level, accurate and complete credit ratings provide lenders with information about borrowers' credit history so they can more precisely estimate default risk and tailor their interest rates and other credit terms to the risk presented by the borrower. For example, by identifying consumers with a good credit record, creditors can offer these customers a lower interest rate that reflects their lower default risk. If credit information were frequently missing or wrong, then a good credit record would not be such a strong signal of a consumer's low default risk.

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33. *See id.* at 67.

34. S*ee id.* at 68-69.

35. *See id.* at 70.

36. The use of credit scores in risk-based pricing allows lenders to assess the credit risk of the applicant before making an offer. With risk-based pricing fewer consumers are refused credit outright because fewer credit decisions are absolute "grant/deny" determinations. Indeed, credit scores are increasingly used in risk-based pricing calculations to set a wide variety of terms in granting loans – such as loan amount, rate, duration, down-payment or collateral requirements, fees, and payment schedule. Depending on the criteria of the lender, relatively small differences in credit score can alter the mix of risk-based pricing elements offered to a consumer by a creditor. Because scores in turn rely on all information in a consumer report (not just derogatory data), it is important that all information be accurate. The information relevant to a credit score includes items that have not typically been regarded as "negative," such as number and type of tradelines, credit limits, inquiries, and open dates of accounts.

There are a number of reasons why a consumer report may not be a complete, accurate representation of a consumer's credit history. First, there may be problems with the data provided by a furnisher. A data furnisher may send a CRA information that is incorrect, may provide incomplete information, or may not provide any information at all. Second, there may be problems with assigning data to the proper consumer files (file building). A data furnisher may send correct information, but the CRA may not place it in the correct person's file. Third, there may be problems with file retrieval. A CRA may send to a subscriber a consumer report that pertains to the wrong person, or it may fail to send a report entirely.

These issues will be discussed below in more detail.

1. Data provided by furnishers

If a CRA does not receive complete and accurate information from data furnishers, the CRA will be unable to provide complete and accurate consumer reports. For example, if a consumer pays off her car loan with ABC Bank but the bank does not update its records, it might report an outstanding balance for the consumer's account. In such cases, the CRA has no way of knowing that the information in question is inapplicable to the consumer's current creditworthiness.

Identity theft produces a similar type of inaccuracy. When an identity thief opens an account in a victim's name, the account information will be reported to CRAs as if the account had been opened by the victim. Until the furnisher of the data discovers that the account is fraudulent, there is no way for either the furnisher or the CRA to identify the information in the victim's credit file as incorrect.

A file may be incomplete because information was never furnished to a CRA. Some creditors do not furnish information to the CRAs at all, and some report to only one or two of the three national repositories.[37] For instance, a regional retailer that sells some products on credit might furnish data about its credit accounts to only one CRA. The fact that some furnishers do not provide data to all three nationwide CRAs is one reason that many lenders, particularly in the mortgage industry, use reports from all three CRAs to evaluate a single consumer.

In addition, a creditor may deliberately withhold certain information for strategic reasons. For instance, some lenders, particularly subprime lenders, choose to withhold positive credit information about their customers to prevent their most profitable customers from receiving competing offers.[38] Several years ago, a few large creditors stopped reporting credit limits for

37. *See* Statement of Stuart K. Pratt, *supra* note 2, at 4.

38. *See* Robert B. Avery, Paul S. Calem & Glenn B. Canner, *Credit Report Accuracy and Access to Credit*, *Federal Reserve Bulletin*, Summer 2004, at 305, note 23 [hereinafter 2004 FRB Study]; and Comment of the Consumer Data Industry Association to the Federal Reserve Board, Sept. 17, 2004, at 4. Many creditors obtain lists of consumers from CRAs for the purpose of making firm offers of credit (often referred to as "prescreened offers"). By refraining from reporting positive data on their best customers, banks and other creditors can keep their competitors from "cherry picking" those customers through prescreened offers.

many or all of their customers' accounts. Again, this practice was apparently intended to prevent competitors from stealing the creditors' customers.[39]

The three nationwide CRAs attempt to encourage full reporting, in some cases by refusing to sell consumer reports to creditors who do not furnish consumer data.[40] Their ability to enforce such rules, however, is limited by competitive pressures; if a CRA refuses to sell consumer reports to a particular lender, that lender could simply turn to another CRA.

2. Assigning data to consumer files (file building)

There may also be problems with assigning data to the proper consumer files. When a CRA's system fails to assign a consumer's data correctly, it can create either a "mixed file" or a "fragmented file." Mixed files are a source of inaccuracy, and fragmented files are a source of incompleteness.

- A "mixed file" refers to a file that contains information pertaining to more than one consumer. For example, if Tom Jones's credit card account were contained in Tom Brown's file, then Brown's file would be described as a mixed file.
- A "fragmented file" refers to a situation where more than one file in a CRA database exists for the same individual. For example, Frederick von Strong might conceivably have one file listed under "Frederick von Strong" and another listed under "Frederick V. Strong."

These problems are most likely to occur when the right file is not easy to identify – typically when the identifying information the CRA receives from a data furnisher is not complete and accurate.[41] For example, suppose a CRA receives information about a new credit account with the following identifying information:

K. Smith
111 First St.
Anytown, NJ 15555
Age: 26
Account No. 1234 5678

39. *See* 2003 FRB Study, *supra* note 2, at 58, note 18. A sample of consumer reports that FRB staff drew in June 1999 revealed that approximately 70% were missing credit limits on one or more of their revolving accounts. In a sample drawn in June 2003, the percentage had dropped to approximately 14%, due to public and private efforts to encourage the reporting of credit limits. *See* 2004 FRB Study, *supra* note 37, at 306.

40. For example, at the end of 1999, TransUnion stopped selling consumer reports to subprime lenders that did not furnish data to TransUnion, and Equifax announced that credit card issuers that did not furnish credit limit information would not receive credit limit information from Equifax. *See* Lisa Fickenscher, *Credit Bureaus Move Against Lenders That Withhold Info*, *American Banker* (Dec. 10, 1999).

41. Sources of matching problems are discussed in more detail in section IV of this report. *See infra* page 35.

The closest match in the CRA's database might be:

Kevin Adam Smith
111 First St.
Anytown, NJ 15555
Age: 26
SSN: 111-11-1111

It is very likely that this is the right person, but it is not certain – the new account might belong to someone else (perhaps a spouse or sibling) with the same address, age, last name, and first initial. The misidentified person could be someone with no existing file (presumably someone with no credit history), or someone with an existing file who has recently moved to Kevin's address.[42]

In developing their procedures for matching data to particular consumer files, the CRAs must decide what to do when matching information is incomplete. If the CRA does not add the account to Kevin's consumer file, but instead creates a new file for "K. Smith," then it is quite likely that this will be a fragmented (incomplete) file. If the CRA does add the account to Kevin's file, there is the risk of creating a mixed (inaccurate) file. Although this risk might be relatively small, the CRAs receive billions of data updates each year.[43] Even a small probability of error can translate into a significant number of actual files with errors.

"File segmentation" strategies can also create fragmented files. Because of the serious consequences of a bad credit history, some consumers may attempt to manipulate the system to escape their existing credit history by applying for credit using identifying information that will not be matched to the existing file.[44] CRAs have procedures to guard against manipulation of the system to some degree. However, when these safeguards fail and the deception succeeds, the consumer will create a new, significantly incomplete file.[45]

3. File retrieval

There may also be problems with file retrieval – that is, whether the CRA retrieves and sends the correct consumer's report in response to an inquiry. For example, the CRA might send

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42. For example, suppose Kendra Jones recently married Kevin Smith, changed her last name to Smith, and moved to his address. In this case, there will be two people named K. Smith living at this address, but the CRA database will contain only one (at least until Kendra's records have been updated). Possibilities such as this mean that the "best match" in the CRA's database is not always the correct one.

43. *See* Statement of Stuart K. Pratt, *supra* note 2, at 4 (noting that "furnishers provide nearly 2 billion updates of information per month").

44. For example, some "credit repair" organizations have advised consumers that they can establish a new credit identity by applying to the Internal Revenue Service for an Employer Identification Number, and then using this in place of the SSN when applying for credit. The Commission has brought enforcement actions to stem this practice. *See* FTC v. West Coast Publications, LLC, No. 99-04705GHK (C.D. Cal. 2000); *see also Credit Repair Scammers Settle FTC Charges* (FTC press release Mar. 9, 2000) available at http://www.ftc.gov/opa/2000/03/id1 htm. Such schemes, as well as other credit repair strategies that abuse the credit reporting system, violate the Credit Repair Organizations Act, 15 U.S.C. § 1679.

45. FTC staff communication with CRA representatives.

a single wrong report that pertains to the wrong person; might send multiple reports, one or more of which pertains to the wrong person; or might send no report when the consumer in fact has a file in the CRA's system.

To see how this can happen, suppose a lender requests a consumer report using the identifying information for "K. Smith" from the example above. Faced with an uncertain match, the CRA must decide whether to provide a report based on Kevin Smith's file or to provide no report at all (a "no-hit," suggesting that no such consumer exists in its database). If the CRA provides the report, and the applicant is not Kevin Smith, then the lender may process the application using the wrong consumer's credit information. If the CRA does not provide the file, and the applicant is indeed Kevin Smith, then the creditor may deny credit in the belief that the applicant has no credit history.[46] In other words, the matching procedures for retrieving files – like those for building files – involve a tradeoff between providing the wrong information (here, an entirely wrong file), and providing too little information (reporting a "no-hit" when a file in fact exists).

It is uncommon for the CRAs to send out a single consumer report that pertains to the wrong person. Suppose that person A and person B both have files in the CRA's system, and that their identifying information is very similar. If person A applies for credit, the CRA may identify two files as being close matches, but it is very unlikely that person B's file will be identified as a *better* match than person A's file. The CRAs report a small number of complaints from users about receiving the wrong file; one reported that in 2003 it had fewer than 200 complaints of this type from subscribers.[47]

The case where a single wrong match seems most likely is when a credit applicant (person A) does not have a file in the CRA's database, but there is someone else in the database (person B) with very similar identifying information. In this case, person B's file will be identified as the best match, and if the match is close enough, the CRA might provide a report on B even though the correct outcome would be a no-hit.[48] If a given consumer does have a file in the CRA's

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46. In either case, the potential harm to Kevin (or to Kendra, if she is the K. Smith applying for credit) depends on the actions of the user of the consumer report. If the user receives the wrong person's file, he or she may notice the discrepancy and investigate further, rather than simply denying credit. If the user receives no report, he or she may request a report again, this time using more complete information.

47. FTC staff communications with CRA representatives. In many cases neither the consumer nor the creditor might notice if the wrong file is furnished. For example, where credit decisions are highly automated – essentially constituting a "yes" or "no" determination – the person processing the application may not examine any information from the consumer's file apart from whether the application was approved. Particularly if the answer is "yes," there may be little incentive for anyone to check whether the report in fact pertains to the right person. It is also possible that users will realize they received the wrong report, perhaps because they made the inquiry based on insufficient information, and will simply resubmit the request with more complete information. In these cases, the CRA might not receive a complaint, but there also would be no effect on the consumer's application for credit if the correct file is ultimately furnished.

48. A case that appears to fit this description is that of *Jason Turner v. Equifax Credit Information Services, Inc*, No. CV 02-J-0787-S (N.D. Ala. filed Mar. 28, 2002). *See* Evan Hendricks, *Credit Scores & Credit Reports: How the System Works, What You Can Do* 145 (2004). According to Hendricks, when Turner applied for his first credit card, Equifax furnished the report of another person with the same name and a similar SSN. Moreover, Turner was unable to correct the problem through the dispute process because he had no file in the CRA's database that could be corrected.

system (and applies for credit using his own identifying information), then it is quite unlikely that the CRA will provide the wrong file.

In determining which file to return, the CRA could also return multiple consumer reports on the same consumer. This might happen when a subscriber's inquiry seems to match more than one file in the CRA's system. For example, the CRA might have a file for "Kevin Smith" and another file for "K. Smith." The CRA knows that this might represent a fragmented file, but may not be confident enough to merge the two files. If a subscriber requests a report for "Kevin Smith," the CRA might return two reports, one based on the "Kevin Smith" file and one based on the "K. Smith" file. This would give the user an opportunity to consider information that probably pertains to Kevin Smith, but also signals that the CRA is not entirely confident of the match. Sending out the second file also allows the CRA to provide information that might otherwise be missed, without permanently mixing that information with other data known to pertain to the consumer (and thus risking creation of a "mixed file").

In this case, there is a reasonable chance that one of the reports pertains to the wrong consumer. If one report is wrong, and the report's user does not discover the error, the consumer's application for credit might be adversely affected.

Only one of the nationwide CRAs currently has a policy of sending out multiple files in response to a single request.[49] Another changed its system in August of 2004 in such a way that it never sends out multiple files, and the third stopped sending out multiple files within the last several years. The CRA that supplies multiple reports in response to a single inquiry says that its system identifies multiple matches in response to fewer than 4% of inquiries and that it sends out multiple reports only when the subscriber making the inquiry asks to see them all.[50] This CRA reports that it actually sends out multiple reports in response to fewer than 1% of inquiries.[51]

D. The Accuracy and Completeness Requirements of the FCRA[52]

The FCRA contains a number of important requirements relating to the accuracy of consumer reports, including requirements imposed when the FCRA was enacted in 1970 and those added by the 1996 amendments and the FACT Act. In general, these requirements use two

49. FTC staff communication with CRA representatives.

50. Fiserv/Chase Credit Research, a reseller of consumer reports, provided data to the FTC that independently confirm that this CRA furnishes multiple files in about 4% of cases. This estimate comes from a sample of consumer reports provided to mortgage lenders by the three nationwide CRAs.

51. FTC staff communication with CRA representatives. As noted above (*supra* note 50), data provided by Fiserv/Chase Credit Research indicates that the CRA in question provides multiple reports to the mortgage industry in 4% of cases. Because mortgage lenders may be more likely than other users to request multiple files, the 4% figure is not necessarily inconsistent with the reported aggregate figure of 1% for all inquiries. For further discussion of the issue of multiple files, see *infra* page 57.

52. As noted *supra* note 10, the term "completeness" has one meaning under the FCRA and a different meaning for purposes of this Report. "Completeness" under FCRA § 611 refers to the sufficiency of the information in specific items in the consumer's file, whereas the "completeness" addressed in this Report refers to the quantity of information in a consumer's file and whether relevant transactions have been included. To avoid confusion, the discussion in this section (and in part E, below) will use the term "accuracy" to encompass both the "accuracy" and "completeness" provisions of the FCRA.

major avenues to promote accuracy. First, the FCRA establishes mechanisms for consumers to learn about possible errors in their consumer reports and have them corrected. Second, the FCRA provides that CRAs must follow "reasonable procedures to assure maximum possible accuracy of the information" they report.[53]

Section 609 of the FCRA is one of the key mechanisms for ensuring that consumers learn about errors. It gives consumers the right to request all of the information in their files (except risk scores), as well as the identity of all recipients of their report for the last year (two years in employment cases).[54] Often, a consumer first learns about his or her ability to request this information after a creditor or other consumer report user denies the consumer's credit application or takes some other "adverse action" and provides a notice to the consumer under Section 615 of the FCRA.[55] That provision requires users of consumer reports to notify consumers of any adverse action based in whole or in part on information in a consumer report, and to provide consumers with certain key information, including (1) the identity of the consumer reporting agency from which the creditor obtained the report; (2) the right to obtain a free copy of the report; and (3) the right to dispute the accuracy of information in the report.[56]

Once a consumer has reviewed his or her report and identified what the consumer believes is an error, Section 611 gives the consumer a right to dispute the error and, depending on the outcome of the dispute, to have the error corrected.[57] The consumer initiates a dispute by notifying the CRA. The investigation of the dispute includes consideration by the CRA of "all relevant information" submitted by the consumer, which the CRA must also provide to the original furnisher of the disputed information for review by the furnisher. The CRA generally has 30 days to complete its investigation, after which it must record the current status of the information, or delete it if it is found to be inaccurate or unverifiable, and then report the results

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53. By its terms ("*reasonable* procedures . . . maximum *possible* accuracy"), the statute itself recognizes that absolute accuracy is, as a practical matter, impossible. FCRA § 607(b), 15 U.S.C. § 1681e(b) (emphasis added).

54. 15 U.S.C. § 1681g.

55. 15 U.S.C. § 1681m. In the original FCRA, adverse action notices were required only when "credit or insurance . . . or employment . . . is denied or the charge for such credit or insurance is increased . . . ." In the 1996 amendments, Congress required adverse action notices when consumer reports are used in other situations, such as opening savings or checking accounts, apartment rentals, and retail purchases by check. The 1996 amendments also included others changes affecting the scope of "adverse action" in credit, insurance, and employment transactions. *See* FCRA § 603(k), 15 U.S.C. § 1681a(k).

56. FCRA Section 612 provides that CRAs must provide a free disclosure if a consumer makes a request within 60 days of receipt of an adverse action notice, and may charge a fee (currently nine dollars) in other cases. 15 U.S.C. § 1681j. Under the FACT Act, consumers now also have a right to obtain a free annual file disclosure from each of the nationwide CRAs through a "centralized source." FACT Act § 211, codified at 15 U.S.C. § 1681j(a). Under the Commission's rule implementing this requirement, the centralized source will first be available to some consumers beginning December 1, 2004, and available to all consumers by September 1, 2005. *See* Free Annual File Disclosures; Final Rule, 69 Fed. Reg. 35,468 (June 24, 2004) (codified at 16 C.F.R. parts 610 and 698). *See also* http://www.ftc.gov/os/2004/05/040520factafrn.pdf and http://www.ftc.gov/os/2004/06/040624factafreeannualfrn.pdf. The FTC and Federal Reserve Board are charged under Section 313(b) of the FACT Act to study how CRAs and furnishers handle consumer disputes. The agencies' report will be submitted to Congress under separate cover.

57. 15 U.S.C. § 1681*i*.

of the investigation to the consumer.[58] If the investigation does not resolve the dispute, the consumer may file a statement with his or her version of the facts, which must then be included in any subsequent consumer report that includes the disputed item.[59]

Since 1996, and as supplemented by the FACT Act, the FCRA has also imposed certain accuracy and reinvestigation duties on furnishers of information to CRAs. These requirements recognize that furnishers – the original source of the information – have a critical role to play in the overall accuracy of consumer report information. Thus, Section 623 of the FCRA now requires furnishers to investigate disputes received from CRAs and to correct and update information provided to CRAs that they later learn is inaccurate. In certain instances, after implementing regulations are issued, furnishers will also be required to investigate and respond to disputes made directly to them by consumers regarding the accuracy of their information.[60]

E. FTC Efforts to Promote Compliance with the FCRA Accuracy Requirements

Since the FCRA was first enacted in 1970, the Commission has made significant efforts to promote compliance with the law's accuracy requirements. Such efforts have included law enforcement, business and consumer education, informal legal interpretive and other guidance, and rulemakings to implement FCRA amendments.

The Commission's law enforcement efforts have included cases[61] to ensure: (1) compliance with the adverse action notice requirements on the part of creditors,[62] employers,[63] and

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58. To address the problem of recurring errors, the FCRA prohibits CRAs from reinserting into a consumer's credit file previously deleted information without first obtaining a certification from the furnisher that the information is complete and accurate, and then notifying the consumer of the reinsertion. 15 U.S.C. § 1681*i*(a)(5).

59. Disputed information is utilized by most credit scoring models.

60. 15 U.S.C. § 1681s-2.

61. A significant majority of the complaints cited herein that the Commission has brought alleging FCRA violations were settled by entry of a consent order. Additionally, administrative cases (generally those cases in the following footnotes with an "F.T.C." reporter citation) sunset after twenty years. Those administrative cases that antedate 1984 are cited here to show the range and magnitude of Commission enforcement activity.

62. *See, e.g.,* Hospital & Health Services Credit Union, 104 F.T.C. 589 (1984); Associated Dry Goods Corp., 105 F.T.C. 310 (1985); Wright-Patt Credit Union, 106 F.T.C. 354 (1985); Federated Dep't Stores, 106 F.T.C. 615 (1985); FTC v. Winkleman Stores, Civ. No. C 85-2214 (N.D. Ohio 1985); FTC v. Strawbridge & Clothier, Civ. No. 85-6855 (E.D. Pa. 1985); FTC v. Green Tree Acceptance, Civ. No. CA 4 86 469 K (M.D. Tex. 1988); Quicken Loans Inc., D-9304 (FTC Decision and Order Apr. 8, 2003). *See also* FTC v. Aristar, Inc., Civ. No. C-83-0719 (S.D. Fla. 1983); FTC v. Allied Finance Co., Civ. No. CA3-85-1933F (N.D. Tex. 1985); FTC v. Norwest Fin., Inc., Civ. No. 87 06025R (C.D. Cal. 1987); FTC v. City Fin. Corp., Civ. No. 1:90-cv-246-MHS (N.D. Ga. 1990); FTC v. Tower Loan of Mississippi, Civ. No. J90-0447 (J) (S.D. Miss. 1990); FTC v. Barclay American Corp., Civ. No. C-C-91-0014-MU (D.N.C. 1991); FTC v. Academic Int'l, Civ. No. 91-CV-2738 (N.D. Ga. 1991); FTC v. Bonlar Loan Co., Civ. No. 97C 7274 (N.D. Ill. 1997); FTC v. Capital City Mortgage Corp., Civ. No. 1:98CV00237 (D.D.C. 1998).

63. *See, e.g.,* Electronic Data Systems, 114 F.T.C. 524 (1991); Kobacker Co., 115 F.T.C. 13 (1992); Keystone Carbon Co., 115 F.T.C. 22 (1992); McDonnell Douglas Corp., 115 F.T.C. 33 (1992); Macy's, Inc.,115 F.T.C.

telecommunications providers;[64] (2) compliance with the privacy and accuracy requirements by the nationwide CRAs;[65] (3) compliance with the FCRA's dispute provisions by resellers of consumer reports (agencies that purchase consumer reports from the major CRAs and resell them);[66] and (4) compliance with respect to consumer reports used in non-credit transactions.[67]

Recent actions have also focused on the new accuracy provisions added by the 1996 amendments. For example, the Commission settled cases with the three nationwide CRAs, charging that they failed to comply with the new requirement that they establish a toll free number, with "personnel accessible" during normal business hours to answer consumers' questions about their consumer reports.[68] In addition, the Commission has settled cases against furnishers of information to CRAs alleging that they knowingly reported inaccurate information to the CRAs in violation of the new furnisher provisions added by the amendments.[69] The Commission also aggressively pursues businesses engaging in fraudulent "credit repair" – by

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43 (1992); Marshall Field & Co., 116 F.T.C. 777 (1993); Bruno's, Inc., 124 F.T.C. 126 (1997); Aldi, Inc., 124 F.T.C. 354 (1997); Altmeyer Home Stores, Inc., 125 F.T.C. 1295 (1998); U.S. v. Imperial Palace, Inc., Civ. No. CV-5-04-0963-RLH-PAL (D. Nev. 2004).

64. *See, e.g.,* U.S. v. AT&T Corp., No. 04-4411(SRC) (D.N.J. 2004); U.S. v. Sprint Corp., No. 4:04 CV 361 RH/WCS (N.D. Fla. 2004).

65. *See, e.g.*, TransUnion Credit Info. Co., 102 F.T.C. 1109 (1983); FTC v. TRW, Inc., 784 F. Supp. 361 (N.D. Tex. 1991); Equifax Credit Info. Services, Inc., 130 F.T.C. 577 (1995). Each of these "omnibus" orders differed in detail, but generally covered a variety of FCRA issues including accuracy, disclosure, and permissible purposes.

66. *See* First American Real Estate Solutions, LLC, 127 F.T.C. 85 (1999) (consent with a reseller concerning the dispute obligations of CRAs).

67. Howard Enterprises, Inc. 93 F.T.C. 909 (1979) (bad check lists); Equifax, Inc. (formerly Retail Credit Company), 96 F.T.C. 844 (1980) (investigative consumer reports); MIB, Inc., 101 F.T.C. 415 (1983) (medical information reports).

68. *See* FCRA § 609(c)(1), 15 U.S.C. § 1681g(c)(1). The complaints in these cases alleged that the CRAs failed to maintain adequate personnel, resulting in busy signals, excessive hold times, and the blocking of consumer calls from particular locations. The orders require the CRAs to maintain adequate personnel, establish auditing requirements to ensure future compliance, and pay a total $2.5 million in FCRA civil penalties. *See* FTC v. Equifax Credit Info. Services, Inc., No. 1:00-CV-0087 (N.D. Ga. 2000); FTC v. Experian Mktg. Info. Solutions, Inc., No. 3-00CV0056-L (N.D. Tex. 2000); FTC v. TransUnion LLC, 00C 0235 (N.D. Ill. 2000); *see also* U.S. v. Equifax Credit Info. Servs., Inc., Civ. No. 1:0-CV-0087-MHS (N.D. Ga. 2003) ($250,000 violation of consent decree).

69. *See* FTC v. NCO Group, Inc., 2004 WL 1103323 (E.D. Pa. 2004) (providing inaccurate delinquency dates; $1.5 million civil penalty); U.S. v. Fairbanks Capitol Corp., Civ. Action No. 03-12219 DPW (D. Mass. 2003) (furnishing information to a CRA knowing or consciously avoiding knowing that the information is inaccurate); FTC v. DC Credit Servs., Inc., No. 02-5115 (C.D. Cal. 2002) (furnishing information to a CRA knowing or consciously avoiding knowing that the information is inaccurate, failing to notify and provide corrections to CRAs when previously-reported information found to be inaccurate, failing to provide accurate delinquency dates, failing to report accounts as "disputed"; $300,000 civil penalty); FTC v. Performance Capital Mgmt., Inc., 2:01cv1047 (C.D. Cal. 2000) (providing inaccurate delinquency dates, failing to properly investigate disputes, failure to report accounts as "disputed"; $2 million civil penalty).

frivolously or fraudulently disputing accurate information in CRA databases, unscrupulous credit repair firms can degrade the accuracy and quality of information in credit reports."[70]

The FTC also promotes compliance with the accuracy requirements by educating businesses and consumers about the FCRA. For example, the Commission's FCRA Commentary[71] and Staff Opinion Letters[72] interpret the FCRA and provide concrete and specific guidance to businesses regarding the FCRA's accuracy provisions. Further, various business publications, available on the FTC's website and in print, provide guidance on the responsibilities of furnishers[73] and users of consumer reports[74] with respect to these provisions. In addition, the FTC continues to educate consumers about the FCRA and, in particular, the various mechanisms available to them for identifying and correcting inaccuracies in their reports. The agency's consumer publications include: *Your Access to Free Credit Reports*,[75] which provides an overview of consumer rights under the FCRA; *Credit Scoring*,[76] which explains the system creditors use to determine whether to grant consumers credit; *Building a Better Credit Record*,[77] which teaches consumers how to legally improve their consumer reports, deal with debt, and spot credit-related scams; *Credit Repair: Self-Help May Be Best*,[78] which explains how to improve your creditworthiness and lists legitimate resources for low or no cost help; and *How to Dispute Credit Report Errors*,[79] which explains how to dispute and correct inaccurate information on a consumer report and includes a sample dispute letter.

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70. *See, e.g.*, FTC v. ICR Servs., Inc., Civ. No. 03-C-5532 (N.D. Ill. filed Aug. 8, 2003) ($1.15 million in consumer redress), available at http://www.ftc.gov/opa/2003/08/nationwide htm. The Commission also has conducted several sweeps of fraudulent credit repair operations, including Operation Eraser (1998, 21 FTC enforcement actions and 11 companion actions brought by state attorneys general and the U.S. Department of Justice), Operation New ID - Bad Idea I (1999, 22 FTC enforcement actions and 14 actions brought by fellow law enforcement agencies), Operation New ID - Bad Idea II (1999, eight FTC enforcement actions and eight actions brought by fellow law enforcement agencies).

    Under section 404 of the Credit Repair Organizations Act, "[n]o person may make any statement, or counsel or advise any consumer to make any statement, [to a CRA] which is untrue or misleading with respect to any consumer's credit worthiness, credit standing, or credit capacity . . . [or] the intended effect of which is to alter the consumer's identification to prevent the display of the consumer's credit record, history, or rating for the purpose of concealing adverse information that is accurate and not obsolete." 15 U.S.C. § 1679b.

71. 16 C.F.R. Part 600.

72. Available at http://www.ftc.gov/os/statutes/fcra/index.htm.

73. *See Credit Reports: What Information Providers Need to Know*, available at http://www.ftc.gov/bcp/conline/pubs/buspubs/infopro htm.

74. *See Using Consumer Reports: What Employers Need to Know*, available at http://www ftc.gov/bcp/conline/pubs/buspubs/credempl.htm.

75. http://www ftc.gov/bcp/conline/pubs/credit/freereports htm.

76. http://www ftc.gov/bcp/conline/pubs/credit/scoring.htm.

77. http://www ftc.gov/bcp/conline/pubs/credit/bbcr htm.

78. http://www ftc.gov/bcp/conline/pubs/credit/repair.htm.

79. http://www ftc.gov/bcp/conline/pubs/credit/crdtdis htm.

Finally, the Commission is currently engaged in implementing a host of new FCRA provisions, adopted as part of the FACT Act. As these provisions become effective, they should further enhance the accuracy of consumer reports. Among other things, they include a number of measures designed to improve the rigor of the dispute and reinvestigation process.[80] Also, consumers now have the right to a free annual file disclosure, which may encourage more consumers to check their consumer reports regularly for errors.[81] In addition, a number of the FACT Act's identity theft provisions promise to improve the prevention, detection, and remediation of identity theft, a significant source of inaccuracies in consumer reports, by imposing new duties on CRAs,[82] creditors,[83] merchants,[84] furnishers,[85] and debt collectors.[86] There are also new furnisher duties, including rules that will require furnishers to have reasonable procedures to ensure accuracy,[87] and a right for consumers to submit certain disputes, as will be determined by regulation, directly to a furnisher rather than going through a CRA.[88] Further, creditors will provide a new "risk-based pricing" notice when they offer credit on materially less favorable terms based on information in consumer reports.[89] Consumers will be able to request and obtain their credit scores from the CRAs and, in certain situations, creditors.[90] Finally, the FTC has implemented a new complaint referral system pursuant to the FACT Act[91] under which consumer complaints to the FTC regarding the accuracy of consumer report

80. *See* FACT Act § 314 (CRAs must report to furnishers results of reinvestigations; furnishers must modify records upon completion of reinvestigation); § 316 (reseller must refer reinvestigation to repository); § 317 (CRA reinvestigations must be reasonable).

81. *See* Free Annual File Disclosures, 69 Fed. Reg. at 35,468.

82. *See* FACT Act § 112 (fraud alerts and active duty alerts); § 315 (must report address discrepancy to users of consumer reports); § 115 (truncation of social security number in consumer file disclosures); and § 152 (blocking of information resulting from identity theft).

83. *See, e.g.*, FACT Act § 114 (requiring procedures to identify and respond to identity theft "red flags"); and § 112 (requiring creditors to check fraud alerts before granting credit, increasing credit limit, or issuing another card).

84. *See, e.g.*, FACT Act § 113 (credit and debit card truncation).

85. *See* FACT Act § 154 (prohibition on "repolluting" credit reports with identity theft related trade lines; prohibition on selling, transferring, or placing for collection identity theft debts after being notified of block by consumer reporting agency).

86. *See* FACT Act § 155 (must report identity theft to creditor; must share information with identity theft victims).

87. *See* FACT Act § 312.

88. *See* FACT Act § 312.

89. *See* FACT Act § 311.

90. *See* FACT Act § 212.

91. *See* FACT Act § 313(a).

information[92] will be forwarded to the three major CRAs. The CRAs will review the complaints, correct the files if necessary, and report the results to the FTC.[93]

The FTC will continue these efforts to ensure that all of those who play a role in the consumer reporting system – CRAs, furnishers of consumer information, users of consumer reports, and consumers – contribute to the accuracy of the data stored within it.

F. Prior Studies of Accuracy and Completeness

Several empirical studies have already been conducted relating to the accuracy and completeness of consumer report data. FTC staff reviewed these studies, both to gain a better understanding of the issues and to develop the Commission's own methodology for measuring the levels of accuracy and completeness in consumer reports.

One category of study, the consumer survey, asks consumers to review their own consumer reports and identify errors; the consumer's perception and recollection is the basis for determining accuracy. These studies find a high rate of error in consumer reports. A second category uses CRA dispute data as a proxy for accuracy. Using statistics from the consumer reporting industry about how often consumers dispute information in their consumer reports and how often the disputes result in changes to the consumers' credit files, these studies generally conclude that there is a low rate of error. A third category analyzes anonymous data supplied by several different CRAs to look at information about the same consumer. These studies find differences across consumer reports maintained by each CRA for the same consumer and within individual consumer reports; they also identify problems with incomplete and missing data.

As described in greater detail below, each of these approaches can provide some useful information about the accuracy and completeness of consumer report information, but none provides a comprehensive view.[94] Indeed, accuracy is a complex issue and presents challenges in defining and identifying errors. To determine fully whether information in a consumer report is accurate and complete takes the cooperation of consumers, who are the best or only source for identifying certain kinds of errors, such as an account that does not belong to them; data furnishers, who can verify or refute what a consumer believes to be true about a particular account; and the CRAs, the repositories for consumer report data. None of the existing studies

92. The FTC collects complaints from consumers to identify important or emerging consumer protection issues and to target its law enforcement and education efforts. Its complaint databases include a number of complaints alleging consumer report inaccuracies. Although valuable as barometers of possible violations, these complaints alone do not necessarily indicate whether a serious problem with credit file inaccuracies exists, because the complaints are both underinclusive and overinclusive. Some consumers whose credit files contain inaccuracies never complain to the FTC; some who do complain mistakenly believe that accurate information in their files is inaccurate.

93. Additional information available at http://www ftc.gov/opa/2004/04/cra.htm.

94. As noted above, in June 2004, the FTC's Bureau of Economics held a roundtable discussion with researchers, scholars, and practitioners in the consumer reporting industry to review the methodologies that assess accuracy and completeness of consumer reports, including the empirical studies discussed here. Many of the points discussed here were discussed at the roundtable. A transcript of the proceedings is available on the Commission's website at http://www.ftc.gov/be/workshops/.

relies on the participation of all of these three key stakeholders. Rather, each relies on different sources to draw conclusions about accuracy.

1. Consumer surveys: consumer review of their own consumer reports

The U.S. Public Interest Research Group ("US PIRG") and Consumers Union have each conducted studies that asked consumers to review their own consumer reports for errors. Generally, these studies suggest high error rates. For example, the 2000 Consumers Union study (which was based on 63 consumer reports obtained by 25 Consumers Union employees and family members) reported that more than half of the reports had an error "with the potential to derail a loan or deflect an offer for the lowest-interest credit card."[95] The study cited examples of mismatched files, misattributed debts, and inconsistencies in files across the three nationwide CRAs. US PIRG has also conducted consumer surveys on consumer report accuracy and completeness, and similarly concluded that many consumer reports contain mistakes.[96]

a. US PIRG study's findings

US PIRG's most recent study, released in June 2004, was based on consumers reviewing their own consumer reports for errors; it updated a similar study conducted in 1998.[97] PIRG sent email messages to its members requesting their voluntary participation in a study about the accuracy of consumer reports. PIRG staff, family, and friends participated in the study as well. The total sample for the study included 154 adults who completed 197 surveys (a survey was completed for each CRA that provided a consumer report; some participants requested their report from more than one CRA). The participants were in 30 states and ranged in age from 20 to 81.

The 2004 US PIRG study reported that:

- One in four (25%) of the consumer reports surveyed reportedly contained "serious" errors that could result in the denial of credit or other adverse consequences. Such errors included accounts incorrectly marked delinquent; accounts inaccurately listed as being in collection; accounts that did not belong to the consumer; and bankruptcies, tax liens, and other judgments that did not belong to the consumer or were incorrectly listed as open.

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95. *Credit Reports: How do Potential Lenders See You?,* ConsumerReports.org, July 2000.

96. *See* Jon Golinger, *PIRG: Mistakes Do Happen: Credit Report Errors Mean Consumers Lose*, (Mar. 1998); National Association of State PIRGs, *Mistakes Do Happen: A Look at Errors in Consumer Credit Reports* (June 2004) [hereinafter 2004 US PIRG Study]. Both of these reports are available at http://www.uspirg.org.

97. The 1998 survey was based on 133 consumer reports obtained by 88 US PIRG employees and affiliates who were asked to check their own consumer reports. The study reported that 70% of all reports contained some mistake, and 29% contained false delinquencies or accounts that did not belong to the consumer. The report also described difficulties that participants experienced in acquiring copies of their reports, including busy signals, long waits to receive reports, or reports never being sent. As noted above, the FTC subsequently investigated the three nationwide CRAs and settled charges that they violated the FCRA by failing to maintain a toll-free telephone number at which personnel were accessible to consumers during normal business hours. *See supra* note 65.

- More than half (54%) of the consumers surveyed reported that they found inaccurate personal identifying information in their consumer reports, such as name misspellings, inaccurate birth dates, out-of-date addresses listed as current, and incorrect addresses.
- Over one-fifth (22%) of the consumer reports surveyed listed a mortgage or loan twice.
- Almost one-third (30%) of the consumer reports surveyed contained an account that the consumer claimed had been closed but remained listed as open.
- Approximately one in twelve (8%) of the consumer reports surveyed reportedly were missing major credit, loan, mortgage, or other accounts that demonstrated the creditworthiness of the consumer.
- In total, nearly eight out of ten (79%) of the consumer reports surveyed reportedly contained some error.

b. Comments on consumer surveys

In its 2003 review of data about consumer report errors, the GAO concluded that the consumer survey research was of limited value in determining the frequency of errors in consumer reports.[98] As the GAO noted, the surveys did not use a statistically representative sample and counted any inaccuracy as an error, regardless of the impact the error might have.[99]

In response to these studies, the Consumer Data Industry Association ("CDIA") has argued that many of the inaccuracies identified in consumer survey research are either unimportant to the credit rating decision (such as certain errors in personal identifying information), or are not errors at all.[100] The CDIA asserts that consumers frequently make mistakes when evaluating their reports – for example, not recognizing an account because the original lender has sold the loan to another entity; believing that an account status is erroneous when it simply has not yet been updated; or not understanding that certain events, like a bankruptcy, may be reported for a number of years after the occurrence. Because consumers do not fully understand how the consumer reporting industry works, the CDIA maintains, they may perceive information to be erroneous when it is not.

Despite these limitations, these studies are able to capture certain errors – like an account that does not belong to the consumer – that may be very important to consumers and to their credit rating, and that generally can be identified only by the consumer. Further, the studies are good indicators of what consumers perceive to be errors and topics for which further consumer education might be useful.

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98. *General Accounting Office*, *Report No. GAO-03-1036T, Consumer Credit: Limited Information Exists on the Extent of Credit Report Errors and their Implications for Consumers* (July 31, 2003) [hereinafter "GAO Report"]. As the title of the report indicates, the GAO concluded that there was a lack of comprehensive information regarding the accuracy of consumer reports. Although the GAO report did not consider US PIRG's 2004 study, it did consider US PIRG's 1998 study, which used a similar approach.

99. The 2004 US PIRG study presents the same limitations.

100. *See* Statement of Stuart K. Pratt, *supra* note 2.

2. Dispute data: records of CRAs and furnishers of information

The consumer reporting industry has looked at dispute data as a measure of consumer report accuracy. There are two main sources of information about consumer disputes. The first is a 1992 Arthur Andersen study conducted on behalf of the Associated Credit Bureaus (now the CDIA).[101] The Andersen study considered a sample of consumers who were denied credit and tracked how many disputed information in their reports and whether reinvestigation by furnishers and reevaluation by creditors resulted in a different credit decision. The second source is a set of more recent summary statistics related to disputes provided by the CDIA, which can also be used to make approximate inferences about accuracy.

a. Arthur Andersen 1992 study

The ACB Consumer Information Foundation commissioned Arthur Andersen & Company to perform a study about consumer report accuracy. The study requested five creditors to provide a list of all credit applicants who had been declined credit and received a notice of adverse action for a three-month period in 1991. Of these 111,770 applicants, a random sample of 15,703 credit applicants was selected for the study. The study then asked the CRAs to review the credit files of the individuals in the sample and determine whether the credit applicant had requested a copy of his or her consumer report, and if so, whether he or she disputed the accuracy of any information in the report. For those consumers who had disputed information in their files, Andersen asked the creditors to reevaluate the files, to see whether there was a correction made that affected the initial credit decision.

The Andersen study reported that:

- Of the 15,703 consumers who were denied credit and received an adverse action notice, 1,223 (8%) requested a copy of their consumer report.
- Of the 15,703 consumers who were denied credit and received an adverse action notice, 304 (2%) disputed information contained in their report.[102]
- All 304 files were reinvestigated, and at the time of Andersen's report, 267 of these had been reevaluated by the credit grantors.[103] Of the 267 files that were reevaluated, 36 resulted in a reversal of the original decision to deny credit. Thus, Andersen concluded that less than

101. The complete study is proprietary and was not made available publicly. The key findings of the report were summarized by ACB in an Executive Summary on February 4, 1992, which Andersen verified.

102. Another way to look at this data is that approximately 25% of all consumers who received an adverse action notice and requested a copy of their report disputed information contained in their report.

103. No information was provided about the 37 files that had not been reevaluated by the time of the study.

3% of consumers who requested a copy of their consumer report would have received a different result.[104]

b. 2003 CDIA statistics

In testimony to Congress in July 2003, the CDIA reported industry-wide data from its nationwide consumer reporting system members. The CDIA estimated that approximately 16 million consumer reports are disclosed to consumers each year. The majority of these – 84% – are in response to adverse action notices. The CDIA further estimated that of the 16 million file disclosures issued annually to consumers, about half of the consumers (8 million consumers) do not contact the CRAs again. Of those who do, about half (4 million consumers) have a question, and half have a dispute.

The CDIA estimated the breakdown of dispute results as follows[105]:

- 46% of disputes result in the original information being verified as reported.
- 27% of disputes result in the information being modified per furnisher instructions.
- 10.5% of disputes result in the information being deleted per furnisher instructions.
- 16% of disputes result in the information being deleted due to the expiration of the 30-day limit on dispute resolution.

Thus, at least 46% of files that are disputed are in fact, according to the furnisher, correct and not inaccurate. Although this suggests that the error rate in disputed files would be 54%, the CDIA argues that in the second and fourth categories listed above, it is not clear whether there is an actual error. In the second category, the modification might be an update to account information, rather than a correction. For example, a consumer in the process of applying for a mortgage might pay down a credit card, then immediately dispute the account balance with the CRA (rather than wait for the next routine monthly update by the card issuer) in order to improve a credit score. In the fourth category, the deletion may have occurred because the furnisher ran out of time in its reinvestigation, not because an error was identified.[106] Thus, it

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104. In a paper on the FCRA and accuracy, professors Michael Staten and Fred Cate claim that the Andersen study's finding that less than 3% (36/1223) of consumers would have achieved a different credit decision after reviewing and disputing information in their consumer report is likely an upper bound for the error rate. They argue that by focusing on consumers who received adverse notices and requested copies of their reports, the study methodology was biased toward finding a higher error rate than that for the entire population – as these are the consumers most likely to have data in their file that would trigger a negative decision and most likely to find any errors. *See* Staten & Cate, *supra* note 17, at 37. On the other hand, the study made no findings about the error rate for 92% of its sample – those consumers who received adverse action notices but did not request a copy of their consumer reports.

105. These statistics represent the first three quarters of 2002. GAO reports that CDIA officials explained that, in providing this data, each CRA reported data from a different quarter. *See* GAO Report, *supra* note 97, at 8.

106. The CDIA warned that phony "credit repair" agencies, which encourage consumers to dispute accurate, derogatory information that might be deleted if the dispute process takes more than thirty days, may be at least partially responsible for some of these deletions. As noted above, the FTC and other law enforcement agencies have taken action against such scams. *See supra* note 67.

can be concluded that for between 10.5% and 54% of disputes, the furnisher agrees that there is an error. Combined with the estimate of approximately four million disputes each year, this would mean that approximately 400,000 to two million errors are corrected through consumer review of their credit files, or that an estimated 2.5% to 12.5% of consumer file disclosures lead to correcting of errors.

c. Comments on dispute data

As the GAO Report found, the dispute data studies also have serious limitations in providing a meaningful measure of the frequency of errors in consumer reports. The GAO noted that no methodology was provided for the Andersen study or for the statistics cited by the CDIA.[107] Further, as the GAO pointed out, the Andersen study excluded a potentially large number of errors, because it considered only cases in which a loan was denied and an adverse action notice provided. This approach provides no information about errors that may exist in the consumer reports of consumers who did not receive adverse action notices and those who were not currently seeking a loan.

The dispute data is valuable because it focuses on an important segment of the population – consumers who have been denied credit[108] – and how often significant errors occurred. As a way to measure the overall accuracy and completeness of consumer reports, however, the approach relies on assumptions about whether those consumers who receive copies of their reports are representative of the population as a whole. It also relies on the assumption that every consumer who receives a report with an important error or omission identifies the problem and disputes it. This approach also treats the data furnisher as the final arbiter of whether information is correct. Finally, neither of these studies provides information about the type or significance of the error found.

3. Anonymous data: analyzing consumer reports about the same consumer

A third approach in studying the accuracy and completeness of consumer reports looks at large samples of anonymized consumer reports (consumer data from which all identifying information has been stripped) for patterns pertaining to credit information, creditors, and information reported across CRAs. Although this approach does not involve consumer assessment and thus cannot identify whether a particular item in a consumer report is erroneous, it does provide valuable information about the completeness and consistency of consumer report data. One such study, conducted in 2002 by the Consumer Federation of America together with the National Credit Reporting Association ("the CFA study"), examined credit information about the same consumers across CRAs, and in particular looked at differences in the credit score reported by each CRA.[109] The Federal Reserve Board also conducted two studies that examined credit information about a large sample of consumers from one CRA. Although the purpose of

107. *See* GAO Report, *supra* note 95.

108. As noted above, the CDIA's recent statistics reported that most of the consumers who request their consumer report do so in response to an adverse action notice.

109. *See* Consumer Federation of America and National Credit Reporting Association, *Credit Score Accuracy and Implications for Consumers* (Dec. 17, 2002).

its inquiry was to determine the usefulness of credit data in providing the Board with information on the debt status, loan payment behavior, and overall credit quality of domestic consumers, the Board's first study also found that aspects of credit data may be ambiguous, duplicative, or incomplete.[110] The second study sought to determine the effect that correcting these data limitations would have on consumers' credit scores, which are increasingly relied upon by creditors in making credit decisions.[111]

a. CFA 2002

The CFA study was based on a sample of credit files that had been requested by mortgage lenders on behalf of consumers seeking mortgages. These files included merged reports from all three nationwide consumer reporting agencies. The study used the merged files to compare credit scores across the CRAs and to identify inconsistencies in data reported by each CRA about the same consumer. The study had three phases. Phase One and Phase Two each analyzed credit scores across the CRAs, but in Phase One researchers manually reviewed a sample of 1,704 credit files, and in Phase Two they conducted an electronic review of a much larger sample of 502,623 files. In Phase Three of the study, researchers took an in-depth look at 51 files from the Phase One sample to determine how many files contained inconsistent, missing, or duplicate information, based upon information contained in the other CRAs' reports.

The CFA study reported that:

- On average, the highest and lowest of the credit scores reported by the three CRAs for a given consumer differed by more than 40 points. In the Phase Two sample of over 500,000 files, 29% of files had a difference of 50 points or greater between the highest and lowest score, and 4% of files had a difference of 100 points or greater between scores. (The CFA study attributes the score differences to differences in the information contained in consumer files, rather than differences in scoring models.)
- Almost 10% of the files in the Phase One sample were missing a credit score from at least one CRA.
- Of the 1,545 files in Phase One that contained at least three reports and scores, 155 contained at least one additional CRA report. In some of these cases, the additional file was clearly for the wrong person. In others, one person had multiple files based on variations in his or her name, and in a third group, the additional report contained a mixture of credit information, some of which belonged to the applicant and some of which did not.
- The CFA study found many accounts listed in one report that were absent from another. For example, of the 51 files that the CFA considered in depth, 17 had a mortgage account with no derogatory information listed in one report and absent from another, and 40 had a revolving account with no derogatory information listed in one report and missing from another.

110. *See* FRB Study 2003*, supra* note 2.

111. *See* FRB Study 2004, *supra* note 37.

The CFA study also conducted further review of Phase One files that might be closest to the boundary between the prime mortgage lending market and the higher-priced subprime mortgage lending market, generally considered to be a credit score of 620.[112] Overall, the study found that one in five consumers may be at risk for misclassification into the subprime market due to inaccurate information in their consumer report.[113]

b. FRB 2003 & 2004

The 2003 FRB Study examined the credit files for a nationally representative sample of 248,000 individuals as of June 1999 from one of the nationwide CRAs. Individuals and creditors were not identified by name or other personal identifier, but were assigned unique codes so that all credit files about an individual, and creditor data across files, could be analyzed.

As the FRB authors note, because the study did not involve consumer assessment, it could not necessarily identify actual errors. The study did find that consumer reporting data may contain duplications or ambiguities, or may not be complete. In particular:

- Creditors failed to report the credit limit for about one-third of the open revolving accounts in the sample, and about 70% of files had at least one account missing a credit limit. When the credit limit is missing, it is reportedly common practice to use the highest historical balance in place of the credit limit. Because this is a downward-biased estimate of the actual credit limit, it leads to an upward-biased estimate of credit utilization rates, lowering the credit score.
- Approximately 8% of all credit accounts were not currently reported, but had a positive balance when last reported. Because these accounts either have been paid or are delinquent, the data must be inaccurate as reported.
- Between 1% and 2% of the accounts in the sample were reported by creditors that reported derogatory information only. Approximately 11 to 12% of creditors in the sample followed this practice.
- The study also found many inconsistencies in the reporting of public record information such as bankruptcies and collections. For example, a single episode often was recorded multiple times.

In 2004, the FRB released a follow-up study expanding upon its earlier research. The purpose of the study was to examine the significance of the data limitations identified in the earlier study by estimating how correcting the data problems would affect consumers' credit scores. For this study, the FRB used a nationally representative sample of 301,000 files drawn as of June 30, 2003. As in the previous study, the credit files were anonymous and were provided by a single consumer reporting agency. This time, the FRB also obtained the CRA's credit score

112. Therefore, the study recorded more detailed information for files that (1) had a range of 50 points or more between the highest and lowest scores; (2) had a middle score between 575 and 630 and had a range of 30 points or more between the highest and lowest scores; or (3) had high scores above 620 and low scores below 620.

113. The study notes that just as many consumers were likely to be favorably misclassified from the subprime to prime markets.

for 83% of the files in the sample. The researchers used this data to develop an approximation of the credit-scoring model to determine the effects of correcting a data problem or omission.

The 2004 FRB Study reported that, in most cases, the problems or omissions had only a small effect on credit scores. The report explained that this is because (1) most consumers have a large number of accounts, which minimizes the effect of an error in a particular account, and (2) credit scoring models already take into account data problems. The report noted that some data problems – such as inaccuracies in reporting collection accounts – have a more significant effect on credit scores than others. The report also noted that individuals with lower credit scores are more likely to experience a larger change in their scores when problems are corrected.

c. Comments on anonymous data studies

As the GAO Report noted, the 2003 FRB Study used a statistically valid and representative sample of consumer reports, but because the reports came from one CRA, the findings of the study may not be representative of the other CRAs.[114] The findings in the CFA report based on Phase Three of its study pertained to a small number of files, and the GAO noted that, as with the consumer surveys discussed above, the CFA report counts any inaccuracy, including missing data, as an error. Staten and Cate observe that the CFA and 2003 FRB studies both primarily identify problems that stem from non-reporting of information in a voluntary system, not inaccuracies.[115] Further, what appears to be conflicting information – reported in the CFA study as an "error of commission" – may be due to different reporting and tape loading schedules across data furnishers or CRAs.

The 2004 FRB Study is particularly interesting because it attempts to quantify the effects of correcting certain types of possible data problems – an issue the GAO Report identified as not having been addressed by earlier studies. Although the study found that the majority of consumers would experience little improvement in their scores if certain data problems were corrected, there are two important caveats to this finding. First, the consumers who did experience the most improvement in their scores were the ones for whom the improvement most mattered: those with lower scores, near the boundary for classification in the subprime market. Second, as the authors note, some of the errors that might more dramatically affect a credit score – such as incorrect accounts or public record information – were not captured by the study.

4. Summary

Each of the empirical studies conducted to date offers important insight into aspects of consumer report accuracy and completeness, but none provides a comprehensive picture. Consumers are typically in the best position to identify certain errors in their consumer reports, and the existing consumer survey studies find that consumers identify many errors – including potentially significant ones – when they review their reports. These studies, however, did not include a nationally representative sample of consumers. Further, because they rely on

114. The 2004 FRB Study followed the same methodology.

115. *See* Staten & Cate, *supra* note 17.

consumers' perceptions and their understanding of consumer reporting practices, they may identify certain items as errors that are, in fact, correct.

The studies based on dispute data provide information about how often consumers who suffer adverse action request their consumer reports and dispute data, and how often the dispute results in a change to their consumer reports. Unlike the consumer surveys, the dispute data studies do provide a measure of whether errors were significant by looking at whether correcting the errors resulted in a different credit decision. Their usefulness, however, is also limited. The Andersen study is based not on a nationally representative sample of consumers, but only on those consumers who suffered adverse action. Further, it relies on certain unsupported assumptions – for example, that the consumer reports of certain groups of consumers, such as those who were granted credit, those who were denied credit but did not request their consumer report, and those who did not apply for credit, do not generally contain errors.

The CFA and FRB studies, which analyze consumer reports without consumer input, identify inconsistencies and omissions and provide insight into the completeness of consumer reports. In particular, the CFA study shows a wide variation in credit scores across consumer reporting agencies, which could be particularly troubling for those consumers whose credit scores are close to the boundary between the prime and subprime lending markets. The difference in scores is likely attributable to information contained in the reports, not the scoring models, and thus may be the result of errors, or may simply be the result of the voluntary reporting system, in which creditors may report data to one CRA but not others. The more recent FRB study attempts to quantify the effects of certain data problems. It finds that, generally, consumers' scores do not change much when these data problems are "corrected." The consumers most likely to be affected by a correction, however, are those for whom it could make a difference – those with lower scores near the boundary of the prime and subprime markets. Further, as the study's authors note, only some potential sources of error were investigated because certain errors can generally only be identified by consumers. Further, only one CRA and its credit scoring model were relied upon for the study.

Thus, none of the existing studies provides a comprehensive assessment of the accuracy and completeness of consumer report data. None used a nationally representative sample of consumers as well as credit information from all three consumer reporting agencies. Each study identifies possible errors, but some may be over-inclusive and others under-inclusive in what was counted as an error.

G. FTC Proposed Pilot Study and Nationwide Survey

Based on its review of the issues and of the previous studies conducted in this area, the Commission is seeking to determine whether it can develop its own methodology for measuring the level of accuracy and completeness in consumer reports. In particular, the Commission is examining the feasibility and costs of conducting a comprehensive nationwide consumer

survey.[116] In designing such a survey, the Commission would seek to address some of the shortcomings that have been identified with earlier studies of accuracy in consumer reports. As the GAO has noted, "comprehensive or statistically valid data on credit report errors . . . have not been collected," and "[t]o adequately assess the impact of errors in consumer reports would require access to the consumer's credit score and the ability to determine how changes in the score affected the decision to extend credit . . . ."[117] Although the Commission (and other law enforcement agencies) receive and compile consumer complaints, and although those complaints may give certain insights into broader compliance issues,[118] looking to such complaints as a reliable index of accuracy in credit reports would not be statistically sound. As discussed more fully below, the Commission study will instead look at a representative cross-section of consumer files.

There are a number of important questions about the design and the cost of a large-scale consumer survey. To attempt to answer some of these questions, the Commission has designed and proposed a pilot study to test the methodology of such a survey and to further examine questions about its design and feasibility.

1. Proposed pilot study

To determine the feasibility of a nationwide survey, the Commission has proposed to conduct a pilot study.[119] The pilot study would serve both as a test of a specific methodology and as a way to shed light on many of the design questions outlined above. It is intended as a tool for better designing a larger nationwide survey, and is not an instrument from which any statistical inferences could or would be drawn.

The Commission is making preparations to carry out the pilot study and has begun the process of seeking Office of Management and Budget clearance, under the Paperwork Reduction

116. Among other things, and as noted above, the Commission convened a roundtable of interested parties – including authors of some of the previous studies summarized in this report – to examine the design and feasibility of such a survey. The roundtable was announced in the *Federal Register*. The Notice of Roundtable to Aid Federal Trade Commission Staff in Conducting a Study of the Accuracy and Completeness of Consumer Reports, Pursuant to Section 319 of the Fair and Accurate Credit Transactions Act of 2003, 69 Fed. Reg. 32,549 (2004) can be found in Appendix A to this Report. The agenda for the roundtable, the list of participants, and a transcript of the proceedings are available on the FTC Website at http://www.ftc.gov/be/workshops/.

117. *See generally* GAO Report, *supra* note 95.

118. *See* discussion of consumer complaints and of the complaint referral system established by the FTC and nationwide CRAs pursuant to Section 313(a) of the FACT Act, *supra* notes 91-92, and text accompanying. As noted previously, how CRAs and furnishers handle consumer disputes is the subject of another study, which will be separately reported to Congress under Section 313(b) of the FACT Act.

119. In a *Federal Register* Notice published in October 2004, the FTC discusses the pilot study and invites comment on a number of issues, including ways to enhance the quality, utility, and clarity of the information to be collected and ways to minimize the burden on those who participate in the study. 69 Fed. Reg. 61,675 (Oct. 20, 2004), available in Appendix B to this Report.

Act, for the collection of information involved in the proposed study. Some of the specific elements of the proposed pilot study are as follows:

- The study will consist of approximately 35 consumers having a diversity of credit scores that cover at least three broad categories ("poor," "fair," and "good"). The consumers will be adult members of households to whom credit has been extended in the form of credit cards, automobile loans, home mortgages, or other forms of installment credit. They will be screened through telephone interviews preceded by an official letter from the FTC regarding the nature and purpose of the pilot study. As consumers give consent to participate (and thereby give permission to obtain their credit scores), a contractor working on behalf of the Commission will use their credit scores to determine a final list of participants that includes the desired range of scores.
- The contractor will help the participants obtain their consumer reports from the three national CRAs (Equifax, Experian, and TransUnion). The three reports pertaining to each study participant will be requested on the same day; the reports pertaining to different participants may be requested on different days.
- The contractor will help the participants review their consumer reports by (a) clearing up common misunderstandings that they may have about the information in their reports (educating the participant wherever appropriate), (b) helping to identify errors or potential errors, and (c) helping to locate any material differences or discrepancies among their three reports, and checking whether these differences indicate inaccuracies.
- The contractor will then determine the importance of errors identified by the consumer by assessing the degree to which correcting such an error would improve the consumer's credit score. In those cases where the alleged error causes a significant change in the consumer's score, the contractor will facilitate a participant's contact with the CRAs and with the furnishers of information to attempt to informally resolve items that the participant describes as inaccurate.
- When items are resolved, the contractor will determine whether consumer report information is changed and whether any such change led to a change in the participant's credit score.
- When disputes cannot be resolved informally, the contractor will guide participants through the dispute process provided by the FCRA. At the conclusion of this process, the contractor will ascertain whether consumer report information is changed and whether any such change led to a change in the credit score.

As noted above, the results of the pilot study will not be used for statistical projection to a larger population. The most important information to be obtained from the pilot study is an assessment of the degree of difficulty, and the types of difficulties, with which each of the above tasks was performed. The results of the pilot study, and the next steps taken by the Commission in this ongoing accuracy study, will be provided in the next interim Report to Congress.

2. Proposed nationwide survey

The contemplated nationwide survey would focus on consumers and their experiences in identifying and disputing errors in their reports. In designing the survey, the Commission would attempt to address many of the concerns that have been raised by the GAO and others about previous studies. Specifically, the proposed survey would have the following characteristics:

- It would be based on a nationally representative sample.
- It would use a reliable method for identifying errors and omissions. As discussed below, simply asking consumers whether they can identify errors may lead to important biases in measurement. Thus, the study would use expert "coaches" to assist consumers in identifying and resolving errors.[120]
- It would categorize errors by their type and seriousness in terms of consumer harm. As noted above, there are several potential sources of error, and determining the sources of error is a necessary step in determining how to address the errors. Furthermore, it is important to learn what types of error have the greatest consequence for individual consumers.[121]

The main advantage of using consumer surveys is that the technique exploits a consumer's knowledge about his or her own credit history. To obtain comparable information from other sources would require contacting many furnishers and speaking to people with no personal memory of the relevant events. Moreover, asking consumers to order and review their own reports addresses some of the privacy concerns associated with using consumer data to conduct research. Because the approach involves the consumer's direct participation, researchers would naturally obtain a consumer's permission before using his or her file.

Use of consumer surveys does have some important drawbacks, however, that the Commission would attempt to address in the survey design. One potential problem is that consumers may mistakenly question items that are in fact correct because they do not understand the report or their credit obligations. For example:

- A credit account with a retailer (for example, XYZ Department Store) may be managed by a large bank (for example, ABC Bank). A consumer who sees an account for ABC Bank may not realize that the account in fact represents her XYZ charge card and might therefore identify the ABC account as an error in his or her report.
- A married woman co-signs a loan with her husband. Later, they divorce, and her ex-husband agrees to be responsible for paying this loan. If the ex-husband fails to make payments, she is still jointly responsible, and the missed payments would properly appear on her credit record. Therefore, the delinquency on her report would be accurate.

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120. Each consumer would work with the expert coach to identify instances of inaccuracy and incompleteness in his or her own consumer report. The consumer and/or coach would then attempt to resolve perceived errors in their reports with the records of the repositories and the furnishers who supplied the information in question.

121. As a measure of the seriousness of particular errors, the survey would use the impact of errors on consumers' credit scores. Mistakes in a consumer report that have large effects on the credit score are also likely to have a large impact on the consumer.

A potential solution involves the use of expert "coaches" who would help address these and similar problems. Such coaches would be able to inform consumers about the law and common practices related to consumer reporting and thereby prevent consumers from reporting errors inappropriately.

In addition, some consumers might mistakenly view some accurate items as inaccurate because of memory lapses or failure to consult appropriate records. Consumer responses may also be biased, in that consumers may be more likely to confirm favorable information in their files than to confirm derogatory information. To protect against these problems, the study would attempt to confirm reported errors with the furnisher of the information that the consumer views as incorrect. This could be done by either asking the consumer to try to dispute the item directly with the furnisher, or asking the consumer to carry through a formal dispute process with the CRA in question. A third approach would be to have a member of the research team contact furnishers.

It is also likely that a consumer survey is better suited to measuring accuracy than to measuring completeness. Consumers may be more likely to notice information that is incorrect than information that is missing. Also, as discussed above, consumer reports may be incomplete either because the CRA did not place submitted information in the correct file, or because the furnisher never provided the information in the first place. Follow-up investigations might not succeed at identifying the reasons behind incomplete reports.

At this time, it is very difficult to give a reliable estimate of the cost of a national study. It is also unclear how effectively the survey design can address the challenges outlined above. The proposed pilot study will both allow the FTC to estimate the cost of a larger nationwide survey and point to potential obstacles that can then be avoided in designing a larger survey. For example, the pilot will tell us how much time and effort is necessary to go over each consumer's report, how effective the "expert coach" approach is in helping consumers through the process, and how effectively consumers and researchers are able to resolve discrepancies in consumer reports through informal and formal means.

Depending on the outcome of the pilot study described above, further pilot studies may be necessary to provide a basis for a robust national survey. Further, the Commission may need to reassess the design of the national survey currently being considered.

IV. Data Matching

A. Introduction

Section 318(a)(2)(A) of the FACT Act requires the FTC to study:

> the efficacy of increasing the number of points of identifying information that a credit reporting agency is required to match to ensure that a consumer is the correct individual to whom a consumer report relates before releasing the consumer report to a user, including (i) the extent to which [such a requirement] would (I) enhance the

accuracy of credit reports; and (II) combat the provision of incorrect consumer reports to users.

As one example, the Act proposes requiring an "exact match" on name, SSN, address, and zip code. The Act also asks the FTC to describe the effect of allowing CRAs to use "partial matches" on SSN and the use of "name recognition" software.

To understand the likely effects of such requirements, Commission staff interviewed representatives of consumer groups, consumer reporting agencies, and experts on data matching procedures. Due to the need to understand the details of CRA matching procedures, and the proprietary nature of these procedures, confidential discussions with CRA representatives played a particularly important role in this study. Responses to the Federal Register notice regarding the "same report" study were also useful in understanding CRA matching procedures.

This report describes what Commission staff has learned about how and why errors occur in the matching process, and discusses the costs and benefits of imposing requirements on the CRA matching procedures. The proposed requirements could affect matching at two points, in both the file building and file retrieval process.[122] As discussed in the previous section, inaccuracy can result from the file building process if a CRA receives correct information, but fails to assign it to the correct consumer's file (creating either a mixed file or a fragmented file). Problems in the file retrieval process occur when a CRA receives an inquiry requesting the file of one consumer, but provides a file pertaining to another consumer. Requiring CRAs to match consumer identifying information more closely could address either or both of these problems. This study considers the separate effects of the proposal on file building and file retrieval.

B. CRA Databases and the Matching Process

Although the CRAs attempt to assign accurately all incoming information to the correct person's file, their systems sometimes fail to do so. As will be described in more detail below, the main reason for such a failure is that the identifying information provided to the CRAs is imperfect. Ambiguities in identifying information give rise to cases where a record cannot be matched with 100% certainty. If the identifying information were perfectly reliable – specifically, if all consumer records were linked to a unique, reliable identifier – matching would be straightforward.

The lack of a fully reliable identifier means that the CRAs inevitably face situations where records match with a high probability, but not with certainty. In such cases, a CRA must make a difficult choice. Accepting the match risks assigning a credit history to the wrong consumer, while rejecting the match risks excluding information that is legitimately part of the consumer's credit history. Either outcome can hurt consumers. At the individual level, both the inclusion of false negative information and the exclusion of true positive information can cause a consumer to appear to be a worse credit risk than he or she actually is. At the market level, unreliable

122. In considering matching requirements that would apply "before releasing a consumer report to a user," the Act seems to suggest a focus on the file retrieval process. However, the fact that the Act asks the Commission to study "the extent to which requiring additional points of identifying information to match would. . . enhance the accuracy of credit reports. . ." suggests that Congress intended that the report consider file building as well.

consumer reports are less useful in measuring default risk and could therefore raise interest rates for consumer loans and reduce the amount of credit offered to consumers.

1. Why is data matching difficult?

In designing their matching procedures, the CRAs face two challenges. First, their systems must be able to discriminate between consumers with very similar identifying information, such as a father and son with the same first and last name, living at the same address. Second, their systems must recognize an individual consumer even when his or her identifying information changes significantly, such as when a woman marries and moves to a new home, changing both her name and address.

Although name, address, and SSN would appear to be sufficient to uniquely identify a consumer, inaccuracies in the data can frustrate this process. Names and addresses may change over time, and spelling errors and nicknames are common. The SSN can be a very useful for matching; however, as explained below, it is often missing, and even when present, errors are quite common. In the absence of a unique, reliable identifier for each consumer, the CRAs employ a "matching algorithm," or a set of rules that determine the likelihood that two sets of identifying information represent the same consumer. In some cases, the matching algorithm is straightforward – if an incoming record and an existing file both include the exact same name, address, and SSN, the pair clearly constitutes a correct match. Matching becomes difficult when some fields match, but other fields either do not match or are missing.

a. Problems at the data creation level

The CRAs compile information that is generated by third party furnishers, and they must use this information to link different accounts belonging to the same person. Each firm that sends information to a CRA may have its own unique system for collecting and maintaining consumer identifying information. As a result, the form and content of the updates and inquiries received by CRAs can be inconsistent. Further, the updates may not contain a unique identifier that allows all of a consumer's accounts to be linked.[123]

For example, when XYZ Bank sends a CRA data on all of its auto loans, the CRA attempts to match each of these sets of data to the appropriate consumer files in its database. These files were "built" using data from other furnishers – for example, one of the auto loan accounts might belong to a consumer whose existing file contains only an account with ABC Electronics. Because the CRA does not control the identifying information that either furnisher reports about its customers, the information provided by XYZ Bank may be difficult to match to the information provided by ABC Electronics.

In addition to the challenge of linking disparate information, the CRAs must distinguish new credit users from individuals with an existing CRA file. Information that the CRAs receive

123. In contrast, a credit card issuer can assign each new customer a unique account number that will be linked to all incoming records. This makes it relatively easy to link an in-store transaction to an individual's credit account. As a result, matching problems are rare for credit card charges and it is very rare for a charge to person A's credit card to show up on person B's bill.

does not indicate whether the individual consumer already has a file in the CRA's database, or is a new consumer opening a credit account for the first time. Because they are generally not in direct contact with consumers, the CRAs must rely on information from furnishers to inform them about name or address changes.[124] This makes it hard to distinguish a consumer who is genuinely new to the system from one who is in the system, but whose information has changed.

b. The SSN is important for data matching, but the CRAs cannot rely on it completely

To some degree, the SSN has served as a unique identification number that can be used to link consumer accounts. But the SSN was not designed for the purposes of data matching, and it is not the perfect tool for this task. There are two issues that limit the SSN's usefulness for linking records in the CRAs' systems. First, it is often missing from consumer credit information, largely due to concerns about privacy and identity theft. Second, errors are common in recording SSNs.

The CRAs do not require that subscribers submit an SSN as part of an inquiry. Although many creditors require consumers to provide an SSN as part of an application for credit, some do not. The CRAs report that between 5 and 10% of inquiries from users either do not contain an SSN or include an invalid SSN, and that the SSN is even less prevalent in data sent by furnishers.[125] An inquiry may be missing an SSN because a consumer does not know or remember his or her SSN, or because the consumer withholds his or her SSN due to concerns about identity theft. Privacy concerns may also prevent furnishers from maintaining the SSN as part of their account data.

To an increasing extent, public policy is also limiting the availability of the SSN. For example, as of December 2003, bankruptcy records available through the Public Access to Court Electronic Records ("PACER") system include only the last four digits of the SSN.[126] In addition, legislative proposals could reduce the prevalence of SSNs in company records and could prevent creditors and others from requiring applicants to provide their SSN.[127]

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124. There are additional pragmatic reasons why CRAs rely on furnishers, not consumers, for this information. As discussed above (*see* note 25 *supra,* and text accompanying), CRAs receive an immense volume of information from furnishers, and the CRAs' procedures for updating information based on that stream of information are already well established. The opportunity for abuse, such as "phishing" (scams specifically designed to deceive consumers into divulging sensitive personal information) or identity theft, might also increase if consumers could directly alter address information.

125. FTC staff communication with CRA representatives.

126. PACER is an electronic public access service whereby users may obtain information from federal appellate, district, and bankruptcy courts. There are indications that the limitations on use of SSN that PACER currently applies to bankruptcy records will be expanded to require that a broader range of personal data identifiers be removed from all public filings (or redacted when they are needed). *See, e.g.,* http://www nyed.uscourts.gov/adminorder04-09.pdf and http://www.txsd.uscourts.gov/news/2004-11 htm (court orders citing the E-government Act of 2002 and the policy of the Judicial Conference of the US with respect to confidentiality of personal identifying information).

127. For example, the proposed Social Security Number Privacy and Identity Theft Prevention Act of 2003, introduced in the House of Representatives, would prohibit firms from refusing to do business with a consumer who does not provide an SSN. *See* H.R. 2971, 107th Cong. (2003); *see also* Social Security Number Privacy and Identity Theft Prevention Act of 2004, S. 2801, 108th Cong. (2004), a related bill introduced in the Senate in 2004.

Concerns about identity theft arise from the SSN's current use as both an identifier and an authenticator. As an identifier, the SSN is used to determine which records belong to a particular individual – i.e., who an individual *claims* to be. As an authenticator, the SSN is used to establish whether an individual really *is* who he or she claims to be. Whereas an identifier is most effective when it is easily accessible to users, an authenticator is most effective when it remains a secret between the holder and the validator.[128] For example, in the case of bank accounts, the account number is the identifier, and it would be difficult for the bank to carry out its functions and provide appropriate customer service if bank employees were denied access to it. The Personal Identification Number ("PIN"), however, as the authenticator, is never provided to bank employees, and is used only by the account holder in confidential electronic validations. Thus, the problems of identity theft are aggravated because the SSN cannot be both widely known and kept confidential at the same time.[129] Therefore, while the SSN plays an important role in data matching, this role must be analyzed in light of concerns about identity theft.

The SSN is also subject to error. Errors in SSNs may arise when a consumer does not know his or her number when filling out an application, from illegible handwriting or faulty transcription, or from mistyping the number when entering it into a database. Studies of unemployment insurance records suggest error rates in the SSN data entry process of between 0.5% and 4%.[130] The CRAs account for the possibility of errors by allowing "partial matches" on SSN – for example, when seven or eight of nine digits match, or when the entire number is shifted by one digit. Such "partial matches" are allowed when other data elements match closely enough; the CRAs report that this happens between 1% and 2% of the time.

The format of the SSN means that errors are not easily detected. Credit card numbers, for example, include a "checksum digit" that almost guarantees that a small typographical error will

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128. "Phishing" schemes and other scams are specifically designed to deceive consumers into divulging sensitive personal information that serves just such an authentication function. *See also* note 212, *infra.*

129. This role of the SSN has also given rise to a phenomenon that has been referred to as "SSN-only identity fraud." *See, e.g.*, Lesley Mitchell, *New Wrinkle in ID Theft, Salt Lake Tribune*, June 6, 2004, available at http://www.sltrib.com. In a Utah mortgage fraud scheme, individuals, many of whom were apparently illegal aliens without a valid SSN, were able to establish a credit identity using their own names, but using another individual's SSN. Although acquiring a valid SSN was part of the scheme, the purpose was not to use another individual's credit history to acquire credit, but rather to use the SSN to establish a completely new credit identity. The result was the creation of two files in the CRA databases that contained the same SSN – one relating to the SSN's true owner and one relating to the perpetrator of the fraud. Further, because the CRAs considered the two files to belong to different consumers, the true owners of the SSNs could not view the second file or "correct" it through the dispute process. Although this incident caused concern among the true owners of the SSNs, consumers will not ordinarily be harmed by the existence of the second file. As discussed *infra,* CRAs will not include information in a file or provide a file to a user based solely on an SSN match.

130. *See* John M. Abowd and Lars Vilhuber, U.S. Census Bureau*, The Sensitivity of Economic Statistics to Coding Errors in Personal Identifiers*, TP-2002-17 (2003). Abowd and Vilhuber estimate an error rate of 0.5%, but caution that their method may underestimate actual errors. A study by the Bureau of Labor Statistics in 1997, in which unemployment insurance wage records were compared directly to Social Security Administration records, found that names and SSNs did not match in 7.8% of cases (with considerable variation across states). Bureau of Labor Statistics, *Quality Improvement Project: Unemployment Insurance Wage Records* (Oct. 1997). If half of these cases reflect an error in the SSN (and the other half reflect an error in the name), the error rate for SSNs would be 3.9%.

generate an invalid number.[131] This means that the wrong person's account will not be charged, and the person processing the number can be alerted immediately to the problem. Because it lacks a checksum digit, small typographical errors in the SSN can easily yield a number that is valid but belongs to the wrong individual.

Until recently, SSNs were assigned sequentially, meaning that if a parent applied for SSNs for multiple children at the same time, their SSNs would be very similar (possibly differing by only one digit). Because these siblings might have the same last name and address, the similarity in their SSNs makes confusion quite possible.[132]

Because of these problems, the CRAs do not rely exclusively on SSNs in their matching procedures. If 5% of inquiries include no valid SSN, and 1% include an SSN that is valid but incorrect, this translates to an estimated 250,000 inquiries each day for which an exact SSN match either could not be used or would yield the wrong consumer report.[133] This leads the CRAs to use other identifiers, such as name and address, to aid in matching. As discussed above, the CRAs will rely on SSNs that do not match if the match on other data elements is strong enough. By contrast, if the SSN *is* an exact match, but other data elements do not match at all, the CRAs will not consider the records to match. The CRAs instead follow a policy of maintaining separate files for what appear to be different consumers who are using the same SSN.[134]

When a CRA maintains a second file with one consumer's SSN but a different consumer's name, the CRA will ordinarily not provide the second consumer's file when the first consumer applies for credit. Unless it receives additional information that causes it to consolidate files, the CRA will keep the two files separate, because the SSN alone is not enough to justify merging the files. Further, all three nationwide CRAs state that they will not provide a credit report based solely on an SSN match.[135]

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131. Incorporating a "checksum digit" is a way of designing an account number (or other identifying number) so that typographical errors will almost certainly yield a number that is invalid. For example, the last digit of a credit card number is typically derived from the preceding digits using a relatively straightforward mathematical formula. A small error in the data entry process – mistyping a single digit, or reversing two digits – will mean that the final digit no longer matches those that precede it, so that a computer will recognize the number as invalid.

132. An example of this is the case of Jerry Crabill, where TransUnion furnished both the plaintiff-consumer's credit report and the report of his brother, whose first name started with the same letter and whose social security number differed by only one digit. *See* Crabill v. TransUnion, L.L.C., 259 F.3d 662 (7th Cir. 2001).

133. These numbers are based on an estimate of 1.5 billion inquiries per year, or about 4 million per day.

134. It appears that the CRAs do not routinely conduct investigations of such cases. A likely reason is that, because of the automated nature of the credit reporting system, such investigations would be very costly.

135. FTC staff communication with CRA representatives. Although no CRA will supply a full credit report in response to only a submitted SSN, at least two of the three nationwide CRAs do offer a product that allows users to retrieve limited non-credit consumer identifying information using only an SSN. For example, Experian offers a product known as "Social Search" that allows users to retrieve consumer identifying information such as name and address based solely on an SSN search. *See* http://www.experian.com/products/social_search html. TransUnion offers a similar service known as "TRACE." *See* http://www.transunion.com/Business/Solution.jsp?id=/transunion/solutions/data/FncCollections.xml&view=products.

2. Types of data problems

The CRAs use a combination of identifying information in matching records. Matching is difficult when some identifying information that the CRA receives is either (1) missing; (2) incorrect; (3) correct, but has changed (e.g., a new address); or (4) correct, but inconsistent (e.g., a nickname). These problems may be caused by either the consumer or the furnisher that records and reports the consumer's information.

Problems with the information the consumer provides can arise either from error or deliberate choice. For example, a consumer may mistakenly reverse the first and last names on an application, or report the wrong SSN. A consumer might also omit some personal information if he or she is concerned about revealing this information to a stranger. Thus, for example, the consumer may choose not to record an SSN (or may record a false one), may provide only a first initial rather than a full first name, or may misreport or fail to report his or her age.

Having collected information from a consumer, a creditor (or other user of consumer reports) may make mistakes when entering the consumer's data into its system. Information from a written application must be entered into a computer, introducing the possibility of keystroke error and errors arising from illegible handwriting. When credit applications are made orally over the phone, names and addresses may be misspelled.

Reliable matching requires identifiers that are *persistent*, so that they do not change throughout a consumer's life, and *discriminating*, so that they allow consumers to be distinguished from one another. Of the currently available identifiers, the SSN is the best candidate, because it is unique and persistent, but as described above, the CRAs cannot rely entirely on the SSN.[136] Apart from the SSN, the most important fields used in matching are name and address.

There are a number of inherent problems in using name and address as identifiers. A leading problem is that both are subject to change. The Census Bureau reports that 14% of Americans move each year.[137] Consumers change names, most frequently when a woman marries or divorces. CRAs typically obtain this information from furnishers, not consumers;[138] therefore, the CRAs must accommodate name and address variations in order to maintain the continuity of consumer files.

Even a consumer whose name and address have not changed may report this information inconsistently. Consumers may use nicknames, may use a middle name or initial, or use a first initial only. Name reversals are also common and sometimes hard to identify. For example, it is quite possible that a consumer listed as "Frank Howard" is actually "Howard Frank," but that the first and last names were reversed in the application process.

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136. In those instances where a CRA is merely updating an existing account, the CRA can use account numbers to match the data with the file. Account numbers are quite reliable, as they uniquely identify consumers and are unlikely to contain errors (both because account numbers generally include a checksum digit, and because they are generally not re-entered by hand each time an account is updated). Because of this, matching errors are unlikely when updating the consumer's existing accounts.

137. *See* Jason P. Schacter, U.S. Census Bureau, *Geographic Mobility: 2002 to 2003*, *Current Population Reports* (2004).

138. *See* note 124 *supra.*

The CRAs report that people often omit their apartment number from their address, making it difficult to distinguish people with similar names living in the same apartment building. Many consumers maintain multiple addresses – in addition to a residential address, a consumer might have a business address, a vacation home, or a Post Office Box. Addresses are often written down in an inconsistent manner – people may use abbreviations (Str. or St. for Street), neglect to use a directional suffix such as SE, misspell a street name, etc. The CRAs use address standardization software to accommodate these variations, but these tools do not eliminate all problems.

Names are not unique – for instance, the Census Bureau reports that in 1990, 1% of the U.S. population had the surname "Smith," 3.3% of American males had the first name "James," and 2.6% of females had the first name "Mary."[139] Distinguishing individuals within a family is a particular problem because the combination of name and address may not provide any additional discriminatory power. A particular challenge is fathers and sons with the same name – when the generational suffix is missing, it is difficult to keep John Doe Sr.'s and John Doe Jr.'s files separate. SSNs can be used to distinguish individuals whose identifying information is otherwise similar, but, as discussed above, correct SSNs are not always available for matching.

Although telephone numbers seem to offer an additional point of identifying information, they often do not provide useful information not already contained in the address. If an address has changed, it is likely that the telephone number has changed as well. Additionally, if two people live at the same address, they are likely to have the same telephone number.

3. Sources of data problems

At least to some degree, the quality of identifying information received by CRAs reflects choices made by data furnishers. Creditors determine what information to require from applicants and how much care to exercise in collecting it and making sure that it is correct. They also decide what information to maintain in their files. Creditors and other data furnishers have an incentive to maintain the accuracy of their own files, but they may not have a similar incentive to maintain their files in such a way as to make the CRAs' data matching process easier. For example, because furnishers' own account numbers are usually very effective identifiers, furnishers may have less need to maintain or report SSNs, data on past addresses, or full names.

The CRAs encourage furnishers to report data in ways that make matching easier. However, because data furnishers provide consumer information to the CRAs on a voluntary basis, the CRAs have only limited influence. The CRAs have been somewhat successful in convincing furnishers to adopt an improved format for electronic submission of account data. The credit reporting industry has collaborated in developing a standard format (the "Metro" format) for data

139. *See U.S. Census Bureau, Name Files,* available at http://www.census.gov/genealogy/names/. The problem may become even more severe in connection with a geographic region where certain names are especially common, and may even be linked to certain dates or time periods. For example, it is common for people of Irish descent to give the name Patrick or Patricia to a child born on or near St. Patrick's Day. People of Mexican origin often name a girl Guadalupe if she is born on December 12th, which commemorates the second appearance of the Virgin of Guadalupe. Interview with Chuck Coleman, U.S. Census Bureau (Mar. 2004). Examples such as these demonstrate that name and birth date together may not be highly discriminating in some cases.

submitted by furnishers. The CDIA reports that as of 1996, more than 95% of data received by the CRAs used the Metro format. A newer version of the format ("Metro 2") was introduced in 1997, and by 2003, more than half of all accounts were reported in this format.[140]

Although a standard format makes maintaining computer files easier, effective matching depends on the quality of the identifying information provided. The CRAs have made efforts to encourage furnishers to submit more complete information. For example, one CRA described a program that offered its subscribers financial incentives to include an SSN with all data submitted.[141] However, most furnishers are subscribers of only one nationwide CRA, but may report data to all three. Therefore, because an improvement to the data would benefit not just the CRA but its competitors, the incentive to offer such discounts may be limited.

Identifying information in public records and collection accounts often does not come directly from contact with consumers, so consumers may not have an opportunity to notice mistakes or to note changes in name or address. Also, furnishers that are not necessarily users of consumer reports (e.g., providers of public record information and some collection agencies) may have less incentive to ensure the accuracy of their information.

Unlike a firm that is furnishing data, a subscriber submitting an inquiry does have strong incentives to submit complete identifying information. If a creditor receives the wrong person's file, or fails to receive a consumer report when that consumer in fact has a file in the system, the creditor risks making a credit decision based on faulty information. On the other hand, in attempting to attract new customers, creditors may have incentives to make the application process as easy as possible and may therefore not insist on complete, detailed information.

This tradeoff between accuracy and convenience varies depending on the type of furnisher. For example, identifying information from mortgage applications is probably quite reliable. Given the importance of a mortgage transaction, both lenders (or brokers) and their customers are likely to take care in checking that an application is filled out properly and completely. For other transactions, the parties may be less careful. For example, in retail point-of-sale applications, consumers may provide much less comprehensive information. A retailer might also be interested in processing an application quickly, and in making the application process as convenient as possible for customers. Retail credit accounts also typically have relatively low credit limits, so the cost of an error may be lower.

4. The CRAs' management of data quality problems

Much of the CRAs' business success depends on their ability to organize disparate information into files that are as accurate and complete as possible. To this end, the CRAs have all developed procedures for proper matching, within the limitations of the data they receive.

The CRAs start by "cleaning" the data. For example, they use address standardization tools that translate address variations into a standard format (e.g., 1500 East Main Avenue, Suite 201 becomes 1500 E MAIN AVE STE 201). A similar process checks for common problems with names (e.g., "John Smkth" might be changed to "John Smith," and "O'Neal Kenneth" might

140. *See* Statement of Stuart K. Pratt, *supra* note 2.

141. FTC staff communication with CRA representatives.

be changed to "Kenneth O'Neal"). The CRAs validate SSNs by comparing the SSN to lists of invalid SSNs and the SSNs of people known to be dead. They also maintain information about variations in an individual's identifiers – for example, former addresses, former or alternate names, or other SSNs that have been used by the same individual.

All three CRAs have stated that they are constantly seeking improvements in their matching processes. Because of their complexity and their connection to databases, however, the impact of changes to the data-matching protocols can be unpredictable. Therefore, before it is implemented, any possible change is tested carefully on actual data, side-by-side with the existing algorithm. The CRAs then focus on the cases where the two algorithms yield different matches, and, where possible, use human judgment to identify the best result. This allows the CRAs to evaluate whether existing problems are fixed by the change and whether new problems arise. A similar technique is also used to identify problems with the working algorithm – the CRAs analyze samples of the data to identify problems and look for opportunities to improve.

An important response to inconsistencies and gaps in consumer identifying information is the creation of "temporary" fragmented files. After receiving information that cannot be definitively matched to a file in the database, a CRA is faced with a choice. Adding an "update" to a file risks creating a mixed file, while not adding the update risks creating a fragmented file. In facing this problem, the CRAs are more tolerant of fragmented files than mixed files. One reason is that fragmented files are easier to correct at a later point. It is difficult to write a computer program that will identify and fix mixed files, and once a mixed file has been created, the problem can "snowball" – that is, once some information about person B has been added to person A's file, it becomes more likely that future information about B is matched to A's file.[142] In contrast, the CRAs' computers are programmed to search for fragmented files and merge them when appropriate. Because of this, the CRAs are more likely to create a new file and routinely check whether that file can be merged with an existing file. Knowing that it has a certain number of fragmented files in its database, each CRA routinely re-checks for potential file merges as new data arrives.

Figure 2 illustrates the main steps in the matching process that relate to processing uncertain matches. The diagram refers to matching in the file building process, but the process for file retrieval is substantially the same.

142. For instance, if the CRA's system places an account for John B. Smith, at 123 Maple St., in the file for John A. Smith, at 456 Oak Lane, John B.'s address will become part of John A.'s file. This makes it more likely that new records related to John B. will match John A.'s file.

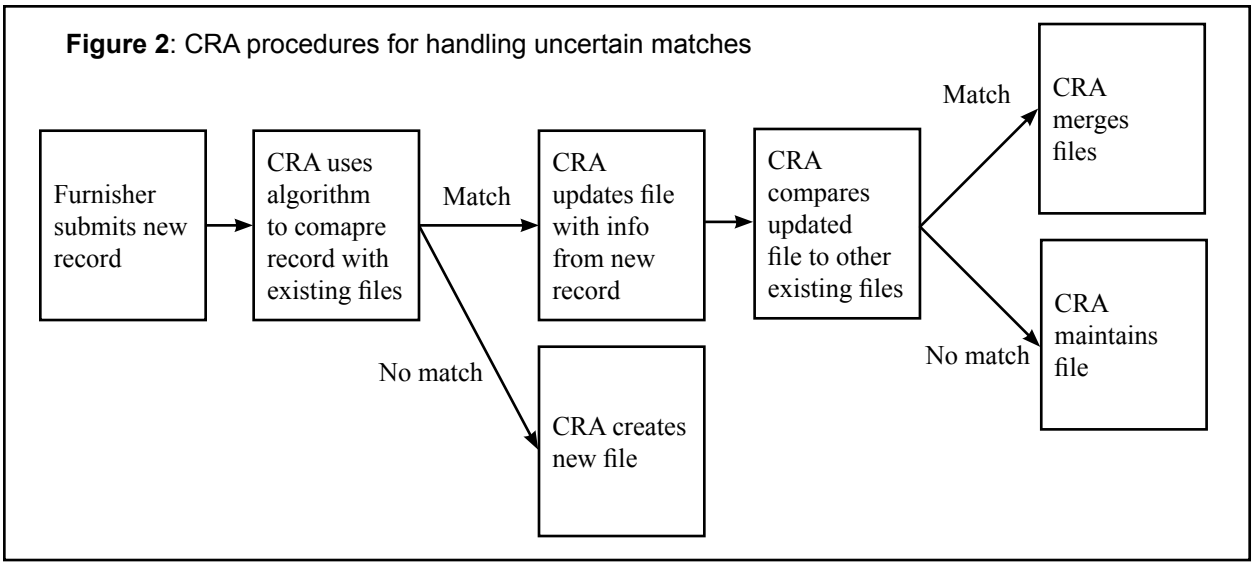

Figure 2: CRA procedures for handling uncertain matches

As an example of how this process works, suppose that a consumer (John Doe) moves from New York to St. Louis and applies for credit using only his name and (new) address. As a result, a CRA receives an inquiry with the following identifying information:

Name:	John Doe
Address:	123 Main St.
	St. Louis, MO
SSN:	(missing)

Although the CRA has many files for consumers named John Doe, it does not have any that match this address. The CRA is therefore unable to determine whether the inquiry refers to a consumer with no file (most likely someone who has never before applied for credit), or to a consumer with an existing file who has recently moved. In this situation, all three of the major CRAs would create a new file for John Doe while continuing to check whether this file can be linked to another file in the database. As the consumer updates the address information with his or her existing creditors, this new information will be added to the CRA's files. For example, the CRA might receive an update from credit card issuer, XYZ Bank, that includes an account with the following identifying information:

Name:	John Doe
Address:	123 Main St.
	St. Louis, MO
SSN:	123-45-6789
XYZ Acct #	1111 2222 3333 4444

With this information, the CRA is able to match the account to the following file:

Name:	John Doe
Address:	456 Elm St.
	New York, NY
SSN:	123-45-6789
XYZ Acct #	1111 2222 3333 4444

At this point, the CRA is able to update the address information in this consumer's file and to merge this file with the small file created by the earlier record that could not be matched.

In this example, the CRA initially did not provide a report in response to the inquiry because information did not match closely enough. But once presented with a matching name, SSN, and account number, the CRA merged two files despite a non-matching address. When the CRAs accept a match despite variations in the data, they maintain information about these variations in the consumer's file. A file will include information about a consumer's past or alternate addresses and alternate names that have been used. For example, an individual's file may contain multiple SSNs if that person has made occasional mistakes in filling out credit applications. Similarly, if a consumer changes his or her name, the CRA will maintain information about the former name. Retaining this type of information means that it can be used for matching if the variant is used in incoming records or updates.

C. Benefits and Costs of the Proposed Matching Requirements

Section 318(a)(2)(A) of the FACT Act contemplates two types of matching requirements: rules on the number or type of identifiers that must match (e.g., "increasing the number of points of identifying information" that must match), and rules on how closely such identifiers must match (e.g., requiring an "exact match" or disallowing "partial matches of [SSNs] and name recognition software."). Either type of requirement could establish a stricter standard than is currently used by CRAs to match consumer files, and would therefore have the potential benefit of increasing the accuracy of consumer reports. The main potential costs would include a decrease in the completeness of consumer reports and in the CRAs' flexibility and efficiency in matching files.

Unfortunately, these benefits and costs are very difficult to quantify. As discussed in Part III of this report, there is currently very little reliable information available about the levels of accuracy and completeness in consumer reports. As a result, it would be difficult to estimate precisely how the proposed requirements would affect these levels. However, a variety of factors and likely effects are discussed below.

1. The tradeoff between accuracy and completeness

As discussed above, the CRAs face a choice between files that are more accurate and files that are more complete. The CRAs often identify matches that are close, but not perfect. Accepting an imperfect match risks inaccuracy – either a mixed file (if a mismatch occurs in the file building process), or the delivery of the wrong person's consumer report to a user (if a mismatch occurs in the file retrieval process). On the other hand, rejecting the match risks incompleteness – either a file that is missing some accounts or the failure to deliver a correct file to a user. The CRAs attempt to minimize both inaccuracy and incompleteness, but the limitations of the identifying information mean that they cannot eliminate both. If the CRA adopts a "stricter" matching algorithm that reduces inaccuracy, the necessary result is that incompleteness will increase.

When Congress passed the FCRA, it was responding in part to consumer concerns that the CRAs overemphasize completeness at the expense of accuracy. Many of the CRAs' customers are lenders, whose main concern in consulting a consumer report is assessing the likelihood that a borrower will default. For many lenders, the loss incurred when a borrower defaults is much larger than the profit earned when a borrower repays a loan. Because of this, lenders may prefer to see all potentially derogatory information about a potential borrower, even if it cannot all be matched to the borrower with certainty. This preference could give the CRAs an incentive to design algorithms that are tolerant of mixed files, which could harm consumers to whom derogatory information is mistakenly assigned.

The FCRA addresses this issue by requiring CRAs to use "reasonable procedures" to ensure the maximum possible accuracy of consumer reports, giving consumers access to their files, and establishing a dispute process. These measures work to increase accuracy at the cost of completeness. Because the proposed requirements would increase accuracy even further, the challenge is to determine whether this increase justifies the associated reduction in the completeness of consumer reports.

2. Mandatory matching rules would be likely to lower match efficiency

CRAs have an incentive to make their matching processes as efficient as possible. A matching process is efficient if the number of incorrect matches cannot be reduced without also reducing correct matches, or vice-versa. For example, a process that completely ignored middle names would be inefficient because middle names will sometimes allow the CRA to keep different consumer records separated, while not preventing the CRA from matching records that should be matched.

An efficient matching process will be very complex, and should adapt as technology and the available identifying information change. Because uniform rules would be unlikely to capture the necessary complexity and flexibility, they are likely to lower the algorithm's efficiency. The likely difficulties are described below.

a. An "exact match" is hard to define

As noted above, the Act proposes a sample rule that would require an "exact match of the first and last name, Social Security number, and address and ZIP code . . . ."[143] Such a requirement would be very inefficient if it did not allow certain data variations. For example, if a rule did not allow common nicknames, such as "Dave" for "David," then the system would return a large number of false non-matches. Similar issues arise with addresses and other identifiers, for example, the use of "St." or "Str." for "Street." Acknowledging that variations like these should be allowed, however, leads to the considerable challenge of exhaustively defining what constitutes an "exact match." Efficient matching demands that tolerance for spelling variations depend on the context. For example, "Clarence Smith" and "Clarenw Smith," are likely to refer to the same person, whereas "Mary Jones" and "Mark Jones," probably refer to different people. No rigid and simple rule specifying, for example, the number of mismatched letters allowed, can capture the subtleties required for an efficient matching algorithm.

143. FACT Act § 318(a)(2)(A)(ii).

b. Matching on more data elements does not always guarantee a better match

Flexibility is also important in determining what combinations of identifiers should be allowed as a match. Even when several elements match exactly, other elements may indicate that the overall match is poor. Consider the following two pairs:

Eli C. Whitney 333 E. Main St. Maplewood, TX 75200 Phone: (214) 555-1234 Birth date: 2/14/1955	Eli W. Whitney 333 E. Main St. Maplewood, TX 75200 Phone: (214) 555-1234 Birth date: 5/27/1982
Thomas Edison 4275 N. Maple St. Chicago, IL 60600 Phone: (312) 555-4567 Birth date: 3/14/1965	Edison Thomas 4275 North Maple St. Chicago, IL Phone: Birth date: 01/01/1966

The first pair matches exactly on many points of identifying information: first name, last name, address, ZIP code, and phone number, but it is likely to be a bad match. The difference in middle initial and birth date suggest a strong possibility that this pair represents a father and son. Because of this, the exact match on other identifiers becomes much less important. By contrast, the second pair matches exactly only on address and city. However, this pair is much more likely to represent a good match, because the discrepancies in name and birth date are easily explained as the result of small errors.

c. Some identifiers are more discriminating than others

Efficient matching also requires matching algorithms that take into account how discriminating a particular identifier is. For instance, the CRAs may use stricter matching requirements for a consumer with a common name than for a consumer with an unusual one. Consider the following pair of records:

John Smith 1324 Mulberry St. New York, NY SSN: 123-55-1234	J. Smith 210 Plum Ave. Yonkers, NY SSN: 123-55-2134

This could represent the combination of a move and a typographical error in the SSN, or it could represent two people with similar names who have very similar SSNs. If instead of "John Smith," the names were "Zbigniew Brzezinski/Z. Brzezinski," then the likelihood that the SSN had been mistyped would be much larger, and one would be much more confident that these records should match.

It would be extremely difficult for even a carefully crafted rule to capture all of the complexities of an efficient matching process. Even if such a rule could be developed, it might inhibit innovation or prevent changes to keep pace with developments. For example, new identifiers could become available, or technological changes might allow improvements.

The following two sections address more specifically the costs and benefits of the "exact" match proposal for the relevant use – file building and file retrieval.

3. Costs and benefits of matching rules for file building

a. Effects on accuracy and completeness

This section considers the impact of matching requirements on file building – that is, requirements that would govern when CRAs are allowed to add data to a consumer's file or to merge files.

The benefit of the proposed "exact" match rule would stem from a decrease in mixed files, serving the proposal's purpose to enhance the accuracy of consumer reports. Mixed files are not always harmful to consumers,[144] but when the information is harmful, a consumer may be denied credit or offered less favorable terms because of information that in fact belongs to someone else. Such a consumer may lose an important opportunity – for example, an offer on a new home might not be accepted. Although consumers have the right under the FCRA to correct errors through the dispute process, this task requires time and effort on the consumer's part. Some consumers also report considerable difficulty in removing another person's accounts from their files and preventing such accounts from reappearing in the future.

The proposed "exact" match requirement would decrease the completeness of consumer reports, however, and this has real costs for consumers. When files are incomplete, an individual consumer may suffer because his or her consumer file is missing information that would demonstrate creditworthiness. The decrease in completeness would be most severe for consumers whose files are relatively difficult to link – for example, consumers who move often, who change their names, or whose names or other identifying information are particularly prone to data-entry errors. A reduction in completeness will also harm the system as a whole by reducing the information available for making credit decisions. Currently, a relatively positive credit history predicts a low default risk, making it a very valuable signal of creditworthiness. If creditors knew that information might be missing from a consumer report, they would find a good consumer report much less predictive, which could lead to higher expected default rates, increased interest rates, and/or a decrease in the amount of credit extended to consumers.[145]

It is difficult to estimate precisely the extent of these effects. As noted above, there are no reliable estimates of the frequency of inaccurate or incomplete files under current practices, so it

144. When a consumer's file includes information that pertains to someone else, the mistake can either help or hurt the consumer. For example, 85% of credit accounts contain no derogatory information. Adding an account in good standing could either help or hurt a consumer's credit score, depending on other elements in the consumer's file. *See* 2003 FRB Study, *supra* note 2.

145. This situation arises because a higher default rate would mean greater losses for lenders. To compensate, lenders would either have to raise interest rates or stop lending to certain borrowers.

would be hard to estimate the likely effect of changes to these practices.[146] However, the sample rule proposed in Section 318 – which would require an exact match on five elements: first and last name, SSN, address, and ZIP code[147] – would likely reduce the creation of new mixed files to almost zero and dramatically increase the number of fragmented files. This would result because an individual's records could be linked only if he or she had provided the exact same identifying information to every creditor, and only if all creditors had entered the information fully and correctly. If these conditions were not met, the records could not be linked and a new file would be created. For example, the CRAs report that, in the information they currently receive from furnishers, the SSN is present less than 90% of the time.[148] Under a five-point requirement, information without an SSN would be lost completely, because it could never be merged with another file. Other updates could not be merged because of mistakes or data variations. Changes of address or names would be a particular concern – a five-point matching rule would leave no means for the CRA to link the records of an individual whose name or address had changed to that person's records before the change, unless an update included both the old and new identifying information.[149]

A less stringent requirement would have less impact on completeness but would still decrease it. For example, a rule might specify a list of four identifiers (such as name, address, birth date, and SSN), and require that at least three match to a "reasonable degree of certainty."[150] This would not eliminate all the mixed files that would be eliminated by the stricter five-point rule considered in the Act, but it would have a less dramatic effect on incompleteness. It is hard to determine the extent of these effects in advance of implementing the requirement.

The FACT Act also asks the FTC to consider the effects of allowing CRAs "to use partial matches on social security numbers and name recognition software," which the FTC interprets as techniques that identify two names or SSNs as similar even when they are not exactly the same. As discussed above in section IV.B.1.b., the CRAs already allow partial matches on SSNs and names because of the large numbers of errors and spelling variations in the data they receive.

146. In discussions with FTC staff, the CRAs stated that they have difficulty estimating the extent of mixed and fragmented files. Through the dispute process, they have estimated the fraction of disputes that lead to the discovery of a mixed file, but these estimates vary considerably among CRAs, from less than 0.2% to almost 5%. (It is not clear whether this reflects significant differences in the number of mixed files, or differences in the way the CRAs classify consumer disputes.) As discussed above, because the CRAs tolerate a substantial number of fragmented files to prevent mixed files, the number of fragmented files is likely to be far greater. Indeed, the CRAs have tens of millions more files in their databases than there are credit-using consumers in the U.S. One CRA reports that the number of files in its system is typically more than 1.5 times greater than the number of actual consumers.

147. In considering this rule, the FTC interpreted an "exact match" strictly, assuming for example, that every character in a name must match, so that "Tom" and "Thomas" are not considered an exact match. Further, if information were missing (for example, no SSN is provided), an exact match would be impossible.

148. FTC staff communication with CRA representatives.

149. The CRAs estimate that about 50% of inquiries would not meet the five-point matching rule for providing a file. *See infra* note 155 and text accompanying. The number of new records that could not be added under the proposed five-point rule could be in the same range.

150. The quoted language is from the California statute that somewhat parallels the FACT Act proposed requirements on matching; *see* notes 156-157 *infra*. An approach specifying a minimum number of matching elements is also analogous to one taken in the FTC's consent agreement with Equifax. *See* Equifax Credit Info. Services, Inc, 120 F.T.C. 577 (1995).

b. Matching proposal would facilitate "file segmentation" abuses

Another cost of the proposed matching requirement would be to make "file segmentation" strategies easier. Because of the serious consequences of a bad credit history, some consumers currently attempt to manipulate the system to escape their existing credit history. File segmentation is a strategy in which the consumer attempts to establish a new credit identity by applying for credit using identifying information that will not be matched to the customer's existing file.[151] Requiring a match on a minimum number of points of identifying information would make such abuse easier. For example, if a match on address were necessary before an account could be added to a file, then by simply moving (or applying for credit using an address not previously used, such as a P.O. Box), a consumer could establish a new credit profile.

An increase in file segmentation would be particularly harmful to consumers with relatively little credit history. Because lenders cannot distinguish such consumers from bad credit risks who have managed to establish a new "segmented" file, an increase in segmented files would be likely to make lenders hesitant to extend credit to a consumer with a "thin" file.

4. Costs and benefits of matching requirements for file retrieval

This section considers the effect of requirements that apply to file retrieval, but not file building.

The potential benefit of the proposed "exact" match requirement would be to decrease the provision of the wrong consumer's file to users and to impede identity theft, thereby meeting the proposal's goal to combat the provision of incorrect consumer reports to users.[152] The potential costs would be an increase in the frequency with which a user's request does not return any file, which would, at a minimum, cause confusion, inconvenience, and delay for some consumers seeking credit. Also, consumers would likely be forced to provide more information when applying for credit. Although this might create additional challenges for identity thieves, it could also be costly for consumers who are reluctant to provide personal information because of concerns about privacy or identity theft.[153]

a. Matching rules would increase no-hits

A stricter matching rule for file retrieval would make it more likely that a file that exists in the CRA's system is not provided when that consumer applies for credit. Currently, between five and eight percent of inquiries result in a "no-hit," that is, a reply from the CRA that no such

151. *See supra* note 44 and accompanying text.

152. On the other hand, changes to the file retrieval process would not affect the content of the files themselves, and thus would have no direct impact on accuracy.

153. It should be noted that another section of the FACT Act may further the same goals intended by the stricter matching for file retrieval proposal. Section 315 requires CRAs to notify the user of a consumer report when the address provided by the user "substantially differs" from the addresses on file for the consumer. Although the main goal of this provision is to create a "red flag" pointing to possible identity theft, such a notice would also notify the user of the possibility of an error. The proposed matching rule would go further, in that it would cover more identifiers than the address, and it would prevent the consumer report from being sent in the first place, rather than relying on the user to further investigate the source of the discrepancy.

consumer file exists in the system.[154] In many cases, this means that the applicant in fact has no file because he or she has no credit history. In other cases, the application contains too little identifying information for the CRA to find a confident match. A stricter rule would increase the no-hit rate by increasing the number of times that a file is in the CRA's system but cannot be provided. In fact, the CRAs estimate that 50% or more of the files they currently provide could not be provided under the requirement of an exact match on first and last name, address, ZIP code, and SSN.[155]

In 1997, California passed amendments to its Consumer Credit Reporting Agencies Act, targeted at reducing identity theft, that somewhat parallel the proposed requirements on matching.[156] One provision of the California law requires that when a retailer requests a consumer report for an applicant, the CRA may provide the consumer report only if the application matches the credit file on at least three points of identifying information.[157] The three nationwide CRAs estimate that, as a result of this rule, a large number of consumer reports that would otherwise be provided to retailers in California cannot be provided. Each CRA estimated somewhat different numbers, but on average the number of reports that could not be provided to retailers in California as a result of the requirement was over 10%.[158]

The economic impact of the increase in California in no-hits is difficult to gauge, in part because it is not apparent how retailers and consumers respond to these no-hits. When a consumer's application is rejected because of a no-hit, the consumer may simply reapply with more complete information, in which case the costs to the consumer are frustration and delay. If the applicant is turned down for a credit account but does not reapply, the applicant and the retailer lose whatever joint benefits the account would have generated.

Some no-hits presumably reflect cases where identity theft is in fact being prevented because the identity thief is unable to provide enough identifying information about the victim to effect a match. Although this is a benefit to consumers when it in fact frustrates identity theft, in most cases a no-hit does not provide a benefit, but rather prevents a consumer's application from being approved.

b. For file retrieval, matching requirements are essentially application requirements

As discussed previously,[159] because data are furnished to the CRAs on a voluntary basis, matching requirements for file building would be unlikely to have a direct effect on the quality of the identifying information that the CRAs receive. In contrast, for file retrieval any firm that wanted to receive a consumer report would be forced to conform to rules specifying what identifying information must match. The proposed rules could lead creditors to collect more complete information from consumers or to check applications more carefully for errors. For

154. FTC staff communication with CRA representatives.

155. FTC staff communication with CRA representatives.

156. Act of October 7, 1997, Cal. Stat. Ch. 768.

157. *See* Cal. Civ. Code § 1785.14(a)(1). The points of identifying information include, but are not limited to, name, address, SSN, and birth date.

158. FTC staff communication with CRA representatives.

159. *See supra* page 41.

example, if the law required a match on SSN, creditors would understand that no inquiry without a valid SSN would yield a consumer report. This would presumably lead them to insist that applicants provide SSNs with credit applications.

Thus, a rule requiring an exact match on SSN would be tantamount to requiring the SSN as part of any credit application. Errors in the provision of SSNs would still exist, but they would be caught more frequently; indeed, if an application yields a no-hit because of an error in the SSN, the unexpected outcome might lead the consumer to double-check the number. In addition to increasing the likelihood that the report a creditor receives is the correct match, the additional identifying information would mean that CRA files were more complete, improving the quality of future matches.

c. Impact of requiring an exact SSN match

As noted above, a stricter matching rule for file retrieval would make it more likely that even an appropriate file that exists in the CRA's system is not provided when that consumer applies for credit. On the other hand, matching rules for file retrieval would increase the accuracy of the "match" when a file is, in fact, retrieved. Because of these competing considerations, it is not clear that any potential benefits that might flow from absolute matching rules would improve upon the existing voluntary system.

Considering whether it might make sense to "require" provision of an exact match to a SSN provides a good illustration of the tradeoffs involved. The SSN's primary utility is as a unique identifier. Errors in the provision and recording of SSNs always will exist, but they would be caught more frequently if an exact match were required. Nonetheless, if an application were to yield a no-hit because of an error in the SSN, remedying the error would require some additional expenditure on the part of the consumer or user. Balanced against this extra expenditure is the benefit that would flow from the greater likelihood that the correct file will be retrieved.

Any impact on preventing and deterring identity theft also should be considered. Identity theft stems in part from the SSN's current use as both an identifier and authenticator.[160] Thus, simply requiring the SSN is not likely to prevent identity theft. Nonetheless, requiring the SSN to match would necessitate that an identity thief obtain that additional piece of identifying information, which may prevent or deter some thieves. At the same time, requiring the consumer to provide his SSN to the creditor creates another opportunity for the identity thief to intercept and misuse the SSN. Other mechanisms, however, such as information security measures and alternative methods of authentication, can minimize that risk. Again, given these competing considerations, it is unclear what impact mandatory SSN use would have on identity theft.

D. Conclusion

This study has examined whether the accuracy of consumer reporting would be enhanced by adding a requirement that certain points of identifying information match before a consumer report is furnished to a user. It has considered two possible approaches to implementing such a requirement: (1) requiring a stricter match before adding information to a consumer's file (file

160. *See supra* section IV.B.1.b.

building), and (2) requiring a stricter match before providing a file in response to an inquiry (file retrieval). Both approaches would address important concerns, but they would also entail significant costs. Although it is difficult to quantify both the benefits and costs, the Commission is concerned that the costs could outweigh the potential benefits.

If the requirement were imposed in the matching process for file building, the result would be a reduction in mixed files. Mixed files are costly for consumers, but their cost, and therefore the benefit of the proposed requirement, may be mitigated by the dispute process already provided in the FCRA. A consumer who is harmed because another consumer's derogatory credit history has been assigned to him has the opportunity to dispute and correct the error so that it will not be an obstacle in the future, although the consumer incurs the costs of time and resources necessary to pursue the dispute.[161]

At the same time, the stricter match proposal for file building would likely lead to an increase in fragmented, incomplete files, and thus a decrease in the informativeness of consumer reports. If this occurred, the result might be a significant increase in costs of credit for consumers generally, because lenders would need to hedge against potentially greater uncertainty in assessing their customers' creditworthiness.

The implications are less substantial when considering the effect of the proposed requirement on the matching process for file retrieval, both in terms of benefits and costs. There are two potential benefits: (1) a reduction in the number of times a CRA supplies the wrong file in response to an inquiry, and (2) an increase in the amount and quality of identifying information that users submit when requesting a consumer's file.

Still, the incidence of creditors receiving the wrong consumer's file appears to be quite small. When the creditor does receive the wrong file, it is most likely to be one among multiple files, which should signal the creditor that one or more of the files may not pertain to the applicant. The system might improve if users were required to collect more complete and accurate information from applicants, because this would improve the quality of information in CRA files. For example, if CRAs were required to match the SSN before providing a consumer report, then more consumer files would include SSNs, which would make them more effective in matching CRA records. However, such requirements would impose real costs on credit applicants – both those who seek to protect their privacy, and those who experience delay and frustration in the application process because their application information does not meet the matching requirements.

In sum, there are considerable uncertainties in calculating the costs and benefits of requiring several matching points, and it is unclear whether the benefits to consumers would outweigh the costs. Moreover, several of the new provisions of the FACT Act – including the requirement that a CRA alert a user of a credit report when an address that the user has provided for a consumer differs from the address in the CRA's file – could help ameliorate the problems that the matching requirement is intended to solve. The FTC's ongoing study of accuracy may shed light on the frequency with which matching errors occur, and whether the new provisions reduce these errors.

161. The consumer may also lose an opportunity for a specific transaction, particularly if the dispute takes much time to resolve. As noted previously, how CRAs and furnishers handle consumer disputes is the subject of another study, which will be separately reported to Congress under Section 313(b) of the FACT Act.

For these reasons, requiring several points of matching, as suggested by section 318(a)(2)(A) of the FACT Act, appears premature at this time.

V. Same Credit Report

A. Introduction

Section 318(A)(2)(C) of the FACT Act requires the FTC to study the effects of:

> requiring that a consumer who has experienced an adverse action based on a credit report receives a copy of the same credit report that the creditor relied on in taking the adverse action, including – (i) the extent to which providing such reports to consumers would increase the ability of consumers to identify errors in their credit reports; and (ii) the extent to which providing such reports to consumers would increase the ability of consumers to remove fraudulent information from their credit reports.

The proposed requirement is meant to address the situation where a report provided to a consumer subsequent to an adverse action notice does not disclose the same information that was provided to the creditor. Consumers cannot exercise their rights to identify and correct any inaccuracies if they do not see the information that is inaccurate. By requiring that the consumer receive the same report used by the creditor, the proposal seeks to ensure that the consumer can spot and dispute inaccurate information that would otherwise go undetected.[162]

To understand the implications of the proposed requirements, Commission staff relied on discussions with representatives of consumers, CRAs, and creditors who use consumer reports. The Commission also issued a *Federal Register* Notice that requested input from interested parties on a number of specific questions. The notice yielded 63 responses from consumers and industry representatives, and these responses were helpful in preparing the study.

Based on this information, the study first discusses the circumstances under which a "same report" requirement would be useful to consumers, and then describes the costs and benefits of the requirement for consumers and industry. These costs and benefits could vary substantially, depending on how the requirement is implemented. As a basis for analysis, this report considers two possible approaches.

- Under the first approach, the CRA that provided the report to the creditor would provide the "same report" to the consumer. In this case, the requirement would essentially amend consumers' existing right to receive a copy of their reports following an adverse action. Under this arrangement the "same report" would be sent only when a report is explicitly requested by a consumer who has experienced an adverse action.

162. As specified in the FACT Act, this study is limited to situations when a consumer obtains a credit report following an adverse action taken by a creditor. Section 603(k)(1)(A) of the FCRA states: "The term 'adverse action' has the same meaning as in Section 701(d)(6) of the Equal Credit Opportunity Act" ("ECOA"). 15 U.S.C. § 1681a(k)(1)(A). Under the ECOA and its implementing Regulation B, "adverse action" is defined to include denials of credit and, in some instances, charging a higher price or less favorable terms (for example, if the creditor makes a counteroffer that is not accepted by the consumer, or if the creditor makes an unfavorable change in the terms of a particular consumer's account). *See* 12 C.F.R. § 202.2(c)(1).

- Under the second approach, the creditor who took the adverse action would provide the "same report" to the consumer. This approach would be similar to the current requirement regarding employers who take adverse actions.[163] In this case, the consumer would receive a copy of his or her report along with the adverse action notice, without having to request it explicitly.

These approaches are not the only ways that the proposal could be implemented, and different choices could lead to different costs and benefits. Where appropriate, this report discusses how alternative policy choices would affect the costs and benefits of the measure.

B. Background

1. How consumers and creditors might see different reports

Currently, the CRAs add information to consumer files when it arrives from furnishers. At any given time, the information contained in a particular consumer file is the same whether a request to access the file comes from a consumer or a subscriber. If a consumer and a user see consumer reports derived from the same file at the same time, the consumer will see all the information that a creditor sees.[164] This leaves two possible ways that a consumer might not see information that the creditor sees:

(1) the two reports were generated at different times, and

(2) the consumer's disclosure request does not identify and supply the same file, or all of the files, that were provided to the creditor.

Differences based on timing are probably quite common. Information is constantly being added to consumer files or updated as it is received from furnishers, and deleted from files when it becomes obsolete. For example, if a user requests a report on April 1 and then rejects a consumer's application, the consumer would not receive his or her free disclosure until a later date, perhaps April 20. Any information that has changed between April 1 and April 20 would appear on the consumer's disclosure, but not the earlier report received by the user.

If the consumer were to receive the historical document that the creditor had relied on, it might sometimes help alleviate any confusion about why a credit decision was made. For example, suppose a creditor receives a consumer report showing high credit card balances. These balances might be lower by the time the consumer receives a disclosure. Seeing the "same report" would give the consumer a clearer picture of what had caused the creditor's decision. On the other hand, informing the consumer of historical information might be less likely to further

163. Section 604(b)(3)(A)(i) of the FCRA requires employers, before taking any adverse action based in whole or in part on a consumer report, to provide the employee or job applicant with a copy of the report. 15 U.S.C. § 1681b(b)(3)(A)(i).

164. The FCRA prohibits CRAs from including certain information in reports to users. For example, inquiries that were not initiated by the consumer (e.g., inquiries associated with prescreening) are prohibited by Section 604(c)(3), and furnishing medical information is restricted to certain circumstances by Section 604(g). 15 U.S.C. §§ 1681b(c)(3) and (g), respectively. Such information appears in consumer disclosures.

the primary aim of the proposal, which is to help consumers identify errors and fraud. For this purpose, the most recent information is most relevant.

Receiving the "same report" could be much more valuable when a creditor receives a consumer report based on a totally different file than the report that would otherwise be disclosed to the consumer. There are two situations in which this could occur. First, the creditor could receive a report consisting of a single file pertaining to the wrong consumer. Second, the creditor could receive multiple reports, while the consumer receives only one of these reports.

Either result can be caused by problems in the identifying information provided by the creditor. For instance, suppose Jane A. Smith applies for credit, and that there is another consumer with similar identifying information (Jane B. Smith). If the creditor provides incorrect or incomplete identifying information to the CRA, it might receive a report on Jane B. Smith only, or two consumer reports pertaining respectively to Jane A. and Jane B. In either case, it is possible that information pertaining to Jane B. will adversely affect Jane A.

If Jane A. requests a copy of her own consumer report, it is less likely that she will see Jane B.'s file. CRAs generally require consumers who seek file disclosure to provide more complete identifying information than subscribers who make an inquiry; thus, a consumer request is more likely than a user inquiry to screen out files belonging to someone else.[165] Even if the consumer's request does initially match another consumer's file, the requesting consumer might still not get to see it because when a consumer's request matches more than one file, the CRA generally requests additional information from the consumer in an attempt to determine whether the additional file or files belong to him or her.[166] Any files found not to belong to the consumer will be excluded from the report that is provided. Although the consumer may end up with the correct report, he or she will not have access to the incorrect report used by the creditor, making it more difficult for the consumer to determine what went wrong and to correct it.

Some consumers, however, currently do see the same report that the creditor sees as part of the credit granting process. Particularly in mortgage lending, some creditors discuss the reports directly with the applicants. Also, resellers of "merged" credit reports – typically used by mortgage lenders – will retain these merged reports and provide them to consumers when they request a disclosure.[167]

165. One reason for this is that, in providing reports to consumers, the CRAs must establish that the requesting consumer is indeed who he or she claims to be, in order to prevent fraudulent access to consumer information by others. Requiring sufficient information for authentication purposes means this information is also available for matching. When a creditor requests a file, the creditor is in a better position than the CRA to verify the consumer's identity – for example, the creditor may request a copy of a driver's license or other identification. In responding to creditor inquiries, the CRA requires information only for matching, and not for authentication.

166. FTC staff communication with CRA representatives.

167. Even if they have provided two separate reports relating to a particular consumer (e.g., because of requests from two different mortgage lenders), industry sources indicate that these resellers can and do ask follow-up questions to ensure that the report sent to the consumer is the one that was sent to the mortgage lender that took the adverse action.

2. How often do creditors see files that consumers do not see?

As noted above, a consumer and a creditor could see different reports if (1) the creditor received a single report based on the wrong consumer's file, or (2) the creditor received multiple reports and consumer received only one. As described in section III, the first scenario appears to be uncommon, and generally involves incorrect identifying information being entered in the request.[168] This situation could occur if two people share some identifying information, and the creditor makes an error entering information that is not common to both. It is also possible if a creditor requests a report relating to a consumer who is new to the credit system, and therefore does not have a file or has a file with only limited information, that the CRA will supply a report on an existing file that is the "closest match."

As to the second scenario, two of the three major CRAs report that they currently do not send multiple reports to their subscribers. The other CRA states that, depending on the subscriber's preference, it sometimes supplies reports containing more than one file.[169] In these cases, the CRA presents each file as a separate report and scores each report separately.

It appears that in many instances when multiple files are identified in response to a single inquiry, one file contains the bulk of the consumer's credit history, and one or more "secondary" files contain relatively little data, perhaps a single account.[170] These secondary files contain information that the CRA has not been able to assign to this consumer, or any other, with what it considers a sufficient degree of certainty to cause it to merge the information. Yet, the CRA may still consider the information likely to pertain to the same consumer.

A sample of recent reports obtained by the FTC independently indicates that, for the CRA that does provide multiple reports, about four percent of inquiries match to more than one file.[171] However, this CRA has stated that many of its subscribers choose not to receive multiple files and request to receive only the single file that best matches their request. The CRA states that it supplies multiple files in response to fewer than one percent of subscriber requests.[172]

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168. As discussed in section III, the CRAs report that they receive a small number of complaints from subscribers about receiving a single wrong report. *See* discussion *supra* page 15.

169. In order to comply with Section 607(a) of the FCRA, a CRA that furnishes multiple files (including fragmentary files) in response to an inquiry on a single individual must have reasonable procedures to assure that the information it furnishes pertains only to that consumer. In other words, a CRA cannot furnish multiple files unless it has reasonable procedures to ensure that each file contains information pertaining to the same consumer.

170. FTC staff communication with CRA representatives.

171. Data provided to the FTC by Fiserv/Chase Credit Research.

172. The CRA also states that, over time, it continues to refine the accuracy of its matching software and to reduce the incidence of reports containing multiple files.

This CRA also has stated that most of the multiple files it sends out apply to the correct consumer.[173] On the other hand, the fact that the CRA has not merged the files suggests that it believes there is a non-trivial probability that the files belong to different people. If so, and if the creditor does not recognize the error, then the creditor may evaluate the consumer's application based on information that does not pertain to him or her, but the consumer may have no way to discover the problem by requesting his or her report from the CRA.

3. What do creditors do when they receive multiple reports?

As noted above, many users of consumer reports choose not to receive multiple reports, and ask to receive only the report based on the "best match." When a creditor chooses to receive multiple reports, the creditor is likely to recognize that multiple reports signal greater than normal uncertainty about whether all the reports in fact apply to the consumer in question. The effect of any "secondary" reports on the consumer depends on what the creditor does in this circumstance.

There is evidence that some creditors take steps to verify whether multiple reports indeed apply to the consumer in question, particularly in the mortgage industry. A creditor may attempt to verify the applicability of a report either directly or by using a reseller. One service a reseller provides is to investigate whether the file or files furnished actually pertain to the applicant. Creditors can also resolve questions by manually reviewing the files or by taking the additional step of contacting the consumer. The benefit to the creditor of verifying the applicability of the file is that the creditor could avoid rejecting a loan that would, in fact, meet its standards. The greater the potential revenue associated with making a loan, the more likely a creditor would be to bear the costs associated with such steps.

According to the Mortgage Bankers Association, the general practice in the mortgage industry is to discuss any significant derogatory credit item with the consumer before a final credit decision is made. Mortgage lenders make this effort because mortgage loans typically involve greater revenue and because compensation for loan officers and mortgage brokers typically depends on the loan closing.

Similarly, a credit union officer stated that credit unions generally follow this practice, not only for mortgage loans, but for all loans.[174] Moreover, Boeing Employees' Credit Union indicated that the first step for any creditor is to determine if there is an obvious reason why there are multiple "in-files," such as a generation issue (Junior and Senior), married/maiden/hyphenated name issue, or some other logical issue. Boeing also pointed out that in processing

173. As a basis for this claim, the CRA cites two sources of information. One source is feedback from creditors. As discussed below, there are a number of creditors who, when they receive a report containing multiple files, attempt to verify the applicability of the files to the consumer by contacting the consumer and obtaining more information. Such creditors might be expected to inform the CRA if they found that most "secondary" files pertain to the wrong person. Another source is research that the CRA has done on the accuracy of its matching procedures, the details of which were not disclosed by the CRA.

174. Telephone conversation with Beverly Rutherford, Vice President/Compliance, Virginia Credit Union, Inc. (Sept. 16, 2004).

loan applications, multiple "in-files" are screened out of automated decision and require manual review by an underwriter, who can ask for additional information from the consumer.[175]

When creditors take steps to verify the applicability of any files they receive, the "credit report that the creditor relied on" is the report or reports that the creditor determined in fact pertains to the consumer, rather than all the reports that the CRA sent. However, it is not clear whether this practice is common among creditors as a general matter. For example, for creditors who use automated loan approval systems, it is costly to subject files to additional manual review. When such creditors choose to receive multiple reports, it is unclear how often they perform any "check" on the applicability of the files they receive.

C. Benefits and Costs of a "Same Report" Requirement

As noted above, this study addresses two ways to implement the proposed requirement: (1) requiring CRAs to provide a copy of the same report that they furnished to a creditor when the consumer subsequently requests a consumer disclosure, and (2) requiring creditors themselves to provide a copy of the report they used in making a decision. The discussion below focuses first on the benefits and costs to consumers, regardless of who provides the report, and then on the benefits and costs that are specific to how the requirement is implemented.

1. Benefits to Consumers

The proposed "same report" requirement is intended to ensure that consumers always know what information was used by creditors in taking an adverse action. Consumer groups have argued that this is important both so that consumers can "discover and correct any inaccuracies that may be contained in credit reports received by creditors," and so that when consumers dispute information with creditors, both parties "refer to the same information to ensure that they are reviewing and discussing the same report or information . . . ."[176]

The proposal would provide these benefits in situations in which a report provided to a consumer following an adverse action does not include information that was contained in the report furnished to the creditor. To assess the likely benefits of the proposal, it is important to know how often this situation arises and to what extent the proposal would help consumers address it.

At present, it is unclear how often creditors base decisions on information from a report that is not disclosed to the consumer, or how often these cases result in adverse actions. In order to estimate the extent of these errors, one would need a random sample of consumer files relied on by creditors in taking an adverse action, the correct consumer files at the time of the adverse actions, and input from the creditors or some other means of evaluating whether the adverse

175. Comment of Boeing Employees' Credit Union, at 2. Comments received in response to the FTC's Request for Public Comments on the "same report" proposal are available at: http://www ftc.gov/os/comments/factaadverseactstudy/index.htm.

176. Comment of The National Consumer Law Center, the Consumer Federation of America, Consumer's Union, The Electronic Privacy Information Center, The Identity Theft Resource Center, Privacy Rights Clearinghouse, Privacy Times, and U.S. Public Interest Research Group, at 3.

actions would have been reversed if the correct file had been used. This information could not be obtained within the time frame of the study, and it is unclear whether it could be obtained even with a longer time frame.

The problem could occur in particular when a creditor receives multiple consumer reports and takes an adverse action based on negative information contained in a report that does not belong to a consumer. Multiple reports are sent in less than one percent of cases by one of the three nationwide CRAs, but this could still translate into a significant number of reports each year. Even in these cases, however, the benefits of the proposed "same report" requirement are unclear.

The CRA that sends multiple reports argues that in most cases, the "secondary files" that are sent do pertain to the correct consumer.[177] In these cases, the CRA says that the consumer will see the same information the creditor sees. Sometimes, a consumer's disclosure request will provide enough information for the CRA to merge the files, and so the consumer will receive all the information in the form of a single file. If the CRA is not confident enough to merge the files, but cannot confirm that the "secondary" files belong to another consumer, then the CRA says it will send the multiple files to the consumer as well.

If the secondary file in fact contains negative information that pertains to a different consumer, the problem is potentially more serious. When this occurs, the harm to consumers – and the benefits of the proposed requirement in addressing this harm – depend on how the creditor processes the reports it receives. For example, receipt of multiple reports should act as a signal that the creditor should take care to check that the information in fact applies to the applicant. For mortgage transactions, where stakes are arguably the highest, further review in the case of multiple reports appears common. Other creditors, particularly those who use automated systems for credit approval, may not take extra steps to evaluate multiple reports.

The benefits of the proposal would also depend on the actions taken by consumers in response to the information shown in the "same report" and the likely outcome of such actions. For example, if a secondary file had been created as the result of identity theft, the "same report" requirement could bring the fraudulent activity to the victim's attention. Learning about the file would enable the consumer to file an identity theft report and dispute the fraudulent information.[178]

When the CRA has sent a secondary file that is not created by identity theft, but in fact belongs to a different consumer, fixing the problem could be more difficult. Even if the CRA learns that a particular file does not belong to a consumer, it may be difficult to guarantee that a future inquiry will not match that same file. The CRA cannot delete the information because it presumably pertains to some legitimate consumer. Further, it may be costly for the CRA to redesign its matching procedures to prevent any possibility of this occurring.

There are other steps that a consumer could take, apart from informing the CRA, after discovering that the CRA had sent a creditor the wrong consumer's file. The consumer could make sure to provide more complete identifying information when applying for credit. He or she

177. *See supra* note 173.

178. However, as discussed below, there is also some risk that the "same report" proposal could make it easier for identity thieves to operate and thus increase the incidence of fraud.

can also warn creditors that there is the possibility they will receive a file belonging to the wrong consumer. The effectiveness of such steps depends on how the creditor responds. For example, if a creditor uses automated systems, it may have limited ability to act on a consumer's warning that the wrong file might be supplied by the CRA.

2. Costs to consumers

Many of the costs of implementing the same report requirement would fall on industry, and these costs depend substantially on whether CRAs or creditors provide the reports. Consumers would also bear some costs, regardless of who provided the report.

One cost to consumers results from receiving a report that may be several months old. By the time a creditor processes the consumer's application, informs the consumer of a decision and the consumer's right to obtain disclosure from the CRA, and the consumer requests a report, the data in the consumer's file are likely to have changed. If the data in question are out of date, or have been corrected, the consumer might waste time and effort disputing data that are no longer inaccurate. The consumer might also fail to uncover inaccuracies that currently exist, but are not reflected in the historical document.[179]

Second, if the same report proposal were to require that reports be sent even to consumers who had not affirmatively requested one, the proposal might increase the incidence of identity theft.[180] Many parties noted that identity thieves might exploit the requirement as a means to gain access to another party's consumer report.[181] An increased volume of reports in the mail and trash could also enable identity thieves to gain increased access to consumer reports.[182] These

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179. As noted by MasterCard International: "[p]roviding consumers with an outdated consumer report can therefore provide consumers with a false sense of concern if negative or erroneous information is no longer in the consumer's file, or a false sense of security if the consumer's file has been damaged more recently than would be reflected in the historical consumer report." Comment of MasterCard International, at 3.

180. A related issue is that the requirement could raise privacy concerns. If the creditor mistakenly relied on a consumer report that actually pertained to a different person, the "same report" requirement could mean that a consumer would receive another person's consumer report.

181. This point was made in numerous comments. For example, the American Financial Services Association noted:

> lenders could inadvertently send credit reports or similar information to identity thieves if lenders were required to provide declined applicants with such information ... To require a creditor to send a credit report with the adverse action notice could provide perpetrators of identity theft with additional information about the consumer that may enable the perpetrator to be more successful on the next application for credit in the victim's name.

Comment of American Financial Services Assoc., at 2. *See also* Comment of the American Bankers Association, at 2, Comment of MasterCard International, at 4, and Comment of Background Investigations, Inc., at 6.

182. For example, the Boeing Employees Credit Union noted that a requirement to provide a copy of the consumer report whenever an adverse action notice is given

> potentially exposes more consumers to fraud or identity theft risk by forcing creditors or CRAs to provide a large volume of credit reports to consumers. That volume will travel through channels that ultimately put the consumer at risk. If fraudsters are able to use a monthly credit card statement to do significant damage to consumers, what will they be able to do with an entire credit report?

concerns would be substantially reduced if the "same report" were sent only when a consumer explicitly requested one.

3. Costs if the CRA provides the report

The three nationwide CRAs would incur substantial costs from the proposed requirements due to the need to design, build, and maintain systems to store historical data. These systems would be required to store consumer files regardless of whether an adverse action is taken. A CRA would not know in advance which data requests would result in adverse actions, so they would need to assume that any report provided might need to be disclosed to a consumer at a future date.

As an estimate of this effect, one of the three nationwide CRAs noted that the "same report" requirement could eventually swell its database from its current 210 million credit files to 5 billion records because of the multiple reports retained for consumers. It further stated that the increased costs of data retrieval and error correction in such a system "would be passed on in higher report prices to creditors."[183] The other two nationwide CRAs each estimate the cost of additional equipment and staff necessary for such a system to be in the in tens of millions of dollars.[184]

Given current law, an unintended consequence of the proposal would be to substantially increase the quantity of information that a CRA would provide as part of a consumer disclosure. Section 609 of the FCRA requires CRAs to disclose *all* information in the consumer's file at the time of the consumer's request. Because all information in the consumer's file would consist of every historical document that is being saved, the consumer could receive much more information than is needed after requesting a copy of the file.[185] One CRA noted that under the

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> . . . Our members do not like us mailing their confidential information unless they specifically requested it, as mail is not secure. This proposal takes that consumer right away. Additionally many consumers just throw this type of information in the unsecured trash can. We believe this is putting those individuals at risk for dumpster divers and identity theft and fraud.

Comment of Boeing Employees Credit Union, at 5-6. The American Bankers Association made a similar point, noting that

> Unlike the case where the consumer has specifically ordered a report and is expecting it, consumers denied loan applications will not be expecting or necessarily wanting a credit report. Accordingly, they will be less likely to dispose of it properly, either because they overlook it or are not interested.

Comment of American Bankers Assoc., at 2. *See also* Comment of Mortgage Bankers Association, at 3.

183. *See* Comment of Equifax Information Services LLC, at 4.

184. *See* Comment of Experian, at 2; Comment of TransUnion LLC, at 4.

185. There may also be other unintended costs associated with the proposed requirement. For example, the Independent Community Bankers of America noted that

> if consumer loan applicants were required to receive the same credit report on which an adverse action was based, the need to streamline operations and reduce costs might force creditors to use a single credit report. This would reduce the amount of information available for underwriting decisions, potentially affecting borderline loan applicants particularly, since the reduced information might increase the number of loan denials.

Comment of Independent Community Bankers of America, at 3.

proposal, consumers would be likely to receive "an enormous disclosure package of multiple credit reports issued over a long period of time in addition to the current disclosure copy of their credit file."[186]

An alternative policy that would avoid the costs associated with the CRAs' storage of historical data would be to simply require CRAs to mail consumers a copy of their consumer report at the same time that the creditor is sent a copy of the consumer's report. This would result in all consumers who apply for credit being sent a copy of their consumer report regardless of whether an adverse action was taken. However, it is far from clear how consumers would react to such a policy. In any given year, some people may apply several times for credit. For consumers who are not denied credit, the benefit of receiving all these reports appears limited, and it seems likely that they would object to it both as a nuisance and as something that increased the risk of identity theft. Moreover, as discussed below, CRAs often provide creditors only a credit score or other form of summarized data that would not be readily understood by consumers.

This alternative approach would also increase the number of files sent to consumers in a year from the tens of millions to the billions.[187] The associated costs could increase the cost of credit substantially and potentially eliminate the use of consumer reports for certain lending decisions.

4. Costs if the creditor provides the report

An alternative way to implement a "same report" requirement would be to require creditors to provide each consumer with a copy of the consumer report that the creditor used to evaluate the consumer's application. The creditor could provide this information at the same time it provides the triggering adverse action notice to the consumer, obviating the need for the consumer to go through the extra step of requesting a disclosure from the CRA.[188] The consumer would receive the report directly from the creditor and would thus benefit from the timeliness of receipt of the report and the ability to immediately interact with the creditor. This approach has several drawbacks that could offset consumer benefits, however.

One drawback of this approach is that the information the creditor receives may be considerably less detailed than the information in the CRA's files. Another concern is that sending consumers an unsolicited report might raise privacy concerns and increase the risk of identity theft.

In order to comply with such a requirement, creditors at a minimum would have to build systems to create a consumer-friendly version of the file that they access and employ personnel to respond to inquiries from consumers about their consumer reports. Many creditors use

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186. Comment of Equifax Information Services LLC, at 14.

187. The CDIA estimates that two billion credit reports are sold each year, and that there are fewer than 20 million consumer disclosures each year. *See* Statement of Stuart Pratt, *supra* note 2.

188. Alternatively, the consumer might be required to request a copy of the report from the creditor during a short period after he or she receives the adverse action notice. This would mitigate some of the costs below, but would require creditors to retain files containing consumer reports for a longer period of time.

automated systems and do not receive or keep paper reports. As noted by the American Financial Services Association,

> [l]enders receive raw data that they cannot typically print out in consumer-friendly format. The data feeds from credit bureaus are designed for computers to communicate with each other. Today's systems will not allow the typical lender to generate a readable credit report from their files.[189]

Requiring creditors to provide the "same report" could also result in consumers receiving less information than they receive if they seek file disclosure from the CRA under the current system. For example, it is common for a creditor to use a credit score or another form of summarized data from the CRA in lieu of a complete consumer report. Consumer groups have pointed out that the report is only effective if it includes "the specific information that forms the basis for the adverse action."[190] If the creditor provided only summarized information to the consumer, the consumer could not observe the underlying data that generated the report. In this case, the notice might not serve its fundamental purpose, because the summary data might not inform the consumer about the specific negative information that led to the adverse action.

However, consumers might not always need to see all of the specific information. For example, if a report contained two scores and it was obvious to the consumer from the identifiers that one score belonged to someone else and was the reason for the denial, the scores would be sufficient to inform the consumer of what had happened. Even if a consumer did not receive the same report, the adverse action notice supplied pursuant to the Equal Credit Opportunity Act, which is typically supplied concurrently with the FCRA adverse action notice and requires that the consumer be informed of the "specific reasons" for the adverse action,[191] may itself alert the consumer to inaccuracies in the underlying consumer report – for example, if one reason for adverse action were "too many finance company loans" and the consumer knew that he or she had *no* finance company loans.

The proposal could be implemented in such a way as to require creditors to supply the underlying information that had generated the score, but this would impose additional costs on creditors. Creditors would need to purchase, store, and process information that they do not otherwise need in order to make it available to consumers who experience adverse action and

189. Comment of American Financial Services Association, at 4. Similarly, Wells Fargo noted that "[t]he overwhelming majority of consumer reports used by credit grantors – more than 90% – are obtained in electronic format and never converted to paper. In most cases, the contents of the report are analyzed by an automated decision system, and even if a 'manual' review of the decision is performed, only certain aspects of the report will be converted to a human-readable form. Even when a consumer report is provided to a creditor on paper, or converted to human-readable form by the creditor, the information is displayed in a highly condensed form using codes and abbreviations that would be meaningless to most consumers." Comment of Wells Fargo & Company, at 1. *See also* Comment of MasterCard International, at 5; Comment of Coalition to Implement the FACT Act, at 1-2.

190. Comment of The National Consumer Law Center, the Consumer Federation of America, Consumer's Union, The Electronic Privacy Information Center, The Identity Theft Resource Center, Privacy Rights Clearinghouse, Privacy Times, and U.S. Public Interest Research Group, at 5.

191. *See* 12 CFR § 202.9(a)(2)(i). Section 202.6(b)(6)(ii) of Regulation B, which implements the Equal Credit Opportunity Act, also provides a vehicle for a consumer to bring to the attention of a creditor ". . . any information the applicant may present that tends to indicate the credit history being considered by the creditor does not accurately reflect the applicant's creditworthiness . . . ." 12 CFR § 202.6(b)(6)(ii).

request it. Also, creditors would need to purchase this extra information for all consumers, because they have no way of knowing in advance which consumers will be turned down on the basis of information in the report.[192]

D. Conclusion

When a consumer disclosure does not include information that led a creditor to take an adverse action, the consumer protections provided by the FCRA can be significantly compromised. The proposed requirement seeks to address this situation by ensuring that the consumer receives the "same report" as that provided to the creditor. Because there may be substantial costs associated with the proposal, and given the uncertainty and limited nature of its benefits, together with the possibility that new duties under the FACT Act will reduce the problem addressed by the proposal, the Commission does not recommend adopting the same report proposal at this time.

This requirement may benefit consumers when a creditor has relied on a report regarding the wrong consumer in lieu of, or in addition to, a report regarding the correct consumer. In such cases, the consumer would be able to quickly determine what had gone wrong and begin to take steps to address the problem. As discussed above, this benefit is most likely when a creditor's inquiry identifies multiple reports, but a consumer's request identifies only one. If the "secondary" report or reports contain negative information, the consumer's disclosure may not reveal the cause of an adverse action. We do not at this time have data that allows us to determine how often this occurs. However, multiple reports are provided in less than 1% of cases, and many creditors take extra steps to determine whether multiple reports all pertain to the consumer in question. Therefore, the harm caused in these instances, and the presumed benefits of the proposed requirement, are not clear.

At the same time, the same report proposal would impose substantial costs on consumers and industry. The costs to consumers include (1) costs associated with reliance on a historical document rather than a current report; (2) privacy concerns raised by receiving a report that belongs to someone else; and (3) a possible increase in identity theft if the proposal led to an increase in the volume of reports circulating. Although the benefits, if any, would be realized in less than 1% of cases, these costs would be imposed every time a consumer is sent a file disclosure.

The costs to industry would likely be substantial because:

- If the CRA were required to provide the "same report," it would have to build systems to store historical documents, even though only a small fraction of these would ever be sent to a consumer. This would be expensive, and the higher costs could be passed on to users of consumer reports.
- If creditors were required to provide the "same report," they would have to build systems to create and store consumer-friendly versions of these documents. Further, because many

192. Although the requirement could be fashioned to allow creditors to obtain this information later, after they decide to take an adverse action, this would not be consistent with the proposal, because it would not provide consumers with the same report that had led to the creditor's negative decision.

creditors currently receive only summary or partial data, their disclosure to consumers could be missing key information or the creditors would need to supplement their data.

Because the same report proposal would impose substantial costs to obtain uncertain (and likely limited) benefits, it may be more appropriate to develop a response that focuses on instances in which the creditor may be using a report that pertains to the wrong consumer. Certain provisions of the FACT Act, which are designed to address identity theft and are still being implemented, provide such a response. Section 315 requires CRAs to notify the user of a consumer report when the address provided by the user "substantially differs" from the addresses on file for the consumer, and requires creditors to develop procedures for responding to this notification. Section 114 requires users of consumer reports to implement procedures to identify and respond to identity theft "red flags." Such procedures are intended to help creditors spot possible instances of identity theft and then to act to prevent the possible identity theft.

Both measures will impose extra responsibilities on creditors to determine that a credit applicant is indeed the person to whom a consumer report pertains. Thus, they appear to address the problems described in this study more directly than would the proposed same report requirement. For example, if the creditor receives two consumer reports, including a "secondary" report that pertains to the wrong consumer, it is likely that the secondary report will contain an address that does not match that of the applicant. This will trigger a notification under section 315. Although the creditor's obligations under the FACT Act have not yet been finalized, it is likely that they will increase the chance that the creditor or consumer will discover whether the secondary file in fact pertains to the consumer.

If these measures succeed in ensuring that credit decisions are based on the right applicant's file, the benefits of imposing an additional same report requirement would be reduced considerably. Given the substantial costs associated with the proposal, the uncertainty and limited nature of its benefits, and the possibility that new duties under the FACT Act will reduce the problem addressed by the proposal, the Commission does not recommend adopting the same report proposal at this time.

VI. Negative Information Notices

A. Introduction

Section 318(a)(2)(B) of the FACT Act requires the Commission to study:

> the effects of requiring notification to consumers when negative information has been added to their credit reports, including – (i) the potential impact of such notification on the ability of consumers to identify errors on their credit reports and (ii) the potential impact of such notification on the ability of consumers to remove fraudulent information from their credit reports.

To understand the effects of the proposed notice, Commission staff consulted the relevant literature and conducted interviews with representatives of consumers, CRAs, and furnishers of credit information. Based on these sources, the study describes current reporting of negative

information and existing negative information notices, and discusses what the Commission has learned about the costs and benefits of the proposed requirement.

The goal of a negative information notice would be to give consumers a chance to identify and correct any errors in their consumer reports before the errors caused harm. Currently, the FCRA requires creditors to notify consumers when they take "adverse action" based on information in a consumer report.[193] By the time a consumer receives this notification, however, it may be too late for the consumer to salvage the transaction by correcting any inaccuracies in the report. The idea behind the proposed notice is that consumers would learn about negative information in their reports *before* they apply for credit, when there could be sufficient time to remedy any errors.

The proposed notice could also fill any "gaps" that remain when consumers obtain their free file disclosures under the FACT Act.[194] The FACT Act now gives consumers the right to obtain a free consumer report from each nationwide CRA once a year. This right should help consumers spot inaccuracies in their consumer reports and thereby avoid injury. However, some consumers might not order reports that they assume will be accurate. Further, even consumers who check their consumer reports every year might be harmed if inaccurate information is added shortly after they examine the report.

There are many ways that the proposed notice requirement might be implemented. Some of the main issues to consider include: what information would trigger the notice; what form the notice should take; and who would send the notice. In order to focus the discussion, the study makes the following assumptions:

- *The notice would be triggered when a furnisher reports payment delinquencies, collection accounts, or public records.* The elements that would trigger notification are consistent with Section 217 of the FACT Act, which defines "negative information" as "information concerning a customer's delinquencies, late payments, insolvency, or any form of default."[195] Other information could lower a consumer's credit score, but would not generally be considered "negative information."[196]
- *The notice would be required the first time that a particular account delinquency appears on a consumer's report.* For example, if a furnisher reports that a consumer is 30 days late in paying an account, and the consumer does not pay within the following 30 days, the

193. *See* FCRA § 615, 15 U.S.C. § 1681m. *See also* discussion of risk-based pricing notice *infra* note 199.

194. FACT Act § 211.

195. As discussed below, Section 217 of the FACT Act requires creditors to notify consumers when they report negative information about the consumers to a CRA.

196. Many types of credit-related activities, such as opening a new credit account, applying for credit, or using a high percentage of available credit, can have a negative effect on a consumer's credit score. However, attempting to include any event that lowers a consumer's credit score would entail sending notices in response to relatively innocuous events (such as a change in the balance of a credit card) and would risk reducing the impact of the notices by overloading consumers with too much information. This seems well beyond the purpose of the proposal. The proposed approach is also consistent with the language of the FACT Act, which refers to "negative information [that] has been added to [consumers'] credit reports," not "information that has a negative effect on consumers' credit scores." *See* FACT Act § 318(a)(2)(B).

furnisher will typically report that the consumer is 60 days late. This study assumes that the required notice would be triggered only by the first appearance of a delinquency or other negative information on a consumer's report. Additional notices regarding the same event would have sharply diminishing additional benefits in terms of alerting consumers to possible inaccuracies.[197]

- *The notice would be specific enough to allow the consumer to dispute the information.* For example, the notice might state that "This is to inform you that [Creditor] has reported that payment on your account ending in [#1234] is 90 days late. This information will be included in your consumer report whenever it is provided by [CRA]. If you believe this information to be in error, you may contact [CRA]/[Creditor] as follows . . . ."

Either the CRA or the company that furnishes the negative information to the CRA could send the notice. Each approach has unique costs and benefits. For example, many creditors could provide the notice at relatively little cost, because they are already in regular contact with consumers. On the other hand, a notice provided by CRAs could alert consumers to some types of error, such as those arising from mixed files, that consumers could not discover directly from furnishers. In considering the benefits and costs of the proposal, this report discusses each of these approaches.

B. Background

1. Existing notice requirements

The law already requires that consumers in certain situations be notified when negative information in their consumer reports has caused them harm. As noted above, an "adverse action notice" must be given to any consumer who suffers adverse action based in whole or in part on the consumer's report.[198] The FACT Act also amends the FCRA to require that consumers receive a "risk-based pricing notice" from creditors that offer credit on terms that are materially less favorable than the terms available to a substantial proportion of the creditor's other customers.[199] These existing notices seek to alert consumers that information in their consumer reports could be affecting them. The proposed notice would notify consumers of negative information earlier, which would allow consumers to take steps to address any inaccuracy before it causes harm.

Another provision of the FACT Act (Section 217) requires that consumers be notified when a creditor reports negative information about them to a CRA. The law provides, however, that

197. It may be more costly, however, to determine whether each report of negative information is the "first" one than to simply send negative information notices whenever negative information is reported.

198. *See* FCRA § 615 (a), 15 U.S.C. § 1681m(a).

199. Section 311 of the FACT Act amends FCRA Section 615 by requiring that "if any person uses a consumer report in connection with an application for, or a grant, extension, or other 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, based in whole or in part on a consumer report, the person shall provide an oral, written, or electronic notice to the consumer . . . ."

creditors may notify consumers *before* negative information is reported, including through a generic notice in routine statements to customers.[200] Therefore, although the Section 217 notice could educate consumers generally about the consumer reporting implications of account defaults, it is unlikely to alert consumers to the need to check for specific potential errors.

2. Sources of inaccurate information

There are three main sources of inaccuracies in consumer reports. Depending on how the proposed notice is implemented, it could help address all three, to varying degrees.

- *Mistakes in existing accounts.* When a furnisher's records contain errors, the information provided to the CRA will also contain errors. When such an error is harmful, the notice would call it to the consumer's attention. As discussed below, consumers already are likely to learn about such errors when they have an ongoing relationship with the furnisher.
- *Mixed files.* When a CRA places one consumer's information in another consumer's file, the consumer will typically be unaware of the event until the consumer examines his or her own consumer report. If the inaccurate information is negative, the proposed notice could provide the consumer with early notice of the problem.
- *Identity theft.* When an identity thief opens new accounts using the victim's name, the fraudulent accounts will appear on the victim's consumer report. The notice requirement could alert consumers to the theft after at least one such account becomes delinquent, potentially enabling the consumer to limit the damage.

3. How much negative information is currently reported?

The recent Federal Reserve Board studies (discussed in more detail in Part III of this report) provide some insight into how often negative information is reported. These studies use large samples from one CRA to estimate the proportion of consumer reports and credit accounts in those reports that have various characteristics.[201]

There are three categories of negative information that would trigger the proposed notice: credit account information (such as a late payment or default on a credit card); collections information (such as an unpaid utility or medical bill that has been sent to a collection agency); and public records (such as a bankruptcy).

200. As required by the FACT Act, the Federal Reserve Board has provided model language for furnishers to use in the notice. The model allows for the following language: "We may report information about your account to credit bureaus. Late payments, missed payments, or other defaults on your account may be reflected in your credit report." 69 Fed. Reg. 33,281, 33,285 (June 15, 2004) (amending 12 C.F.R. part 222).

201. *See* 2003 FRB Study, *supra* note 2; 2004 FRB Study, *supra* note 38.

The studies showed the following:

- Three percent of actively reported credit accounts were delinquent (based on data collected in 1999).[202] In most cases, this figure does not represent the first report of that particular delinquency. For example, current payment delinquencies include 90 or 120-day delinquencies that typically would have been first reported as delinquencies of shorter time periods, such as 30 or 60 days. A reasonable estimate is that, in any given month, about one percent of all accounts are being reported as delinquent for the first time, although the number could be as low as one-half of one percent.[203] A one percent rate would translate into over 132 million notices sent each year.[204]
- 36.5% of files had at least one collection action reported by a collection agency, mostly related to unpaid medical and utility bills.[205] Such information could be quite old, and it is difficult to translate this into an estimate of how often collections information is added.
- 12% of the sampled consumer reports contained at least one public record item.[206] These include bankruptcies, tax liens, foreclosures, and civil judgments.

It should be noted that these estimates reflect only one CRA's files. Because most large creditors report to all three nationwide CRAs, the total number of negative reports could be up to three times higher.

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202. "Credit accounts" include revolving, nonrevolving, mortgage, and installment loan accounts from financial institutions, major retailers, and other businesses such as oil and gas companies. Some utility and medical companies also report on their accounts. "Actively reported" refers to credit accounts for which the latest report was within the prior two months. Many of these accounts are closed. Overall, 26% of the accounts analyzed were not currently reported while 74% were, with 57% of the latter being closed accounts. Thus, much of the derogatory information on credit accounts is associated with closed accounts that are still being reported.

203. Payment status as of the most recent report is distributed among *all* credit accounts (currently reported as well as not currently reported) as follows: no derogatory, 94.6%; 30-59 days late, 0.5%; 60-89 days late, 0.3%; 90-119 days late, 0.2%; 120-149 days late, 0.5%; and "other major derogatory," 3.8%. *See* 2003 FRB Study, *supra* note 2, at 62 (table 7). Assuming that the "other major" derogatories relate to accounts that are not currently reported, it is likely that the negative information underlying these reports has previously been conveyed to the consumer. Some creditors, however, do not report delinquencies of less than 60 days, and some do not report minor derogatories (delinquencies up to 119 days) at all, which means that some portion of 60 plus day delinquencies as well as of the "other" major derogatories may reflect the first appearance of delinquency.

204. This figure is based on estimates that, as of 1999, records on about 1.1 billion credit accounts were actively reported to the three national CRAs. *See* 2003 FRB Study, *supra* note 2, at 52 (derived from information in table 2). The number of notices could be roughly 20-25% higher because the Federal Reserve data adjust for joint accounts and co-signers so that each account is counted only once. *See id.* at 54, note 14. Under the proposal, notices would be sent to each individual on whose report the negative information appears.

205. *See* 2004 FRB Study, *supra* note 38, at 303 (table 1).

206. *See id.*

4. Current examples of negative information notices

a. Notification in Colorado

The Colorado Consumer Credit Reporting Act requires CRAs to notify a consumer by mail and provide him or her with the ability to request a copy of her consumer report, whenever either of the following events occurs within a 12-month period: (1) the CRA receives eight credit inquires pertaining to the consumer or (2) the CRA receives a report that would add negative information to the consumer's file.[207] Thus, Colorado has already imposed one specific form of a negative information notification requirement on CRAs.[208]

The CDIA reports that, over a typical one-year period in Colorado, CRAs on average sent 2.6 million of these notices to consumers. As a result of these notices, an average of 180,000 consumer reports were sent to consumers by each CRA, which in turn generated an average of 9,000 calls or inquiries (including disputes) by consumers. Thus, 5% of consumer reports sent pursuant to the Colorado requirement were associated with a call to a CRA, and about 0.34% of the original notices were ultimately associated with a CRA contact. These numbers indicate a low contact rate for the CRA notice of negative information required in Colorado.[209]

b. Market-provided credit monitoring services

Recently, a market has developed for credit monitoring services offered by the nationwide CRAs and others. These services offer consumers notification, often by electronic mail, when certain types of information are added to their credit files.[210] Consumers must sign up for these fee-based services in order to receive the notices. This market is only just emerging and is in flux; it is currently not known how much the market may grow or how effectively it will function. However, the development of this market provides evidence that notification of negative information is valued by at least some consumers, and that the market is providing one type of response.

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207. Colo. Rev. Stat. Ann. § 12-14.3-104(2) (2004). The Colorado law provides generally that consumers may obtain one consumer report annually from each CRA at no cost, but the notification provision does not provide the right to an additional free report.

208. The Colorado law, however, requires that consumers be notified, at most, only once per year. This means that a number of distinct pieces of negative information could be added to a consumer's consumer report before the consumer is notified of any of them. *See id.* § 12-14.3-104(2)(b). Note also that the law requires notification of a substantial number of inquiries, as well as of the addition of negative information. *See id.* § 12-14.3-104(2)(a). A spike in inquiries can indicate the presence of fraudulent activity, similar to a spike in new accounts opened.

209. It is unclear what proportion of the Colorado notices are sent only because negative information was added to a consumer report, or because the CRA received eight or more inquiries about the consumer. Another qualification of the Colorado data is that consumers are notified about information added to their consumer reports over the entire previous year, rather than only very recent information, and this may reduce the contact rate.

210. All three nationwide CRAs sell credit monitoring services directly to consumers. Some other firms offer the service, either selling directly to consumers (as with Fair Isaac) or through credit card companies (as with Intersections, Inc.). *See* Lavonne Kuykendall, *Young Credit Monitoring Firm Gets Cap One Feather in Cap*, *American Banker*, Sept. 15, 2004, at 7. The article also reports that the top six firms that offer monitoring services have over 20 million subscribers.

C. The Benefits and Costs of Negative Information Notices

1. Benefits to consumers of early notification

Currently, consumers often discover harmful errors only after experiencing an adverse action. In some cases, learning about the error earlier would have had considerable benefits. For example, suppose a consumer makes an offer to buy a house, but the consumer's mortgage application is turned down because of an error in his or her report. It will take some time to correct the information with the CRA, and in the meantime the seller may find another buyer for the house. Moreover, there is no guarantee that the consumer will be able to convince the lender to reconsider his or her mortgage application. The proposed notice would give consumers a better chance to correct errors before they create these obstacles.

For victims of identity theft, early notification could provide the opportunity to prevent the thief from causing further damage. However, when it comes to identity theft, notification after negative information has been added to a consumer's file may be "too little, too late." Among other things, many victims would receive the notice only after the fraudulently opened account had become delinquent. The Commission's study of identity theft indicates that many victims discover the identity theft within 30 days of the theft, and most victims discover the theft within 60 days.[211] It would generally be at least 30 days, and probably much longer, before the resulting negative information would be reported to a CRA. Consumers would gain more from a notice that occurs earlier, such as at the time the thief first opens an account in the victim's name. Such notification is offered with some credit monitoring services, and this is the motivation for Colorado's inclusion of inquiries as a source of notices. Other measures in the FACT Act will require creditors to look for "red flags" identifying potential identity theft, such as address changes.[212]

2. The cost of additional disputes

To the extent that the negative information notice would increase consumers' detection and disputing of possibly inaccurate information in their reports, that benefit would come with an associated cost. It is costly for consumers, CRAs, and furnishers to generate and process disputes. These costs, however, are a necessary part of the dispute resolution mechanism prescribed by the FCRA. In other words, the FCRA reflects a congressional judgment that the cost of resolving disputes (including invalid disputes) is generally justified by the benefits of

211. FTC's Identity Theft Survey Report is available at http://www ftc.gov/os/2003/09/synovatereport.pdf (the data cited, however, were obtained from the survey results and were not included in the published report). For the purposes of the Identity Theft Survey, "identity theft" includes fraudulent use of an existing account. Victims may discover fraud sooner in those cases because the fraudulent activity will appear on regular billing statements.

212. *See* FACT Act § 114. Another provision under the FACT Act will require CRAs to notify potential credit grantors when an application for credit carries an address significantly different from the one that the CRA has on file for that consumer. *See* FACT Act § 315. If the creditor notes multiple addresses for the applicant, and sends a negative information notice to both addresses, victims would be more likely to learn about negative information caused by identity theft. More importantly, the provision should improve the ability of creditors to detect attempted identity theft in the first place, decreasing the number of inaccuracies that arise from it.

correcting erroneous information. However, without data indicating whether disputes generated by negative information notices are more or less likely to lead to invalid disputes than are disputes under the current system, it is not possible to assess additional costs and benefits from the notices' potential to generate more disputes.

3. Provision of notice by furnishers

Requiring furnishers to provide the proposed notices would generate costs for furnishers, and at the same time might not achieve all of the benefits intended by the proposal. Although most furnishers are already in regular contact with consumers, they likely would need to revise their systems and procedures to add the notice. For example, if furnishers were to provide the notice to consumers through a regular billing statement, they would need to link their billing systems with their information furnishing systems – that is, the system that generates regular statements to consumers of amounts due would also have to notify consumers of what information was furnished to CRAs.

Where there is no monthly statement, it would not be possible for the furnisher to notify consumers through a regular statement, in which case a new mailing would have to be made to the consumer. For instance, creditors may not provide consumers with regular statements for certain types of accounts – e.g., some closed-end credit accounts. In addition, some creditors may not send a statement if there was no billing activity during a given period.

Although furnisher notices could benefit consumers by enabling them to correct erroneous information, those benefits would be limited in certain respects. Furnishers are not in a position to notify consumers about every type of negative information that might be added to their files. For example, most public record information is not "furnished" by the entity that generates the information (e.g., county courthouses) but is gathered by independent contractors who in turn supply it to CRAs.

Further, to the extent furnishers do know about the negative information, they may already be informing consumers about it. There are three types of records that could contain negative information: credit accounts, collection accounts, and public records. When negative information is added to credit records, consumers generally learn about it directly from the creditor (i.e., the furnisher). The creditor usually sends the consumer a regular billing statement, and will often make further efforts to notify consumers about any delinquency. This means that if a creditor mistakenly adds negative information to a consumer's account, the consumer will already have a chance to discover it and incentives (such as avoiding added interest or fees) to dispute it. In this circumstance, a separate notice would not be useful in alerting consumers that negative information has been added to their accounts.[213]

213. Under the proposed requirement, the creditor would also have to inform the consumer that the information will be reported to a CRA. This might be helpful to some consumers. For example, if a creditor mistakenly records a consumer as being 30 days late in making a payment, the late fees for this delinquency may be quite minor. The consumer may be content with confirming with the creditor that the account is now current, and not bother to dispute the accuracy of the past delinquency. But if the consumer knows that his or her credit record will be affected, the consumer may be more likely to dispute and correct the reported delinquency.

For collection accounts, the notice may be somewhat more useful. Although collection agencies do not have established relationships with consumers, they contact consumers in order to collect payments and often inform them that negative information will be reported to a CRA.[214] Some debt collectors, however, do not notify consumers that they are reporting negative information to a CRA.[215] Moreover, the collector may not be licensed to do business in the state in which the consumer resides, and therefore collectors believe that they could not legally initiate contact with the consumer through a negative information notice.[216]

For public records, a furnisher notice is not likely to be useful at all. Indeed, public records are not "furnished" to CRAs in the way that credit and collection accounts are. Rather, each CRA must collect them itself (or hire another firm to do so). Thus, only CRAs are in the position to notify consumers when public records are added to their files. The benefits and costs of a CRA notice requirement are discussed in the next section.

In addition, when an inaccuracy stems from a mixed file or identity theft, a furnisher-provided notice is likely to fail because it probably will be sent to the wrong consumer.[217]

In sum, requiring furnishers to provide negative reporting notices would have some benefits to consumers, although those benefits might be limited. At the same time, such a requirement is likely to have costs for furnishers that might outweigh any benefits.

4. Provision of the notice by the CRAs

Requiring CRAs to provide negative information notices would more directly address the goals of the proposal. There are certain types of errors that can be detected only through the CRAs' data: mixed files, errors in transmission, errors in public records, and negative information due to identity theft. As a result, there is reason to believe that CRAs would be the best source of a negative information notice.

The size of this benefit is unclear, however. First, creditors already have an incentive to notify consumers that negative information is likely to hurt their credit ratings because this information helps to motivate consumers to pay their bills on time. Second, many consumers are generally aware that failure to pay bills on time is recorded in one's credit history. Third, much of the negative information that is inaccurate will be challenged by the consumer simply because the consumer wants to avoid penalties for delinquency, regardless of any additional notice required by the FCRA.

214. One reason is that doing so increases a consumer's incentives to repay the debt.

215. In recent years the Commission, along with consumer groups, has received complaints from consumers that collection account information was sent to a CRA without the consumer ever being notified by the collection agency.

216. See Comment Letter on Matter No. R411013, ACA International, at http://www.ftc.gov/os/comments/FACTA-summaries/511461-0016.pdf (stating that debt collectors may furnish information to credit bureaus about consumers residing in states in which the collector is not licensed to do business, and that any direct contact with the consumer might be an "attempt to collect a debt" in violation of state law).

217. For mixed files, if consumer A's account is placed in consumer B's file, the furnisher will not realize this and will send the notice to consumer A. For identity theft, the victim will be unaware of the theft if billing statements are being sent to a false address (a common element in identity theft). In this case, the negative information notice would go to the false address as well.

On the other hand, CRA provision of the notices could entail much higher costs. Every year, a considerable amount of negative information is added to consumer reports from a variety of different sources. Although much of this information is correct, the CRAs would incur substantial expense if they were required to send a notice each time such information is added.[218] The most obvious costs come from processing the notices and mailing them to consumers.

In addition, the CRAs argue that many consumers are not familiar with the CRAs and it is thus not clear how consumers would respond to the proposed notices, especially when they do not recognize the sender. Some would not read the notice, or would ignore it if they did read it. Furthermore, the CDIA has argued (citing its experiences with the Colorado law) that consumers do not like being reminded about negative information of which they are already aware, and that many of them, particularly the elderly, find unsolicited notices offensive and even threatening.

The situation may also open avenues for fraud. In particular, unscrupulous entities posing as CRAs might be able to trick consumers into providing personal information under the pretense of confirming negative information in a consumer report.[219] Furthermore, unsolicited CRA notices could provide additional opportunities for identity thieves to acquire consumers' personal information. Since a consumer would not necessarily be expecting a notice, he or she might simply throw it away without opening it, unaware that it contains information that could be used to open a fraudulent account in the consumer's name.

Many of these concerns arise from the fact that the CRAs would be sending the notices to consumers who are not expecting them. These concerns could be addressed by having consumers "opt in" to a system that would notify them when negative information has been added to their reports. Such systems are essentially what the market has begun to provide in the form of credit monitoring services.

The provision of credit monitoring services requires that consumers pay for a service that provides notices relating to changes in their consumer reports. Consumers frequently receive the notices by electronic mail, reducing delivery costs substantially. Unlike recipients of unsolicited notices, consumers who purchase credit monitoring services are not only familiar with the CRAs, but expect to receive notices from them and are willing to pay for them. Because the notices are expected, consumers are also less likely to be susceptible to "phishing" and other fraudulent schemes. Another advantage of the market approach is that CRAs have incentives to determine what products are most useful – for example, some monitoring services notify consumers about new accounts, address changes, and significant changes in account balances.

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218. The experience with Colorado's notices, for example, shows that almost 300 negative information notices were sent for every item that was disputed. *See* discussion *supra* page 72.

219. The CDIA relates that the Colorado Attorney General's office discovered that a letter had been sent to consumers ostensibly from a CRA complying with the Colorado law. The letter asked consumers to provide a host of personal and financial information. No CRA had sent the letter. The practice of "phishing," whereby a party uses a pretext to request personal or financial information from consumers to be used in perpetrating credit fraud or identity theft, has raised concerns at the FTC, which has addressed it through enforcement and education. *See, e.g.*, FTC v. Zachary Keith Hill, Civ. Action No. H 03-5537 (S. D. Tex. 2004) (final order) http://www ftc.gov/opa/2004/03/phishinghilljoint.htm; *see also How Not to Get Hooked by a "Phishing" Scam*, FTC Consumer Alert, available at http://www.ftc.gov/bcp/online/pubs/alerts/phishingalrt htm.

Overall, a market-based notice may be the most efficient one available for improving accuracy at minimal cost and ensuring that consumers get notices that they want and will read. Consumers have shown that they are willing to pay for such notices, but the market is new and evolving, so it is probably too soon to tell whether the benefits to consumers outweigh their costs.[220] This is particularly true in light of the fact that free reports will become available to consumers beginning in 2005. As the market develops, the costs and benefits of these types of notices should become more clear.

D. Conclusion

A negative information notice would encourage consumers to check the accuracy of information in their consumer reports when the potential benefits from doing so are the highest, enabling them to correct errors before they become an obstacle to obtaining credit, employment, insurance, or other services. However, this requirement would also have substantial costs.

A requirement that data furnishers provide the notice would be costly even when they have relationships with consumers, and such a notice would not alert consumers to many important inaccuracies, including mixed files, inaccuracies in public records, and accounts generated by fraud. A CRA notice could address these limitations, but could be associated with higher costs for both consumers and industry.

An opt-in system in which consumers elect to receive negative information notices would avoid many of these costs. The market already provides such a service, for a price. These services are new, and are being offered at a time when consumers are becoming more and more aware of consumer reports and their importance. Moreover, implementation of free annual file disclosures will make an important difference in consumer access to consumer reports. Accordingly, the Commission believes that imposing on furnishers or CRAs a requirement to notify consumers when negative information is reported is premature at this time.

VII. Common Unreported Transactions

A. Introduction

Sections 318(a)(2)(D) and (E) of the FACT Act require the Commission to study:

> any common financial transactions that are not generally reported to the consumer reporting agencies, but would provide useful information in determining the credit worthiness of consumers; and
>
> any action that might be taken within a voluntary reporting system to encourage the reporting of [these] types of transactions. . . .

220. Some consumer groups have expressed concern that credit monitoring services may be too expensive for some consumers to afford, and that internet-based services would not be accessible to all consumers.

The concern prompting this request is that many Americans may be missing out on the benefits associated with the consumer reporting system even though they may have a demonstrable history of financial responsibility. For example, if someone has made mortgage payments consistently and on time for many years, this typically will be reflected in his or her file in nationwide CRA databases. On the other hand, if someone has paid rent consistently and on time for many years, it probably will not. Although both types of payments may be evidence of financial responsibility, rental information is generally not reported to the nationwide CRAs and thus will not be conveyed to creditors evaluating the renter's creditworthiness.

This study differs from the others mandated in section 318 because the Commission has not been asked to consider any specific proposal. The goal of the study is to describe the main types of transactions that could provide valuable information about the creditworthiness of consumers who are not well represented in the consumer reporting system.

In gathering information for this study, Commission staff contacted a wide variety of individuals and groups with an interest in these issues, including consumer representatives, CRAs, users of credit information, and organizations attempting to gather and report the types of information described in this section of the Act. The study describes what Commission staff learned about the obstacles to reporting such "non-traditional" credit information, recent private-sector initiatives to make this information available to creditors, and some measures that could be taken to encourage greater reporting of this information.

B Background

1. Who would benefit from the reporting of additional payment information?

Fair Isaac Corporation estimates that of the roughly 215 million non-incarcerated adults in the United States, 22 million have no credit files at all.[221] An additional 32 million have "thin files," meaning files that do not contain sufficient information to calculate a standard credit score.[222] Creditors find it difficult to predict performance for consumers with little or no credit history, and are therefore reluctant to extend them credit. A lack of credit history information can stand in the way of obtaining a credit card, buying a car on credit, or purchasing a home.

There are a variety of reasons why someone might have little or no credit history. Of the 54 million Americans without a file that can be scored, about 10 million are recent immigrants. Others include young people living on their own for the first time; people who established credit through a spouse or other family member and not in their own names; and people who have either not used credit or who rely on credit sources, such as pay-day loans, that do not report to the major CRAs.

Minorities are over-represented among persons with limited or no credit histories. African Americans represent 6.0% of persons with a credit score based on four or more accounts, but 14.6% of persons without a credit history or with a history too thin to be scored by traditional

221. Information with respect to Fair Isaac came from the company's website, http://www.myfico.com, and from interviews with Fair Isaac executives.

222. *See* http://www.fairisaac.com/Fairisaac/Solutions/FICO+Expansion+Score/Value+to+Lenders/.

models. Hispanics represent 8.5% of those with a credit score based on four or more accounts, but 24.5% of those with no credit history or a credit history too thin to be scored.[223]

The mandate for this study is to determine whether there are transactions that consumers with limited or no credit histories undertake that could be reported and would be useful in predicting creditworthiness. For some groups, such as young people moving out on their own for the first time, the existence of such transactions is unlikely. For the same reasons they do not have credit histories, they are unlikely to have histories of other non-traditional transactions that could be useful in evaluating creditworthiness. Identifying such transactions is more feasible for people who have engaged in repeated non-traditional credit transactions for an extended period of time, but who do not participate in mainstream credit markets.

2. The importance of "scoreable" credit files in automated underwriting

Automated underwriting is a tool that allows lenders to accept applicants based on automated decisions, rather than relying on more expensive and time consuming manual underwriting. It has become particularly important in the mortgage market – for example, Desktop Underwriter is a program provided by Fannie Mae that will tell a lender if Fannie Mae will purchase the loan without full manual underwriting.[224] According to industry sources, the percentage of mortgage loans that are made through automated underwriting has stabilized at about 75%. In 2003, 94% of lenders had implemented at least one automated underwriting system, up from 83% in 2001 and 91% in 2002.[225]

Credit scores are an increasingly important component of many credit transactions, and are of particular importance in automated underwriting. Frequently, consumers whose files contain insufficient information to calculate a score are not considered in systems that rely on automated underwriting. For example, a 2003 survey of mortgage lenders found that "no credit score" was the single most important reason why loan applications were not submitted to an automated underwriting system.[226] Thus, for consumers who currently have no file or insufficient information in their file, the potential to build a file through data that are not now reported is of heightened value.

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223. *See* Presentation by Eric Rosenblatt, *Automated Underwriting for Non-Traditional Credit Borrowers: Where Mission, Market Opportunity and the American Dream Converge*, Presentation at the Fifth Annual Fannie Mae Fair Lending Conference, Washington, DC (Sept. 29, 2004) [hereinafter Rosenblatt Presentation].

224. Information in this section is based on the Rosenblatt Presentation. *See id*.

225. *See id*. Automated underwriting has a number of advantages both for lenders and borrowers. A major advantage to lenders is that automated underwriting can save them $1,000 per loan versus manual underwriting. Automated underwriting streamlines origination and frees up underwriting staff to focus on more complex loans. It also facilitates point-of-sale underwriting decisions and allows lenders to expand their product offerings using statistically based and validated underwriting models. For borrowers, automated underwriting allows them to provide less documentation than traditional underwriting, can carry lower origination fees, and can lead to quicker lending decisions.

226. Cited in Rosenblatt Presentation, *supra* note 223.

3. Possible additional sources of data

Users of consumer reports have identified several things that they would look for in a consumer report system based on non-traditional credit information: (a) the system must cover a large number of people without traditional credit files; (b) the data must be predictive of loan default, that is, it must provide useful information about whether or not the borrower is likely to make timely payments; (c) the system's effectiveness at predicting creditworthiness must be explained and well-supported; and (d) the value of the information must be worth the cost of collecting and evaluating it.

In order for data to be a useful supplement or substitute for traditional credit history information, the data must be predictive of credit behavior. The most likely data candidates are rent payment history and utilities payments.[227] These types of payments, as well as remittances from recent immigrants to their families abroad, are discussed below.

a. Rental payment information

In principle, payments for rental housing would appear to be a useful source of information for determining whether or not an individual would be responsible in making credit payments, particularly mortgage payments. Although rent is not technically credit, because it is paid in advance, it is like a mortgage payment in that it is typically a routine, regularly scheduled payment. For most people, rent is a major expense relative to income.[228]

Given its potential value, the question arises – why is rental information not typically included in a consumer report? The most likely answer is the diffuse nature of the rental market. Ninety percent of rental units are owned by individual investors, who may own a small number of units. Although approximately 35 to 40 million households rent their homes, the top 50 landlords own only 2.5 million units, less than 8% of the total rental properties. Even these top 50 landlords would face serious barriers to reporting to the CRAs because they do not typically centralize their payment information, but rather maintain it at the rental location. To report their tenants' payment information to the CRAs, landlords would either need to completely revamp their recordkeeping systems or submit data from 12,000 different locations.

One CRA explained that all of the account data it receives from banks and credit unions is furnished via approximately 9,500 collection points.[229] In contrast, the CRA would have to collect data from 12,000 locations in order provide payment information for only 8% of renters. This means that collecting rental data covering a substantial portion of renters would be much more expensive than collecting data from *all* banks and credit unions. These substantial costs are the biggest barrier to using rental payments to determine creditworthiness.

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227. Without collecting and testing the data, one cannot determine with any certainty which types of information would actually be predictive of credit performance. Nevertheless, this report discusses various considerations and possible effects.

228. Consumers might be expected to perform better on mortgage payments than rental payments. This is because mortgage payments are typically a repayment of principal, in part, and therefore a mortgage payment builds equity. Further, the costs associated with failing to pay a mortgage – the potentially high costs of foreclosure – are probably greater for most people than the costs of eviction.

229. FTC staff conversation with CRA representatives.

b. Utility payment information

Utility payment history also appears to be a good candidate for providing information about a consumer's creditworthiness. Utilities' services are provided on credit, as they are paid for after services are provided. Utility payments are sometimes secured by a security deposit, and because most utilities have the power to withhold future services, there can be strong incentives for customers to pay.

Utilities do not face the same type of problem as landlords in reporting data. There are far fewer utility companies in the country, and they have centralized billing systems that could be used to generate data for CRA files. Utilities, however, currently provide only limited reporting to the CRAs. To the extent that they do report, the information reported tends to be only negative information, such as when unpaid utility bills are sent for collection. Although partial reporting such as this has some benefits for the system as a whole, it provides no way for a consumer to demonstrate consistent on-time payment of utility bills to other potential creditors.

There are a number of reasons why utilities may be reluctant to report their customers' full credit information to the CRAs. Some utilities may face regulatory barriers to reporting. For example, one California law forbids telephone companies from revealing payment information without the express permission of the customer.[230] Further, some state regulatory schemes may create disincentives to reporting. Theoretically, utilities should have an incentive to report data to the CRAs because reporting such data might encourage consumers to pay their bills on time.[231] However, under certain state rate-setting systems,[232] any reductions in cost (including those associated with more timely payment by customers) may lead state regulators to lower the rate utilities can charge for their services, thereby reducing the incentives for utilities to report.

Another barrier to reporting may be the costs that the FCRA imposes on data furnishers. If utilities reported to the CRAs, they would be required to devote resources to responding to consumer disputes concerning information contained in consumer reports.[233] CRAs and furnishers express particular concern[234] about the new requirement for free annual file disclosure,[235] because they expect that, as more consumers examine their consumer reports, more consumers will dispute information contained in them. In addition, one CRA said that it

230. *See* Cal. Pub. Util. Code § 2891(a) (2004). . However, such an approach – in which consumers with negative information could effectively "opt-out" of reporting their utility payment history – would differ from that used in the reporting system in general, which seeks to report comprehensively both positive and negative information.

231. As an example, Nicor Gas, a Midwestern utility, experienced a 20% reduction in bad debts over three years after it started full-file reporting. TransUnion LLC, *TransUnion Case Study: How Reporting Helped Nicor Gas Reduce Bad Debt* (May 2002), at 2.

232. For example, a "rate of return" regulatory system specifies the rate of return that a utility can earn on its capital. Because a reduction in costs would imply a higher rate of return, it will lead to a rate adjustment that could eliminate the benefit of the cost reduction. Many states use other regulatory strategies that do maintain incentives to reduce costs.

233. In the Nicor Gas example, the annual customer dispute rate was less than 1%. TransUnion LLC, *supra* note 231.

234. FTC staff communication with CRA and utility representatives.

235. FACT Act § 211.

experienced a decrease in reporting by utilities following the 1996 FCRA amendments, which imposed liability on furnishers of data.[236]

Finally, cellular phone companies rarely provide full-file reporting to CRAs. This appears to be at least in part a strategic decision. Because the market is very competitive, with customers frequently switching carriers, companies are reluctant to provide information to CRAs which may facilitate competitors' marketing efforts through prescreened offers.[237] Because of the value of credit data, it is possible that these companies would benefit from providing full-file reports to the CRAs; nevertheless, the incentives facing each individual company causes them to choose not to report.

c. Other potential sources of information

There may be other information, not currently reported, that would be useful in assessing consumers' eligibility for credit. Most sources of such data have various pragmatic or other barriers to traditional reporting.[238] At this time, the Commission does not have specific information regarding other sources of information or the likely value of their utilization in existing credit reporting. As discussed above, several innovative products have recently been introduced to address the needs of consumers who lack traditional reported credit experience. At this point it is important to gain more experience with the implementation, possible effectiveness, and potential benefits of these products.

C. Possible Approaches to Increase Reporting of Non-Traditional Credit Data

1. Commercial efforts to supplement existing consumer report data

Approximately 160 million consumers have consumer files that contain enough information from which to calculate a credit score.[239] The provision of financial services to these consumers is considered to be a mature market. In contrast, providing services to the remaining 54 million consumers who have no files or whose files currently lack sufficient information for a score

236. FACT Act § 312.

237. This is similar to the decision by some credit card issuers not to furnish credit limit information to the CRAs, which is discussed in Section III of this report.

238. An example is remittances by recent immigrants, many of whom send money to their families in their countries of origin. Each year, $70 billion is sent out of the country in this manner. Remittances to Mexico alone exceed $13 billion. Although these types of payments do not arise from a business transaction, some businesses are exploring whether remittances could be used as evidence of financial responsibility and the ability to make regular payments. There are many questions, however, about how a reporting scheme for remittances would work. For example, the equivalent of centralized billing records do not exist, and these payments do not translate naturally into existing concepts of on-time or delinquent payments. Despite these hurdles, several companies are exploring these payments as a possible source of information on creditworthiness, including PayRentBuildCredit, Experian, Fannie Mae, and others. *See* Rosenblatt Presentation, *supra* note 223. *See also* "A Bid to Cuts Cost [sic] Of Money Transfers For Immigrants," *Washington Post*, November 29, 2004, E 1.

239. *See* https://www.ficoexpansionscore.com/Content/LenderValue.aspx (Fair Isaac "Expansion" score website).

represents an opportunity for growth.[240] Credit firms therefore have an interest in products that can aid them in assessing the creditworthiness of these consumers.

One example can be seen in the mortgage market. In a 2003 survey of lenders, respondents identified allowing non-traditional credit as the most important change to automated underwriting that would allow more loans to be made to under-served groups.[241]

In response to the demand for information that can be used to estimate the creditworthiness of consumers with thin or no credit files, several firms have recently introduced products that rely on other sources of payment information. Development of these products is very recent, and in some cases the products have been launched during the time this study was being completed. In general, however, these developments suggest that the market is rapidly developing mechanisms to meet a need. It remains to be seen how successful these efforts will be in expanding the benefits of consumer reporting. Thus, we believe it is premature to consider additional legislative recommendations at this time.

a. PayRentBuildCredit

PayRentBuildCredit ("PRBC") is a new for-profit firm, based in Annapolis, MD, that was publicly launched on December 10, 2003. It has introduced one private sector response to lack of payment information. The firm is in the process of gathering rental and other payment information for the purpose of determining creditworthiness, and considers itself to be a CRA regulated by the FCRA.[242] The firm has also obtained letters from the Federal Reserve Board and other government entities stating that lenders will receive credit under the Community Reinvestment Act for using PRBC's services.

In an interview with FTC staff, the firm's founder and CEO, Michael Nathans, stated that he recognizes the difficulties that the major CRAs have had in collecting payment information from landlords, and says that he does not believe that this would be easier for his start-up firm. He has therefore focused on getting consumers to voluntarily report their rental payment information through third parties. As of this writing, these third parties, called "Verification Partners," consist of a dozen firms, including mortgage brokers, realtors, and an insurance company (State Farm). The verification partners examine paper records (such as cancelled checks and bank statements), verifying that consumers have made rental payments, utility payments, insurance payments, day care payments, etc. The consumer and the verification partner jointly enter this information into PRBC's database. Consumers are not charged to enroll or enter their data. Creditors are charged a fee to access a consumer's PRBC consumer report.

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240. *See* notes 221-222 *supra* and text accompanying.

241. Cited in Rosenblatt Presentation, *supra* note 223.

242. Information about PayRentBuildCredit is based upon the firm's website, available at http://www.payrentbuildcredit.com and FTC staff's interview with founder Michael G. Nathans.

b. Expansion

"Expansion" is a new product from Fair Isaac, introduced in July of 2004.[243] It is a credit score specifically designed to evaluate those with thin or no traditional credit files. In order to sell this product, Fair Isaac has established a CRA subsidiary, which will combine payment data derived primarily from non-traditional credit sources, such as payday loan payments and product purchase payment plans.[244] These data will be maintained in consumer files, which can be used to calculate the Expansion score.

c. NTreport (Non-Traditional Credit Report)

NTreport is a new product from First American CREDCO, a large reseller of consumer reports. The company introduced the product in September 2004.[245] NTreport is sold as a supplement to First American CREDCO's Instant Merge consumer report. The Instant Merge report is created by combining information from an applicant's consumer reports from the three nationwide CRAs. For loan applicants with thin or no consumer reports, NTreport supplements the Instant Merge report with "alternative credit sources (e.g., rent payments, gas bills, phone bills, etc.)." First American CREDCO has stated that the supplemental information is then "researched and verified."[246] The FTC does not have information on the sources of data First American CREDCO is using.

2. Possible steps to encourage greater voluntary reporting of non-traditional data

Given the diffuse nature of the market for rental housing, the barriers to widespread reporting of rental payment information appear to be largely based on cost. For some individuals, however, such as people with limited credit histories who wish to buy a home, the benefits of credibly demonstrating a good rent payment history may well outweigh the costs. Several third-party verification firms, such as PayRentBuildCredit, are trying to provide that service. It remains to be seen whether this will be a successful business model.

It may be more feasible to increase the voluntary reporting of utility payment information. Data on utility payments are much more centralized than rent payment information, and some utilities are already providing full-file reports to CRAs. To the extent that state regulations create barriers to reporting, these regulations would need to be addressed at the state level. For example, states might actively encourage utilities to report. They might also be able to change the way cost savings are treated in the rate setting process. As noted above, current rate-setting schemes may create disincentives for the utilities to promote timely payments through reporting.

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243. *See* https://www.ficoexpansionscore.com/Content/LenderValue.aspx.

244. The National Community Reinvestment Coalition has expressed concern about the product because of the use of payday lending data. *See* Comment of John Taylor, President and CEO of the National Community Reinvestment Coalition, RE: FACT Act Scores Study, Matter No. P044804 (Aug. 10, 2004), available at http://www ftc.gov/os/comments/creditscoresstudy/index.html.

245. The product is described at First American CREDCO's website, at http://www.credco.com/emergingmarkets.

246. *Id.*

D. Conclusion

As discussed above, there is a sizeable portion of the population that is difficult to evaluate for credit purposes because they have thin credit files or no credit history. At the same time, there is a growing interest among providers of credit to serve these customers, and certain non-traditional credit transactions may be useful in evaluating their creditworthiness. These include rent and utility payment information.

Many of the barriers to reporting this information appear to be based on cost. Others may be tied to state regulatory systems. Despite these barriers, certain private efforts are underway to collect and report this data. These efforts are still at their beginning stages. As they develop, the FTC will continue to monitor these effects to determine whether they succeed in providing greater access to common, unreported transactions. At this time, however, it appears premature to make legislative recommendations to address an issue that is the subject of developments in the marketplace that may provide responsive remedies more rapidly and efficiently than statutory approaches.

VIII. Conclusion

This report has examined a variety of issues related to the accuracy and completeness of consumer reports. It serves as the FTC's interim Report to Congress under Section 319 of the FACT Act, which mandates an ongoing study of accuracy and completeness, and the FTC's Report to Congress under Section 318, which mandates a study of four possible ways to improve operation of the FCRA.

Section III of this report discusses the Commission's research and findings thus far in its ongoing accuracy and completeness study. Among other things, the report discusses the history and current practices of the consumer reporting industry; the potential sources of error in consumer reports; the accuracy and completeness requirements of the FCRA, as well as FTC efforts to promote compliance with them; and the studies conducted to date on consumer report accuracy and completeness. The FTC's review of the studies, which included a roundtable with a diverse group of experts, showed that none of the prior studies provided a comprehensive view of consumer report accuracy and completeness, and many had methodological problems that limit their usefulness as a "baseline" measure. As discussed in the report, the Commission plans to conduct a pilot study to determine the feasibility and cost of conducting a more comprehensive survey of consumer report accuracy and completeness.

The Section 318 part of the report assesses the benefits and costs of three specific proposals to improve accuracy and completeness – stricter data matching, "same report" disclosures, and negative information notices – and examines whether there are common, unreported financial transactions that would be useful in determining creditworthiness. Given the lack of a reliable baseline to gauge current levels of accuracy and completeness, it is difficult to quantify the precise effects of the three proposals. Nevertheless, the studies were able to identify the likely benefits and costs and draw certain conclusions. In particular, they concluded that each of the proposals addresses important concerns and could benefit some consumers in certain situations, but that the costs to consumers and industry as a whole could be substantial. As to common

unreported transactions, the study concluded that there are such transactions – most notably, rental and utility payment information – and that some private sector efforts are underway to collect and provide this data to potential creditors.

Based on its findings and conclusions, the Commission is not making legislative or administrative recommendations at this time. In addition to concluding that the costs of specific proposals examined in the studies could outweigh benefits to consumers, the Commission believes that it is premature to enact alternative requirements of this nature. As discussed in Part III of this report, the FACT Act imposed a host of new requirements that should further enhance the accuracy and completeness of consumer reports, including measures to strengthen the dispute and reinvestigation process, a new consumer right to obtain a free annual file disclosure, measures designed to reduce identity theft, and new requirements on those who furnish information to the CRAs. Many of these requirements are still being implemented, and their precise effects on accuracy and completeness are yet to be seen. However, when fully implemented, these new requirements are likely to improve accuracy and completeness and should also address some of the specific concerns underlying the proposals in Section 318. For example, consumers' new right to obtain a free annual disclosure should help consumers spot negative information before it causes harms, consistent with the goals of the negative information notice proposal. Also, the FACT Act now requires CRAs to notify users of consumers reports when the address provided for a consumer substantially differs from the address in the CRA's file – a requirement that coincides with the proposed matching requirements.

In addition, the consumer reporting industry is in a period of rapid change, due not only to the FACT Act reforms but also to the increasing prominence of consumer reports in today's economy. Once limited to credit transactions, consumer reports are now used, for example, to screen job applicants and price insurance. Consumers are also increasingly aware of the importance of consumer reports and the need to check their accuracy. In the midst of these changes, the market appears to be responding to some of the problems highlighted in the Section 318 proposals. For example, the industry now provides credit monitoring services that, for a fee, alert consumers when certain information is added to their files. Although these services are fairly new, and consumer groups have expressed concerns about their cost, they could fulfill some of the same goals as the negative information notice. Further, new products have been introduced that attempt to gather information on rental payments, utility payments, and other common unreported transactions. The success of these products remains to be seen, but they could help ensure that this data is considered in evaluating consumers for credit. The combination of new requirements under the FACT Act and recent market developments lead the Commission to conclude that additional legislation is not called for at this time.

Finally, the ongoing study that the Commission is considering, beginning with the pilot study, should help shed light on the continuing concerns about accuracy and completeness that are addressed in this report. As the Commission pursues the study, it will attempt to identify any areas where further reform is needed, as well as any improvements observed due to the FACT Act or the ongoing changes in the marketplace.

Appendix A: Roundtable Federal Register Notice

FEDERAL RESERVE SYSTEM

Formations of, Acquisitions by, and Mergers of Bank Holding Companies

The companies listed in this notice have applied to the Board for approval, pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841 *et seq.*) (BHC Act), Regulation Y (12 CFR Part 225), and all other applicable statutes and regulations to become a bank holding company and/or to acquire the assets or the ownership of, control of, or the power to vote shares of a bank or bank holding company and all of the banks and nonbanking companies owned by the bank holding company, including the companies listed below.

The applications listed below, as well as other related filings required by the Board, are available for immediate inspection at the Federal Reserve Bank indicated. The application also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the standards enumerated in the BHC Act (12 U.S.C. 1842(c)). If the proposal also involves the acquisition of a nonbanking company, the review also includes whether the acquisition of the nonbanking company complies with the standards in section 4 of the BHC Act (12 U.S.C. 1843). Unless otherwise noted, nonbanking activities will be conducted throughout the United States. Additional information on all bank holding companies may be obtained from the National Information Center website at *www.ffiec.gov/nic/*.

Unless otherwise noted, comments regarding each of these applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than July 6, 2004.

A. Federal Reserve Bank of New York (Jay Bernstein, Bank Supervision Officer) 33 Liberty Street, New York, New York 10045–0001:

1. Rhinebeck Bancorp, MHC, Poughkeepsie, New York; to become a bank holding company by acquiring 100 percent of the voting shares of Rhinebeck Savings Bank, Rhinebeck, New York.

B. Federal Reserve Bank of Chicago (Patrick Wilder, Assistant Vice President) 230 South LaSalle Street, Chicago, Illinois 60690–1414:

1. Wintrust Financial Corporation, Lake Forest, Illinois; to acquire 100 percent of the voting shares of Northview Financial Corporation, Northfield, Illinois, and thereby indirectly acquire voting shares of Northview Bank & Trust, Northfield, Illinois.

C. Federal Reserve Bank of St. Louis (Randall C. Sumner, Vice President) 411 Locust Street, St. Louis, Missouri 63166–2034:

1. First Centralia Bancshares, Inc., Centralia, Kansas, and Morrill Bancshares, Inc., Merriam, Kansas; to acquire directly and indirectly up to 36.8 percent of the voting shares of Century Capital Financial, Inc., Kilgore, Texas, and thereby indirectly acquire voting shares of Century Capital Financial–Delaware, Inc., Wilmington, Delaware, and City National Bank, Kilgore, Texas.

2. Davis Bancorporation, Inc., Davis Oklahoma; to acquire up to 17.90 percent of the voting shares of Century Capital Financial–Delaware, Inc., Wilmington, Delaware, and Century Capital Financial, Kilgore, Texas, and thereby indirectly acquire voting shares of City National Bank of Kilgore, Kilgore, Texas.

Board of Governors of the Federal Reserve System, June 4, 2004.

Robert deV. Frierson,

Deputy Secretary of the Board.

[FR Doc. 04–13148 Filed 6–9–04; 8:45 am]

BILLING CODE 6210–01–S

FEDERAL RESERVE SYSTEM

Notice of Proposals to Engage in Permissible Nonbanking Activities or to Acquire Companies that are Engaged in Permissible Nonbanking Activities

The companies listed in this notice have given notice under section 4 of the Bank Holding Company Act (12 U.S.C. 1843) (BHC Act) and Regulation Y (12 CFR Part 225) to engage *de novo*, or to acquire or control voting securities or assets of a company, including the companies listed below, that engages either directly or through a subsidiary or other company, in a nonbanking activity that is listed in § 225.28 of Regulation Y (12 CFR 225.28) or that the Board has determined by Order to be closely related to banking and permissible for bank holding companies. Unless otherwise noted, these activities will be conducted throughout the United States.

Each notice is available for inspection at the Federal Reserve Bank indicated. The notice also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the question whether the proposal complies with the standards of section 4 of the BHC Act. Additional information on all bank holding companies may be obtained from the National Information Center website at *www.ffiec.gov/nic/*.

Unless otherwise noted, comments regarding the applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than July 6, 2004.

C. Federal Reserve Bank of St. Louis (Randall C. Sumner, Vice President) 411 Locust Street, St. Louis, Missouri 63166–2034:

1. First Centralia Bancshares, Inc., Centralia, Kansas, and Morrill Bancshares, Merriam, Kansas; to acquire up to 77.7 percent of FBC Financial Corporation, and thereby indirectly and indirectly acquire 1st Bank Oklahoma, both of Claremore, Oklahoma, and thereby engage in operating a savings association, pursuant to section 225.28(b)(4)(ii) of Regulation Y.

Board of Governors of the Federal Reserve System, June 4, 2004.

Robert deV. Frierson,

Deputy Secretary of the Board.

[FR Doc. 04–13149 Filed 6–9–04; 8:45 am]

BILLING CODE 6210–01–S

FEDERAL TRADE COMMISSION

Notice of Roundtable To Aid Federal Trade Commission Staff in Conducting a Study of the Accuracy and Completeness of Consumer Reports, Pursuant to Section 319 of the Fair and Accurate Credit Transactions Act of 2003

AGENCY: Federal Trade Commission.

ACTION: Notice of roundtable meeting.

SUMMARY: The Federal Trade Commission (the ''Commission'' or ''FTC'') is conducting a study of the accuracy and completeness of consumer reports, as mandated by section 319 of the Fair and Accurate Credit Transactions Act of 2003 (''the Act'' or ''FACT Act''). The Commission's Bureau of Economics is holding a roundtable with scholars, researchers, and other relevant parties on a review of methodologies pertinent to testing the accuracy and completeness of consumer reports.

DATES: The roundtable will take place on June 30, 2004.

ADDRESSES: The roundtable will be held at the Federal Trade Commission, 601 New Jersey Avenue, NW., Washington, DC 20580.

FOR FURTHER INFORMATION CONTACT: Persons seeking to attend the roundtable should contact Marie Tansioco at (202) 326–3613 (Federal Trade Commission, Bureau of Economics, 601 New Jersey Avenue, NW., Washington, DC 20580) by June 18, 2004. Please include in your request an explanation or statement

setting forth expertise in or knowledge of methodologies pertinent to assessing the accuracy and completeness of consumer reports. As a reminder, the roundtable will not be dealing with policy matters.

The FTC Act and other laws the Commission administers permit the collection of information concerning persons seeking to attend the roundtable to consider and use in this proceeding as appropriate. More information, including routine uses permitted by the Privacy Act to the extent applicable, may be found in the FTC's privacy policy, at *http://www.ftc.gov/ftc/privacy.htm.*

SUPPLEMENTARY INFORMATION: The FACT Act was signed into law on December 4, 2003. Fair and Accurate Credit Transactions Act of 2003, Public Law 108–159 (2003). In general, the Act amends the Fair Credit Reporting Act (''FCRA'') to enhance the accuracy of consumer reports and to allow consumers to exercise greater control regarding the type and amount of marketing solicitations they receive. To promote increasingly efficient national credit markets, the FACT Act also establishes uniform national standards in key areas of regulation regarding consumer report information. The Act contains a number of provisions intended to combat consumer fraud and related crimes, including identity theft, and to assist its victims. Finally, the Act requires a number of studies to be conducted on consumer reporting and related issues.

Section 319 of the Act mandates that the Federal Trade Commission shall conduct an ongoing study of the accuracy and completeness of information contained in consumer reports prepared or maintained by consumer reporting agencies and methods for improving the accuracy and completeness of such information. The time horizon for the mandated study, inclusive of a series of biennial reports to Congress, runs eleven years. The first report is due in early December 2004.

The roundtable has a limited purpose: it is a review of various methodologies pertinent to testing the accuracy and completeness of consumer reports (also known as ''credit reports''). This review is not part of any rule-making procedure and does not address any FTC policy matter. Also, in reference to the language of the Act, the roundtable discussion is solely a forum for review of methodologies applicable exclusively to the accuracy and completeness aspect of the section 319 study and will not address methods for *improving* accuracy and completeness, nor the costs and benefits of requirements, or potential requirements, pertaining to credit reports.

By direction of the Commission.

Donald S. Clark,

Secretary.

[FR Doc. 04–13081 Filed 6–9–04; 8:45 am]

BILLING CODE 6750–01–P

FEDERAL TRADE COMMISSION

[File No. 031–0201]

Itron, Inc., et al.; Analysis To Aid Public Comment

AGENCY: Federal Trade Commission.

ACTION: Proposed consent agreement.

SUMMARY: The consent agreement in this matter settles alleged violations of Federal law prohibiting unfair or deceptive acts or practices or unfair methods of competition. The attached Analysis to Aid Public Comment describes both the allegations in the draft complaint that accompanies the consent agreement and the terms of the consent order—embodied in the consent agreement—that would settle these allegations.

DATES: Comments must be received on or before July 2, 2004.

ADDRESSES: Comments should refer to ''Itron, Inc., *et al.,* File No. 031 0201,'' to facilitate the organization of comments. A comment filed in paper form should include this reference both in the text and on the envelope, and should be mailed or delivered to the following address: Federal Trade Commission/Office of the Secretary, Room H–159, 600 Pennsylvania Avenue, NW., Washington, DC 20580. Comments containing confidential material must be filed in paper form, as explained in the **SUPPLEMENTARY INFORMATION** section. The FTC is requesting that any comment filed in paper form be sent by courier or overnight service, if possible, because U.S. postal mail in the Washington area and at the Commission is subject to delay due to heightened security precautions. Comments filed in electronic form (except comments containing any confidential material) should be sent to the following e-mail box: *consentagreement@ftc.gov.*

FOR FURTHER INFORMATION CONTACT: Matthew Reilly, FTC, Bureau of Competition, 600 Pennsylvania Avenue, NW., Washington, DC 20580, (202) 326–2350.

SUPPLEMENTARY INFORMATION: Pursuant to section 6(f) of the Federal Trade Commission Act, 38 Stat. 721, 15 U.S.C. 46(f), and section 2.34 of the Commission's Rules of Practice, 16 CFR 2.34, notice is hereby given that the above-captioned consent agreement containing a consent order to cease and desist, having been filed with and accepted, subject to final approval, by the Commission, has been placed on the public record for a period of thirty (30) days. The following Analysis to Aid Public Comment describes the terms of the consent agreement, and the allegations in the complaint. An electronic copy of the full text of the consent agreement package can be obtained from the FTC Home Page (for June 3, 2004), on the World Wide Web, at *http://www.ftc.gov/os/2004/06/index.htm.* A paper copy can be obtained from the FTC Public Reference Room, Room 130–H, 600 Pennsylvania Avenue, NW., Washington, DC 20580, either in person or by calling (202) 326–2222.

Public comments are invited, and may be filed with the Commission in either paper or electronic form. Written comments must be submitted on or before July 2, 2004. Comments should refer to ''Itron, Inc., *et al.,* File No. 031 0201,'' to facilitate the organization of comments. A comment filed in paper form should include this reference both in the text and on the envelope, and should be mailed or delivered to the following address: Federal Trade Commission/Office of the Secretary, Room H–159, 600 Pennsylvania Avenue, NW., Washington, DC 20580. If the comment contains any material for which confidential treatment is requested, it must be filed in paper (rather than electronic) form, and the first page of the document must be clearly labeled ''Confidential.'' [1] The FTC is requesting that any comment filed in paper form be sent by courier or overnight service, if possible, because U.S. postal mail in the Washington area and at the Commission is subject to delay due to heightened security precautions. Comments filed in electronic form should be sent to the following e-mail box: *consentagreement@ftc.gov.*

The FTC Act and other laws the Commission administers permit the collection of public comments to consider and use in this proceeding as appropriate. All timely and responsive

[1] Commission Rule 4.2(d), 16 CFR 4.2(d). The comment must be accompanied by an explicit request for confidential treatment, including the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. The request will be granted or denied by the Commission's General Counsel, consistent with applicable law and the public interest. *See* Commission Rule 4.9(c), 16 CFR 4.9(c).

Appendix B: Pilot Study Federal Register Notice

Bank Holding Company Act (12 U.S.C. 1843) (BHC Act) and Regulation Y (12 CFR Part 225) to engage *de novo*, or to acquire or control voting securities or assets of a company, including the companies listed below, that engages either directly or through a subsidiary or other company, in a nonbanking activity that is listed in § 225.28 of Regulation Y (12 CFR 225.28) or that the Board has determined by Order to be closely related to banking and permissible for bank holding companies. Unless otherwise noted, these activities will be conducted throughout the United States.

Each notice is available for inspection at the Federal Reserve Bank indicated. The notice also will be available for inspection at the offices of the Board of Governors. Interested persons may express their views in writing on the question whether the proposal complies with the standards of section 4 of the BHC Act. Additional information on all bank holding companies may be obtained from the National Information Center website at *www.ffiec.gov/nic/*.

Unless otherwise noted, comments regarding the applications must be received at the Reserve Bank indicated or the offices of the Board of Governors not later than November 3, 2004.

A. Federal Reserve Bank of Boston (Richard Walker, Community Affairs Officer) 600 Atlantic Avenue, Boston, Massachusetts 02106–2204:

1. Boston Private Financial Holdings, Inc., Boston, Massachusetts; to acquire KLS Professional Advisors, LLC, New York, New York, and thereby engage in financial and investment advisory activities, pursuant to sections 225.28(b)(6) and (b)(6)(vi) of Regulation Y.

B. Federal Reserve Bank of Cleveland (Cindy C. West, Banking Supervisor) 1455 East Sixth Street, Cleveland, Ohio 44101–2566:

1. Wesbanco, Inc., Wheeling, West Virginia; to acquire Winton Financial Corporation, Cincinnati, Ohio, and thereby indirectly acquire The Winton Savings and Loan Company, Cincinnati, Ohio, and thereby engage in owning and operating a savings and loan association, pursuant to section 225.28(b)(4)(ii) of Regulation Y.

Comments regarding this application must be received at the Reserve Bank or the office of the Board of Governors not later than November 15, 2004.

Board of Governors of the Federal Reserve System, October 14, 2004.

Robert deV. Frierson,

Deputy Secretary of the Board.

[FR Doc. 04–23421 Filed 10–19–04; 8:45 am]

BILLING CODE 6210–01–S

FEDERAL RESERVE SYSTEM

Sunshine Act Meeting

AGENCY HOLDING THE MEETING: Board of Governors of the Federal Reserve System.

TIME AND DATE: 11:30 a.m., Monday, October 25, 2004.

PLACE: Marriner S. Eccles Federal Reserve Board Building, 20th and C Streets, N.W., Washington, D.C. 20551.

STATUS: Closed.

MATTERS TO BE CONSIDERED:

1. Personnel actions (appointments, promotions, assignments, reassignments, and salary actions) involving individual Federal Reserve System employees.

2. Any items carried forward from a previously announced meeting.

FOR FURTHER INFORMATION CONTACT: Michelle A. Smith, Director, Office of Board Members; 202–452–2955.

SUPPLEMENTARY INFORMATION: You may call 202–452–3206 beginning at approximately 5 p.m. two business days before the meeting for a recorded announcement of bank and bank holding company applications scheduled for the meeting; or you may contact the Board's Web site at *http://www.federalreserve.gov* for an electronic announcement that not only lists applications, but also indicates procedural and other information about the meeting.

Board of Governors of the Federal Reserve System, October 15, 2004.

Robert deV. Frierson,

Deputy Secretary of the Board.

[FR Doc. 04–23544 Filed 10–15–04; 4:43 pm]

BILLING CODE 6210–01–S

FEDERAL TRADE COMMISSION

Notice of a Pilot Study to Aid Federal Trade Commission Staff in Conducting a Study of the Accuracy and Completeness of Consumer Reports, Pursuant to Section 319 of the Fair and Accurate Credit Transactions Act of 2003

AGENCY: Federal Trade Commission.

ACTION: Notice of pilot study and request for comment.

SUMMARY: Pursuant to section 319 of the Fair and Accurate Credit Transactions Act of 2003 (''the Act'' or ''FACT Act''), the Federal Trade Commission (the ''Commission'' or ''FTC'') is evaluating ways to study the accuracy and completeness of consumer reports. The purpose of the current pilot study is to evaluate the feasibility of a methodology that involves direct review by consumers of the information reported in their consumer reports. Due to the small size of the study group, statistical conclusions will not be drawn from this pilot study. Comments will be considered before the FTC submits a request for Office of Management and Budget (''OMB'') review under the Paperwork Reduction Act.

DATES: Public comments must be received on or before December 20, 2004.

ADDRESSES: Interested parties are invited to submit written comments. Comments should refer to the ''Accuracy Pilot Study: Paperwork Comment'' to facilitate the organization of the comments. A comment filed in paper form should include this reference both in the text and on the envelope, and should be mailed or delivered to the following address: Federal Trade Commission/Office of the Secretary, Room H–159 (Annex Y), 600 Pennsylvania Avenue, NW., Washington, DC 20580. Comments containing confidential material must be filed in paper (rather than electronic) form, and the first page of the document must be clearly labeled ''Confidential.'' [1] The FTC is requesting that any comment filed in paper form be sent by courier or overnight service, if possible, because U.S. postal mail in the Washington area and at the Commission is subject to delay due to heightened security precautions. Comments filed in electronic form (except comments containing any confidential material) should be sent to the following e-mail box: *AccuracyPilotStudy@ftc.gov.*

The FTC Act and other laws the Commission administers permit the collection of public comments to consider and use in this proceeding as appropriate. All timely and responsive public comments, whether filed in paper or electronic form, will be considered by the Commission, and will be available to the public on the FTC Web site, to the extent practicable, at *http://www.ftc.gov*. As a matter of discretion, the FTC makes every effort to remove home contact information for individuals from public comments it receives before placing those comments on the FTC Web site. More information, including routine uses permitted by the

[1] Commission Rule 4.2(d), 16 CFR 4.2(d). The comment must be accompanied by an explicit request for confidential treatment, including the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. The request will be granted or denied by the Commission's General Counsel, consistent with applicable law and the public interest. *See* Commission Rule 4.9(c), 16 CFR 4.9(c).

Privacy Act, may be found in the FTC's privacy policy, at *http://www.ftc.gov/ftc/privacy.htm.*

FOR FURTHER INFORMATION CONTACT: Peter Vander Nat, Economist, (202) 326–3518, Federal Trade Commission, Bureau of Economics, 601 New Jersey Avenue, NW., Washington, DC 20580.

SUPPLEMENTARY INFORMATION: The Fair and Accurate Credit Transactions Act of 2003, Pub. L. 108–159 (2003), among other purposes, amends the Fair Credit Reporting Act (''FCRA'') to enhance the accuracy of consumer reports. The FACT Act requires the FTC to conduct a number of studies on consumer reporting and related issues.

Section 319 of the FACT Act requires the FTC to study the accuracy and completeness of information in consumers' credit reports and to consider methods for improving the accuracy and completeness of such information. The Act requires the Commission to issue a series of biennial reports to Congress over a period of eleven years. The first report is due in December 2004.

As the first step in conducting the accuracy and completeness study, the FTC is conducting a pilot study which will evaluate the feasibility of a methodology that directly involves consumer review of the information contained in their credit reports. The pilot study does not rely on the selection of a nationally representative sample of consumers, and statistical conclusions will not be drawn from the pilot study. The FTC has designated a contractor with high-level expertise in credit reporting and related issues, subject to OMB clearance for the study under the Paperwork Reduction Act. The pilot study will involve a small group of consumers who give the contractor permission to review their credit reports. The contractor will help the consumers to understand their reports and to discern inaccuracies or incompleteness in them.

The FTC invites comments on: (1) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, which includes the duties provided by the FACT Act, and whether the information will have practical utility; (2) the accuracy of the agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used; (3) ways to enhance the quality, utility, and clarity of the information to be collected; and (4) ways to minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses. The FTC will submit the proposed information collection requirements to OMB for review, as required by the Paperwork Reduction Act, 44 U.S.C. 3501–3520.

Description of the Collection of Information and Proposed Use:

The design elements of the study are the following:

1. The study will consist of approximately 35 consumers having a diversity of credit scores covering at least three broad categories: poor, fair, and good.[2] The study group will consist of adult members of households to whom credit has been extended in the form of credit cards, automobile loans, home mortgages, or other forms of installment credit. The study group will be constructed by using list-assisted random digit telephone numbers with associated addresses. The FTC will send an official letter from the FTC regarding the nature and purpose of the pilot study to potential study participants. The study contractor then will screen consumers through telephone interviews. As various consumers give consent to participate (and thereby give the contractor permission to know their credit scores), if the respective categories of credit scores have an unequal distribution of consumers, then an array will be chosen to favor consumers with the relatively lower credit scores.

2. The contractor will help the participants obtain their credit reports from the three national repositories (''credit bureaus''): Equifax, Experian, and Trans Union.[3] Each study participant will request his or her three credit reports on the same day; although different participants will generally request their reports on different days.

3. The contractor will help the participants review their credit reports by (a) resolving common misunderstandings that they may have about the information in their reports (this will involve educating the participant wherever appropriate), (b) helping to identify errors or potential errors, and (c) helping to locate any material differences or discrepancies among their three reports, and checking whether these differences indicate inaccuracies.

4. The contractor will facilitate a participant's contact with the credit bureaus and with the furnishers of information to help resolve items on the credit report the participant views as inaccurate. After the completion of the review, the contractor will determine whether the credit report information has changed, and whether any such change on the credit report led to a change in the participant's credit score.

5. To the extent necessary, the contractor will guide participants through the FCRA dispute process (by law, this process is limited to 30 days, but may be extended to 45 days if the consumer submits relevant information during the 30-day period). Specifically, participants who have issues that could not be resolved informally will use the dispute process provided by the FCRA. At the conclusion of this process, the contractor will ascertain whether the credit report information has changed, and whether any such change led to a change in the credit score.

The most important information to be obtained from the study is an assessment of the degree of difficulty with which each of the above tasks was performed by the participants, including the average amount of time needed for the respective tasks. The contractor also will provide an opinion on the feasibility of a national survey of credit reports using a methodology similar to that of the pilot study.

Estimated Hours of Burden

Consumer participation involves the initial screening and any subsequent time spent to understand, to review, and if deemed necessary, to dispute information in credit reports. The FTC staff estimates that up to 225 consumers may need to be screened through telephone interviews and that each screening interview may last up to 10 minutes, resulting in approximately 38 hours (225 contacts × (1/6) hour per contact).

With respect to the hours spent by study participants, in some cases, the relative simplicity of a credit report may render little need for review, and the consumer's participation may only be an hour. For reports that involve difficulties, it may require a number of hours for the participant to be educated about the report and to resolve any disputed items. For items that are

[2] A credit score is a numerical summary of the information in a credit report and is designed to be predictive of the risk of default. Credit scores are created by proprietary formulas that render the following general result: the higher the credit score, the lower the risk of default. The designated contractor for the pilot study plans to use the ''FICO'' credit score, which is a commonly used score in credit reporting that is developed by the Fair Isaac Corporation.

[3] Participants will use the Web site *http://www.myfico.com* to request credit reports. For participants who do not have Internet access, the contractor will provide it.

disputed formally, the participant must submit a dispute form, identify the nature of the problem, present verification from the participant's own records to the extent possible, and, upon furnisher response, perhaps submit follow-up information. All participants will have expert assistance available to them, and staff estimates that, on average, approximately 5 hours would be spent per participant, resulting in a total of 175 hours (5 hours × 35 participants).[4] Total burden hours are thus in a neighborhood of 200 hours (up to 38 hours for screening plus approximately 175 hours for study participants, then rounded to the nearest 50 hours).

Estimated Cost Burden

Participation by the consumer is voluntary. All participants will benefit by receiving assistance from the contractor in reviewing their credit reports, and identifying and resolving any errors. No monetary costs are involved for the consumer; specifically, participants will not pay for their credit reports.

John D. Graubert,

Acting General Counsel.

[FR Doc. 04–23453 Filed 10–19–04; 8:45 am]

BILLING CODE 4750–01–P

[4] From testimony before Congress by the Consumer Date Industry Association (*see* Statement of Stuart K. Pratt, CDIA, Before the Committee on Banking, Housing and Urban Affairs of the United States Senate, July 9, 2003), there were approximately 16 million consumer-requested credit reports across the three major credit bureaus for year 2003. Roughly 50% of these reports did not lead to any further response from the consumer (such as a call to, or dispute with, the credit bureaus). Regarding the remaining reports, about half of these (*i.e.*, about 4 million reports) involved questions or clarifications; the other half (roughly another 4 million reports) involved some type of dispute. These data, although approximate, can be used to help create an estimate of the average time spent by participants in reviewing their credit reports.

The following estimates are for the purpose of calculating burden under the Paperwork Reduction Act. The estimates are conservative and likely overestimate the amount of time that will be spent by study participants. For reports that do not require the participants to pose any questions to a credit bureau about their report (estimated to be 50% of reports), staff estimates the participants's time spent to be an hour or less. For reports that involve questions to a credit bureau but not a formal dispute (estimated to be 25% of reports), staff estimates the participant's time spent to be 2 to 3 hours. For reports that involve a formal dispute (estimated here to be 25% of consumer-requested reports), there may be significant differences for time spent by the participants, and this variation is itself one element to be discerned by the pilot study. Staff believes that, as a preliminary estimate, a formal dispute would not involve more than 15 hours of the participant's time, particularly in light of the fact that the participants will have expert assistance available to them, including guidance through the FCRA dispute process. Overall, the staff has calculated the average time per participant by using the weighted average over the three categories of reports: (.50 × 1 hour) + (.25 × 3 hours) + (.25 × 15 hours) = 5 hours.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

National Committee on Vital and Health Statistics: Meeting

Pursuant to the Federal Advisory Committee Act, the Department of Health and Human Services (HHS) announces the following advisory committee meeting.

Name: National Committee on Vital and Health Statistics (NCVHS).

Time and Date: November 4, 2004, 9 a.m.–3 p.m., November 5, 2004, 10 a.m.–3:15 p.m.

Place: Hubert H. Humphrey Building, 200 Independence Avenue, SW., Eisenberg Room—Room 800, Washington, DC 20201.

Status: Open.

Purpose: At this meeting the Committee will hear presentations and hold discussions on several health data policy topics. On the morning of the first day the Committee will hear updates and status reports from the Department on topics including Clinical Data Standards, the Consolidated Health Informatics Initiative, and the HIPAA Privacy Rule. There will also be updates on activities of the National Center for Health Statistic's (NCHS) Board of Scientific Counselors and on the National Health Information Infrastructure (NHII). In the afternoon the Committee will hear a presentation on the Census Bureau's American Community Survey and will discuss various materials prepared by NCVHS Subcommittees.

On the second day the Committee will be briefed on the National Institutes of Health's (NIH) Roadmap for the Future plan and the Clinical Trial Research Agenda. The Committee will also discuss plans for its annual report to Congress and there will be reports from the Subcommittees and a discussion of agendas for future Committee meetings.

The times shown above are for the full Committee meeting. Subcommittee breakout sessions are scheduled for late in the afternoon of the first day and in the morning prior to the full Committee meeting on the second day. Agendas for these breakout sessions will be posted on the NCVHS Web site (URL below) when available.

For Further Information Contact: Substantive program information as well as summaries of meetings and a roster of committee members may be obtained from Marjorie S. Greenberg, Executive Secretary, NCVHS, National Center for Health Statistics, Centers for Disease Control and Prevention, 3311 Toledo Road, Room 2402, Hyattsville, Maryland 20782, telephone (301) 458–4245. Information also is available on the NCVHS home page of the HHS Web site: *http://www.ncvhs.hhs.gov/,* where further information including an agenda will be posted when available.

Should you require reasonable accommodation, please contact the CDC Office of Equal Employment Opportunity on (301) 458–4EEO (4336) as soon as possible.

Dated: October 12, 2004.

James Scanlon,

Acting Deputy Assistant Secretary for Science and Data Policy, Office of the Assistant Secretary for Planning and Evaluation.

[FR Doc. 04–23412 Filed 10–19–04; 8:45 am]

BILLING CODE 4151–05–M

DEPARTMENT OF HEALTH AND HUMAN SERVICES

National Committee on Vital and Health Statistics: Meeting

Pursuant to the Federal Advisory Committee Act, the Department of Health and Human Services (HHS) announces the following advisory committee meeting.

Name: National Committee on Vital and Health Statistics (NCVHS), Workgroup on the National Health Information Infrastructure (NHII).

Time and Date: November 12, 2004, 9 a.m.–5 p.m.

Place: Hubert H. Humphrey Building, 200 Independence Avenue, SW., Room 705A, Washington, DC 20201.

Status: Open.

Purpose: The Workgroup will hold the first in a series of hearings to gather information about personal health records, including key issues and current approaches. Subsequent hearings will be scheduled early in 2005.

For Further Information Contact: Substantive program information as well as summaries of meetings and a roster of committee members may be obtained from Mary Jo Deering Ph.D., Lead Staff Person for the NCVHS Workgroup on the National Health Information Infrastructure, NCI Center for Strategic Dissemination and NCI Center for Bioinformatics, National Cancer Institute, National Institutes of Health, 6116 Executive Boulevard—Room 4087, Rockville, MD 20852, telephone (301) 594–8193, or Marjorie S. Greenberg, Executive Secretary, NCVHS, National Center for Health Statistics, Centers for Disease Control and Prevention, 3311 Toledo Road, Room 2402, Hyattsville, Maryland 20782, telephone (301) 458–4245. Information also is available on the NCVHS home page of the HHS Web site: *http://www.ncvhs.gov/,* where an agenda for the meeting will be posted when available.

Should you require reasonable accommodation, please contact the CDC Office of Equal Employment Opportunity on (301) 458–4EEO (4336) as soon as possible.

Dated: October 12, 2004.

James Scanlon,

Acting Deputy Assistant Secretary for Science and Data Policy, Office of the Assistant Secretary for Planning and Evaluation.

[FR Doc. 04–23413 Filed 10–19–04; 8:45 am]

BILLING CODE 4151–04–M

Appendix C: "Same Report" Federal Register Notice

The proposed order's specific provisions are as follows:

Paragraph II.A prohibits respondents from entering into or facilitating any agreement between or among any physicians: (1) To negotiate with payors on any physician's behalf; (2) to deal, not to deal, or threaten not to deal with payors; (3) on what terms to deal with any payor; or (4) not to deal individually with any payor, or to deal with any payor only through an arrangement involving the respondents.

Other parts of Paragraph II reinforce these general prohibitions. Paragraph II.B prohibits the respondents from facilitating exchanges of information between physicians concerning whether, or on what terms, to contract with a payor. Paragraph II.C bars attempts to engage in any action prohibited by Paragraph II.A or II.B, and Paragraph II.D proscribes inducing anyone to engage in any action prohibited by Paragraphs II.A through II.C.

As in other Commission orders addressing providers' collective bargaining with health care purchasers, certain kinds of agreements are excluded from the general bar on joint negotiations. First, respondents would not be precluded from engaging in conduct that is reasonably necessary to form or participate in legitimate joint contracting arrangements among competing physicians, whether a ''qualified risk-sharing joint arrangement'' or a ''qualified clinically-integrated joint arrangement.'' The arrangement, however, must not facilitate the refusal of, or restrict, physicians from contracting with payors outside of the arrangement.

As defined in the proposed order, a ''qualified risk-sharing joint arrangement'' possesses two key characteristics. First, all physician participants must share substantial financial risk through the arrangement, such that the arrangement creates incentives for the physician participants jointly to control costs and improve quality by managing the provision of services. Second, any agreement concerning reimbursement or other terms or conditions of dealing must be reasonably necessary to obtain significant efficiencies through the joint arrangement.

A ''qualified clinically-integrated joint arrangement,'' on the other hand, need not involve any sharing of financial risk. Instead, as defined in the proposed order, physician participants must participate in active and ongoing programs to evaluate and modify their clinical practice patterns in order to control costs and ensure the quality of services provided, and the arrangement must create a high degree of interdependence and cooperation among physicians. As with qualified risk-sharing arrangements, any agreement concerning price or other terms of dealing must be reasonably necessary to achieve the efficiency goals of the joint arrangement.

Also, because the order is intended to reach agreements among horizontal competitors, Paragraph II would not bar agreements that only involve physicians who are part of the same medical group practice (defined in Paragraph I.E).

Paragraph III, for a period of three years, bars Ms. Gomez and Ms. Ray from negotiating with any payor on behalf of SENM or any SENM member, and from advising any SENM member to accept or reject any term, condition, or requirement of dealing with any payor. This temporary ''fencing-in'' relief is included to ensure that the alleged unlawful conduct by these respondents does not continue.

Paragraph IV, for three years, requires respondents to notify the Commission before entering into any arrangement to act as a messenger, or as an agent on behalf of any physicians, with payors regarding contracts. Paragraph IV sets out the information necessary to make the notification complete.

Paragraph V, which applies only to SENM, requires SENM to distribute the complaint and order to all physicians who have participated in SENM, and to payors that negotiated contracts with SENM or indicated an interest in contracting with SENM. Paragraph V.B requires SENM, at any payor's request and without penalty, or within one year after the Order is made final, to terminate its current contracts with respect to providing physician services. Paragraph V.C requires SENM to distribute payor requests for contract termination to all physicians who participate in SENM. Paragraph V.D.1.b requires SENM to distribute the complaint and order to any payors that negotiate contracts with SENM in the next three years.

In the event that SENM fails to comply with the requirements of Paragraph V.A or Paragraph V.D.1.b, Paragraph VI would require Ms. Ray to do so.

Paragraphs VII and VIII generally require Ms. Gomez and Ms. Ray to distribute the complaint and order to physicians who have participated in any group that has been represented by Ms. Gomez or Ms. Ray since August 1, 2001, and to each payor with which Ms. Gomez or Ms. Ray has dealt since August 1, 2001, for the purpose of contracting.

Paragraphs V.E, V.F, VIII.B, IX, and X of the proposed order impose various obligations on respondents to report or provide access to information to the Commission to facilitate monitoring respondents' compliance with the order.

The proposed order will expire in 20 years.

By direction of the Commission.

Donald S. Clark,

Secretary.

[FR Doc. 04–13483 Filed 6–14–04; 8:45 am]

BILLING CODE 6750–01–P

FEDERAL TRADE COMMISSION

Public Comment To Aid Staff in Preparing the FACT Act Section 318(a)(2)(C) Study

AGENCY: Federal Trade Commission.

ACTION: Notice and request for public comment.

SUMMARY: The Federal Trade Commission (the ''Commission'' or ''FTC'') is conducting a study of the effects of requiring that a consumer who has experienced an adverse action based on a credit report receives a copy of the same credit report that the creditor relied on in taking the adverse action, as required by the Fair and Accurate Credit Transactions Act of 2003 (FACT Act or the Act). The Commission is requesting public comment on a number of issues to assist in preparation of the study.

DATES: Public comments must be received on or before July 16, 2004.

ADDRESSES: Interested parties are invited to submit written comments. Comments should refer to ''FACT Act section 318(a)(2)(C) Study, Matter No. P044804'' to facilitate the organization of comments. A comment filed in paper form should include this reference both in the text and on the envelope, and should be mailed or delivered to the following address: Federal Trade Commission/Office of the Secretary, Room H–159 (Annex M), 600 Pennsylvania Avenue, NW., Washington, DC 20580. Comments containing confidential material must be filed in paper form, as explained in the **SUPPLEMENTARY INFORMATION** section. The FTC is requesting that any comment filed in paper form be sent by courier or overnight service, if possible, because U.S. postal mail in the Washington area and at the Commission is subject to delay due to heightened security precautions. Comments filed in electronic form (except comments containing any confidential material) should be sent to the following e-mail box: *FACTAStudy@ftc.gov.*

The FTC Act and other laws the Commission administers permit the collection of public comments to consider and use in this proceeding as appropriate. All timely and responsive public comments, whether filed in paper or electronic form, will be considered by the Commission, and will be available to the public on the FTC Web site, to the extent practicable, at *www.ftc.gov.* As a matter of discretion, the FTC makes every effort to remove home contact information for individuals from public comments it receives before placing those comments on the FTC Web site. More information, including routine uses permitted by the Privacy Act, may be found in the FTC's privacy policy, at *http://www.ftc.gov/ftc/privacy.htm.*

FOR FURTHER INFORMATION CONTACT: Carolyn Cox, Economist, (202) 326–3434, Federal Trade Commission, Bureau of Economics, 601 New Jersey Avenue, NW., Washington, DC 20580.

SUPPLEMENTARY INFORMATION:

I. Background

A. Current Requirements Under the Fair Credit Reporting Act

Section 615 of the Fair Credit Reporting Act currently requires parties who take an adverse action on the basis of information contained in a consumer report to provide consumers with an adverse action notice that, among other things, contains the name, address, and telephone number of the consumer reporting agency that furnished the report, that notifies the consumer of his or her right to receive a free copy of a consumer report from the consumer reporting agency, and explains his or her right to dispute with the consumer reporting agency the accuracy or completeness of any information in that report. Section 615 provides no time limit within which the notice must be supplied. As a practical matter, however, most creditors who are required to supply an adverse action notice by the Equal Credit Opportunity Act [section 202.9 of Regulation B, 12 CFR 202.9] , which requires notification within 30 days [section 202.9(a)(1) of Regulation B, 12 CFR 202.9(a)(1)], combine the FCRA and ECOA notices.

A consumer who requests a copy of his or her credit report subsequent to receiving an adverse action notice may receive a credit report that looks different than the one that the creditor relied on in making its decision. For example, the report that the consumer receives may contain more up-to-date information or be in a more consumer-friendly format. In addition, if the creditor and the consumer each provided different identifying information to request a copy of the report, then the reports received by the two parties may differ. This difference could, for example, be due to errors in transcription by clerks or differences in the amount of the identifying information provided. In some instances, the creditor may even receive multiple reports from a single consumer reporting agency on an individual consumer, while the consumer only receives one report. Thus, the report that the consumer receives and the report that the creditor receives and relies on may differ.

In contrast, a consumer who experiences an adverse action regarding employment obtains a copy of the same consumer report that the party taking the adverse action relied on. Section 604 (b) (3) (A) of the FCRA notes that, except under certain circumstances, ''in using a consumer report for employment purposes, before taking any adverse action based in whole or in part on the report, the person intending to take such adverse action shall provide to the consumer to whom the report relates—(i) a copy of the report; and (ii) a description in writing of the rights of the consumer under this subchapter, as prescribed by the Federal Trade Commission, under section 609 (c)(1) [section 1681g(c)(1) of this title].'' [1]

B. Study Required by the FACT Act

The FACT Act was signed into law on December 4, 2003. Pub. L. 108–159, 117 Stat. 1952. Section 318 (a) (2) (C) of the Act requires the FTC to examine ''the effects of requiring that a consumer who has experienced an adverse action based on a credit report receives a copy of the same credit report that the creditor relied on in taking the adverse action, including—(i) the extent to which providing such reports to consumers would increase the ability of consumers to identify errors in their credit reports; and (ii) the extent to which providing such reports to consumers would increase the ability of consumers to remove fraudulent information from their credit reports.'' Section 318 (a) (3) specifies that the Commission ''shall consider the extent to which such requirements would benefit consumers, balanced against the cost of implementing such provisions.'' [2]

We believe it is significant that the Act requires the FTC to study only the effects of a consumer receiving a copy of the ''same credit report that the creditor relied on'' following an adverse action. Although ''credit report'' is a commonly-used non-technical term for ''consumer report,'' because the provision refers also to ''creditors,'' we interpret the study to encompass only the use of consumer reports in credit transactions. Of course, consumer reports are not only used to determine credit eligibility; they may also be used for the purposes of reviewing an account or making decisions involving insurance, employment, or government benefits.[3] Consumer reporting agencies may also provide reports to persons who have a ''legitimate business need'' for the information, such as a landlord deciding whether to rent an apartment to a consumer.[4] The scope of the study, however, would not include situations in which these other users of consumer reports rely on a consumer report in taking an adverse action.

Although the FACT Act requires the FTC to study ''the effects of requiring that a consumer * * * receives a copy of the same credit report * * * relied on'' following an adverse action, it does not specify who would be responsible for supplying a copy of the credit report or the manner in which it would be supplied. In particular, the Act does not specify whether the consumer reporting agency or the creditor would be required to supply the consumer with a copy of ''the same credit report'' or the manner by which they should fulfill the requirement. For example, a creditor could send a copy of the credit report or a notification of the consumer's right to receive a credit report from them, along with each adverse action notice. Alternatively, a consumer reporting agency could comply with a requirement to supply the same report relied on by a creditor in taking an adverse action to consumers who experience an adverse action by sending a copy of the report to consumers (regardless of whether they will experience an adverse action) at the same time that they send a copy to the creditor, or by responding to requests of consumers who experience an adverse action related to credit and request a copy of their report.

[1] The exceptions have to do with interstate truckers [section 604 (b) (3) (C) of the FCRA, 15 U.S.C. 1681b(b)(3)(C)] and investigations of workplace misconduct [section 603(x) of the FCRA, 15 U.S.C. 1681a(x)].

[2] Section 318 (b) notes that ''Not later than 1 year after the date of enactment of this Act, the Chairman of the Commission shall submit a report to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives containing a detailed summary of the findings and conclusions of the study under this section, together with such recommendations for legislative or administrative actions as may be appropriate.''

[3] FCRA section 604(a)(3); 15 U.S.C. 1681b(a)(3).

[4] FCRA section 604(a)(3)(F); 15 U.S.C. 1681b(a)(3)(F).

The Act also does not define ''the same credit report that the creditor relied on,'' and it is not clear in all situations what the term means. For example, in the case of a creditor who uses a credit score to evaluate a consumer's creditworthiness, the ''same'' report could consist of only the score itself or it could also include all of the information that was used to derive the score. Likewise, if a creditor received multiple scores concerning an individual, the ''same'' report could mean only the score or scores that the creditor chose to use or all of the scores the creditor received. In addition to issues regarding the content of the report, providing the ''same'' report to consumers as to creditors also raises issues concerning the format of the report. If the report that the creditor relies on is received in an electronic file that can only be understood using queries made through a specialized software package, would the ''same'' report consist of the unintelligible electronic files, or might it consist of a reporting of the information contained in the files in some new, more consumer friendly format? The costs and benefits associated with providing the consumer a copy of ''the same report'' depend on what one means by the term ''the same report.''

II. Request for Public Comments

The Commission is seeking comment on all aspects of the proposed requirement that a consumer who has experienced an adverse action based on a credit report receives a copy of the same credit report that the creditor relied on in taking the adverse action. The Commission specifically requests comment on the questions noted below, but these questions are intended to assist the public and should not be construed as a limitation on the issues on which public comment may be submitted. Responses to these questions should cite the numbers and subsection of the questions being answered. For all comments submitted, please submit any relevant data, statistics, or any other evidence upon which those comments are based.

The Commission requests that, as a threshold matter, parties explain how they define ''the same report that the creditor relied on.'' In addition, in answering the questions please use both the most restrictive and the most expansive definition possible and feel free to comment on how your answer would change if an alternative definition were used. For example, in instances where a creditor used a credit score, under the most restrictive definition, the ''same report'' would consist of only the score, while under the most expansive definition, the ''same report'' would include the score and the underlying data in a consumer-friendly format. Thus, in instances where a creditor used a credit score, the Commission seeks comment on the benefits and costs under these two scenarios, but welcomes comment on additional scenarios that might arise if an alternative definition were used.

The Commission notes that the term ''adverse action'' has a specific definition under the FCRA. In particular, in terms of credit, the term adverse action ''has the same meaning as in section 701(d)(6) of the Equal Credit Opportunity Act [Section 1691(d)(6)] of this title * * *.'' Thus, the term adverse action means ''(i) a refusal to grant credit in substantially the amount or on substantially the terms requested in an application unless the creditor makes a counteroffer (to grant credit in a different amount or on other terms) and the applicant uses or expressly accepts the credit offered; (ii) a termination of an account or an unfavorable change in the terms of an account that does not affect all or substantially all of a class of the creditor's accounts; or (iii) a refusal to increase the amount of credit available to an applicant who has made an application for an increase.'' Therefore, situations that trigger a risk-based pricing notice would not be considered an ''adverse action'' for the purposes of this study. The Commission requests that comments use ''adverse action'' as it is defined under the FCRA, but welcomes parties to opine on how a more expansive definition of the term ''adverse action'' (*e.g.*, one that included situations that trigger a risk-based pricing notice) would impact specific scenarios.

A. Extent to Which the Proposed Requirement Would Benefit Consumers

1. How does the credit report received by the creditor currently differ from the information that consumers receive from a consumer reporting agency when they request a copy of their credit report in response to an adverse action notice?

a. What are the different types of consumer reports that are used by a creditor (*e.g.*, credit score, ''in file'' credit report,[5] merged credit report)? To what extent are credit scores, as opposed to ''in file'' or merged credit reports, relied on by creditors in making decisions regarding the extension of credit? To what extent do creditors rely on two or more types of consumer reports (*e.g.*, a credit score, an ''in file'' credit report, and/or a merged credit report) in their decisions on whether to extend credit? Does the form in which the credit file information is revealed to creditors differ significantly among creditors? If so, how?

b. How frequently are multiple ''in files'' and/or multiple credit scores received in response to a request for information on a single individual? How are multiple ''in files'' and/or multiple credit scores treated by parties in their credit granting decisions?

c. Does the creditor use all of the information that it receives in response to a request for information on an individual, or, in certain situations, does it use only a subset of that information? For example, if a reseller or a creditor receives multiple ''in files'' does the creditor rely on all of the ''in files'' in making its credit granting decision, or does it screen the ''in files'' to determine which files it will rely on in making its decision? What are the situations in which the creditor relies on a subset of the information in its credit granting decision?

d. Are credit scores based on more information than that which appears in a file that is disclosed to consumers? For example, is information used that is blocked or suppressed from the consumer's file?

e. Do consumers ever receive multiple file disclosures in response to their request to see their credit file? If so, how often does this occur?

f. What factors account for the differences in the consumer report that is relied on by a creditor versus the credit report that is seen by a consumer who requests a credit report after receiving an adverse action notice? In particular, are there differences due to (i) differences in the time at which the credit report is requested, (ii) differences in the format in which a credit report is presented to a consumer versus a creditor, or (iii) differences in the identifying information that is used to request a credit report? Are there differences due to the matching technologies used to respond to requests for information by the consumer versus the user of a consumer report? If the same identifying information was used by the creditor and the consumer to request a credit file and if the requests were placed at the same time, could the creditor receive multiple ''in files'' while the consumer only receives one file? Are there differences due to other factors? If so, what are these factors and why do they result in different credit reports being relied on by the creditor

[5] The term ''in file'' credit report refers to a set of information that a party (*e.g.*, creditor or reseller) receives from a credit reporting agency in response to a request for information about an individual.

versus the consumer? Please describe in detail the source of any differences.

g. What information do consumer reporting agencies require consumers to provide to obtain a copy of their credit report? What information do consumer reporting agencies require creditors to provide to obtain information on an individual? To the extent that there are differences in the credit report seen by the creditor versus the consumer due to differences in identifying information, are these differences due to (i) differences in the amount of information that is required (*e.g.*, a creditor is not required to provide the middle name of the individual, but the consumer is required to provide a middle name), (ii) differences in the completeness of the information (*e.g.*, the consumer reports his name as John Doe, Jr., but the creditor reports only John Doe), (iii) typographical errors (*e.g.*, social security number or name is typed in incorrectly by the creditor), or (iv) something else? Please describe in detail the source of any differences, as well as the extent to which they occur.

2. What current problems exist when the consumer receives a report that is different in form or content from the report relied on by the creditor? Please provide examples of specific situations in which consumers would benefit from the proposed requirement that a consumer who has experienced an adverse action based on a credit report receives a copy of the same credit report that the creditor relied on in taking the adverse action.

a. Do the problems arise primarily from differences in the scope of the information seen by the creditor versus the consumer, differences due to the time at which the report is requested, or both? For example, are the concerns related to situations in which a consumer does not know what information led to the adverse action because the information is already corrected by the time the report is normally seen by the consumer? Or, is it more likely that any problems come from a situation where the creditor has information in a consumer report or in multiple ''in files'' that actually pertains to another individual?

b. Would the proposed requirement increase the ability of consumers to identify errors in their credit reports? If so, how?

c. Would the proposed requirement aid consumers who seek to have the adverse action decision reversed because of inaccuracies or incomplete information in the credit report relied on by the creditor?

d. Would the proposed requirement aid consumers who seek to obtain credit from other parties following an adverse action?

e. Would the proposed requirement increase the ability of consumers to identify identity theft and/or remove fraudulent information from their credit report? If so, how?

f. Is the proposed requirement, in and of itself, sufficient to generate the benefits noted above, or are other requirements also necessary (*e.g.*, credit report must be provided by a certain party at a certain time in the credit granting decision process) in order for the benefits to be generated? If so, what additional requirements are necessary?

g. Would the proposed requirement generate benefits other than those noted above? If so, what benefits would likely be generated?

3. What information would consumers gain if they receive the same credit report that the creditor relied on in taking the adverse action?

a. Is there any information that appears in the report that the creditor relied on that is not currently reported to consumers, that, if corrected or deleted, would improve the consumer's ability to obtain credit?

b. Is there any information that appears in the report that the creditor relied on that is not currently reported to consumers that would enable the consumer to detect if he/she is a victim of identity theft, or if he/she continues to be a victim of identity theft?

c. Is there information that appears in the report that the creditor relied on that is not currently reported to consumers that generates benefits other than those noted above? If so, what additional information generates the benefits and what are the benefits?

4. Are there situations in which the consumer already has an opportunity to see a copy of the credit report that the creditor is relying on prior to the creditor taking an adverse action? In particular, what is the extent to which this situation occurs in the mortgage industry?

5. Are there situations in which the consumer already receives a copy of the credit report that the creditor relied on in taking the adverse action, after the action is taken? In particular, what is the extent to which this situation occurs in the mortgage industry?

B. The Cost of Implementing the Proposed Requirement

1. What are the various means by which the proposed requirement that a consumer who has experienced an adverse action based on a credit report receives a copy of the same credit report that the creditor relied on in taking the adverse action could be implemented? What would be the costs associated with implementing the proposed requirement via these various means? Which party (creditor versus the consumer reporting agency) can provide the same report that the creditor relied on in taking the adverse action to consumers at least cost?

2. Why do consumer reporting agencies not currently give consumers a copy of the same credit report that the creditor relied on in taking the adverse action? What would be the costs to consumer reporting agencies of requiring them to do so?

a. Is the data base that is maintained by a consumer reporting agency kept in such a way that the consumer reporting agency can easily reconstruct a credit report from a prior date? If not, what would be the cost associated with requiring a change that would enable the consumer reporting agency to do that?

b. Would a consumer reporting agency know what information is drawn from a credit file by a creditor and the manner in which it is displayed to them? If not, how costly would it be for the consumer reporting agency to obtain this information?

c. Are there situations in which the cost of requiring the consumer reporting agency to provide a copy of the same credit report that the creditor relied on in taking the adverse action to a consumer who has experienced an adverse action would be minimal and/or nonexistent? If so, what are these situations?

3. Why do creditors not currently give consumers a copy of the same credit report that the creditor relied on in taking the adverse action? What would be the costs to creditors of requiring them to do so? Does the cost vary depending on the credit granting situation (*e.g.*, mortgages versus instant credit)? Are there situations in which the cost of requiring the creditor to provide a copy of the same credit report that they relied on in taking the adverse action to a consumer who has experienced an adverse action would be minimal and/or nonexistent? If so, what are these situations?

4. What would be the cost to consumers associated with obtaining a copy of the credit report that the creditor relied on in taking the adverse action in addition to or in lieu of the credit report that the consumer currently receives if he or she requests one after receiving an adverse action notice?

a. Would the proposed requirement lead consumers to mistakenly conclude that there are inaccuracies in their credit reports? Would giving consumers an

older version lead them to dispute inaccuracies that may have already been corrected? What sort of costs might result from these disputes?

b. Would the proposed requirement make it more difficult for consumers to determine if there are inaccuracies in their credit report? Are there situations where a consumer who views the version that the creditor has relied on might miss the opportunity to fix inaccurate information that appears on the report after it was requested by the creditor? What sort of costs (*e.g.*, denial of future credit) might result from these situations?

c. What would be the cost to creditors associated with retooling their credit granting process to produce consumer friendly versions of the consumer report that they relied on?

d. Would the proposed requirement make it more difficult for consumers to determine if they are, or continue to be, a victim of identity theft? If so, why?

e. Could the proposed requirement unintentionally increase identity theft, particularly in situations where credit is denied because identity theft is suspected or in situations in which multiple ''in files'' or scores are received by the creditor in response to a request for information on a single individual?

f. Could the proposed requirement raise privacy concerns in situations in which multiple ''in files'' or scores are received by the creditor in response to a request for information on a single individual?

C. Additional Information

1. Do the experiences of other countries (*e.g.*, Sweden) that have a similar, but not identical requirement that consumers receive the same report as that relied on by the creditor, inform our analysis here?

2. Do the FCRA's section 604 requirements regarding adverse action in employment, where the consumer already receives a copy of the same consumer report that the party taking the adverse action relied on inform our analysis here?

3. What other additional information should the Commission consider in studying the effects of the proposed requirement?

All persons are hereby given notice of the opportunity to submit written data, views, facts, and arguments addressing the issues raised by this Notice. Comments must be received on or before July 16, 2004. Comments should refer to ''FACT Act Section 318(a)(2)(C) Study, Matter No. P044804'' to facilitate the organization of comments. A comment filed in paper form should include this reference both in the text and on the envelope, and should be mailed or delivered to the following address: Federal Trade Commission/ Office of the Secretary, Room H–159 (Annex M), 600 Pennsylvania Avenue, NW., Washington, DC 20580. If the comment contains any material for which confidential treatment is requested, it must be filed in paper (rather than electronic) form, and the first page of the document must be clearly labeled ''Confidential.''[6] The FTC is requesting that any comment filed in paper form be sent by courier or overnight service, if possible, because U.S. postal mail in the Washington area and at the Commission is subject to delay due to heightened security precautions. Comments filed in electronic form (except comments containing any confidential material) should be sent to the following e-mail box: *FACTAStudy@ftc.gov.*

The FTC Act and other laws the Commission administers permit the collection of public comments to consider and use in this proceeding as appropriate. All timely and responsive public comments, whether filed in paper or electronic form, will be considered by the Commission, and will be available to the public on the FTC Web site, to the extent practicable, at *www.ftc.gov.* As a matter of discretion, the FTC makes every effort to remove home contact information for individuals from public comments it receives before placing those comments on the FTC Web site. More information, including routine uses permitted by the Privacy Act, may be found in the FTC's privacy policy, at *http://www.ftc.gov/ ftc/privacy.htm.*

By direction of the Commission.

Donald S. Clark,

Secretary.

[FR Doc. 04–13482 Filed 6–14–04; 8:45 am]

BILLING CODE 6750–01–P

[6] Commission Rule 4.2(d), 16 CFR 4.2(d). The comment must be accompanied by an explicit request for confidential treatment, including the factual and legal basis for the request, and must identify the specific portions of the comment to be withheld from the public record. The request will be granted or denied by the Commission's General Counsel, consistent with applicable law and the public interest. *See* Commission rule 4.9(c), 16 CFR 4.9(c).

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Centers for Disease Control and Prevention

[60Day–04–62]

Proposed Data Collections Submitted for Public Comment and Recommendations

In compliance with the requirement of section 3506(c)(2)(A) of the Paperwork Reduction Act of 1995 for opportunity for public comment on proposed data collection projects, the Centers for Disease Control and Prevention (CDC) will publish periodic summaries of proposed projects. To request more information on the proposed projects or to obtain a copy of the data collection plans and instruments, call the CDC Reports Clearance Officer on (404) 498–1210.

Comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the proposed collection of information; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on respondents, including through the use of automated collection techniques or other forms of information technology. Send comments to Sandra Gambescia, CDC Assistant Reports Clearance Officer, 1600 Clifton Road, MS–E11, Atlanta, GA 30333 or send an e–mail to *omb@cdc.gov.* Written comments should be received within 60 days of this notice.

Proposed Project

2005 National Health Interview Survey, OMB No. 0920–0214—Revision—National Center for Health Statistics (NCHS), Centers for Disease Control and Prevention (CDC).

The annual National Health Interview Survey (NHIS) is a basic source of general statistics on the health of the U.S. population. Respondents to the NHIS also serve as the sampling frame for the Medical Expenditure Panel Survey which is conducted by the Agency for Healthcare Research and Quality. The NHIS has long been used by government, university, and private researchers to evaluate both general health and specific issues, such as cancer, AIDS, and access to health care. Journalists use its data to inform the general public. It will continue to be a leading source of data for the

FACT Act

Federal Trade Commission	www.ftc.gov
1-877-FTC-HELP	For The Consumer

Attachment 10: FTC Presentation by Joel Winston

FEDERAL TRADE COMMISSION

WORKING FOR CONSUMER PROTECTION
AND A COMPETITIVE MARKETPLACE

The FTC Financial Practices Agenda For 2005 - 2006

Joel Winston
Associate Director for Financial Practices

CIRC Fall 2005 Conference
October 17, 2005

The Menu

- Data security and identity theft
- Credit reporting
- Financial privacy
- Credit Counseling
- Debt Collection
- Hurricane relief
- Financial literacy

Data Security and Identity Theft

- The problem
- Legislation
- Law enforcement

Framing the Data Security Issue

- Data brokers and their breaches
- How some would characterize this problem:
  - Secret data bases collecting sensitive consumer data, sold indiscriminately
  - Files filled with inaccuracies, yet consumers don't even know they exist, and have no right to correct.
  - Data is not adequately protected and is vulnerable to identity thieves.
  - Existing laws don't protect consumers.

Data Breaches Affect the Bottom Line

Ponemon Institute online survey – Fall 2005

- 11.6% of respondents had received a breach notice
- 52% found notices difficult to understand; 39% said message conveyed by notice was not honest and believable; 28% had no idea what happened even after getting the notice
- 8% didn't blame organization that was breached; 58% said breach decreased trust and confidence in organization
- Actions consumers took after receiving notice:
- 19% ended relationship with company
- 40% considering ending relationship
- 5% hired lawyers

- Ipsos Insight Online Banking survey – August 2005

  - 83% of online banking consumers concerned about data theft

  - percentage who bank online has stagnated at 39%

Data Breach Incidence

- About 100 reported incidents this year
- Over 50 million affected consumers

FTC Position

- Participant in the debate. Providing assistance to Congress.
- June 16 testimony

- Data broker industry is very diverse. Can provide many benefits to consumers

- ID Theft is a pernicious problem and breaches caused by inadequate security can cause serious harm

- Existing laws have gaps

.

- Too much trafficking in SSN and other sensitive data
  - Goal should be to put protections in place without cutting off beneficial uses of data
  - Congress should consider (1) national breach notification law when significant risk of ID theft, and (2) extension of FTC Safeguards Rule principles to any entity that has sensitive consumer data

Identity Theft

- 27 million victims in past five years
- In one-year period:
  - 10 million victims
  - $48 billion in business losses
  - $5 billion in consumer losses
  - 300 million hours to repair damage
- More recent studies suggest a leveling-off

Identity Theft

- Two types – may call for different remedies:
  - new accounts
  - misuse of existing accounts
- Many causes – lost or stolen wallets, stolen mail, theft by family/friends, misuse following transaction, phishing. **But,** half don't know the cause.
- Focus on data breaches

Legislation

- Twenty-some bills have been introduced
- Most significant bills
  - Senate: Commerce and Judiciary Committees
  - House: Energy and Commerce and Financial Services Committees

Legislation

- Common elements of bills
  - Notification to consumers of breaches
  - Safeguards requirements
  - SSN restrictions
  - Access and dispute rights for data broker files
  - Credit file freeze
  - State law preemption

Legislation

- Breach notification issues
  - trigger: "significant risk of identity theft?" Problem of over-notification
  - information covered
  - form of notice
  - exemption for encryption
  - notice to government/CRAs
  - credit monitoring

Legislation

Safeguards

- Extension of GLBA Safeguards Rule to all entities that maintain sensitive consumer information.

Legislation

SSN restrictions - collection, sale or transfer

- Senate Commerce approach
  – no sale w/o consumer's express consent unless falls within exception (public health or safety, credit reporting, etc.)
  - no collection w/o specific need
  - no public display
- Concern about cutting off beneficial uses

Legislation

Access and dispute rights

- If data broker has files on me, why can't I see them and make corrections?
- But, it's not that simple….

Legislation

Preemption

- Numerous state laws on breach notification, credit freezes, etc.
- Threat of balkanized regulation
- But, States as "the laboratories of democracy"
- Possible compromise – state enforcement of federal law

Legislation

Credit file freeze

- Available in 10 states
- Two versions: for anyone or only victims of identity theft

Legislation

Predictions

Data Security - Enforcement

- Existing statutes

  - Fair Credit Reporting Act: "consumer reports" only to those who have permissible purpose; must have "reasonable procedures" to ensure.

  - Gramm-Leach-Bliley Act – Privacy and Safeguards Rules

  - FTC Act ("unfair or deceptive practices")

Enforcement – FTC Act Cases

- Deception: Commission has prosecuted companies that misrepresented their security procedures (*Petco, Tower Records, Guess?, Microsoft, Eli Lilly*).
- Unfairness: Practice that causes or is likely to cause substantial consumer injury that is not reasonably avoidable by consumers and is not outweighed by benefits to consumers or competition

Enforcement – FTC Act Cases

- Unfairness - *BJ's Wholesale*

  - Facts: Thieves hacked into database in single store, and from there into central database. Obtained over a million customer records including credit card magnetic stripe data.

  - Allegations: BJ's lacked reasonable protections for its data, resulting in substantial consumer injury. An "unfair" practice under FTC Act

Cases – *BJ's*

- Lessons from *BJ's*

  - Companies holding sensitive data must have reasonable procedures in place to safeguard it, if failure to do so causes or is likely to cause substantial consumer injury.

  - A data breach does not automatically mean procedures were unreasonable.

  - Look to overall procedures, rather than focus on single aspect (eg, encryption)

Cases – *BJ's*

- What could BJ's have done?
  - not store mag stripe data
  - encrypt in transmission
  - better access protections
  - measures to detect unauthorized access
  - do a risk assessment before, not after, the breach
  - stay current with industry practices and bank rules. Fixes were cheap and readily available.

Enforcement - GLB Safeguards Cases

- Safeguards Rule sets flexible standards – security as a process. It requires companies to:
  - evaluate nature and risk of their information systems, and sensitivity of data they maintain, and take steps to counter threats
  - periodically review policies and update them
  - designate individual to be responsible and have written plan
  - take responsible measures to oversee service providers

GLB Safeguards Cases

- *Nationwide Lending*
- *Sunbelt Mortgage*
- *Superior Mortgage*

Enforcement - FCRA

- If CRA has inadequate procedures to protect consumer report information, could violate FCRA 607(a): "Every consumer reporting agency shall maintain reasonable procedures designed … to limit the furnishing of consumer reports to [permissible] purposes …."
- Disposal Rule – any entity must have reasonable procedures to ensure that consumer report information is disposed of in secure manner

FACT Act Gov't Duties

Progress to date

- 18 rulemakings, forms, and disclosures: 11 completed and 2 proposed
- 14 studies: 9 completed

Coming attractions

- Final joint agency affiliate marketing rule
- Joint agency ID theft red flags rule
- FTC/FRB dispute process study
- FTC pilot consumer report accuracy study
- FTC/FRB credit and insurance score study
- Joint agency address discrepancy rule
- FTC/FRB risk-based pricing rule
- Joint agency furnisher rules

FACT Act Implementation

FTC approach

- Outreach and guidance
- Cases against serious violations
- Remedies

FACT Act – Free Annual Credit Reports

- Status of the program approaching Y2
- The imposter problem
- The Consumerinfo case – "Freecreditreports.com"
  - "free to pay" conversion offer
  - confusion with annualcreditreport.com

Financial Privacy

- GLB privacy notice reform
- Enforcement – failure to provide privacy notices and opt out rights

Credit Counseling

- Enforcement: *Ameridebt,* debt elimination fraud, credit repair
- Bankruptcy law – credit counseling requirement.
- IRS crackdown on bogus "nonprofits"

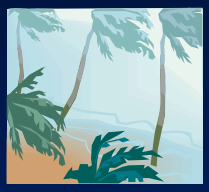
Debt Collection

- FTC 2005 Annual Report – substantial increase in complaints about collectors
  - 70% increase in 3rd party collector complaints from 2003 to 2004 (vs. 25% increase in overall complaints to FTC)
  - 60% increase in in-house collector complaints
  - debt collection complaints represent 23% of all complaints received by FTC – single largest industry.

What's going on???

Hurricane Relief

- Financial services industry
- Consumer reporting agencies



Financial Literacy

- **CFA/Providian study, Summer 2005**
  - 31% obtained credit score (up from 24%)
  - 91% understand that mortgage lenders use scores to price (up from 81%)
  - 58% understand that cell phone companies use scores (up from 50%)
  - 57% understand that home insurers use scores (up from 47%)
- **Congressional priority for 2005**
- **Financial Literacy and Education Commission**

Federal Trade Commission

For the Consumer

www.ftc.gov

Attachment 11: Sample Cases

Fair Credit Reporting Act
Sample Cases

I. In *Andrews v. Trans Union Corp. Inc.,* a federal court in California was asked to decide whether Trans Union violated §§ 604 and 607(a) when it provided consumer reports about the plaintiff to legitimate creditors who used the report to grant credit not to the plaintiff, but rather to an identity thief who was posing as the plaintiff. While the court ultimately did not reach the merits of Trans Union's procedures (other than in *dicta*) because it found that the reports were furnished for a permissible purpose, the court provided a useful overview of § 607(a) and its interplay with § 604:

> Stripped to its essence, [§ 1681e(a)] requires consumer reporting agencies to maintain "reasonable procedures" designed to limit disclosures of consumer credit reports to the permissible purposes of § 1681b…Although there is a surprising paucity of cases interpreting the § 1681e(a) standard, a few general principles can be discerned. Initially, the analysis of a § 1681e(a) claim can be divided into two prongs. First the court must decide whether the consumer reporting agency made the disclosure to a person it had reason to believe had a statutorily authorized purpose for obtaining the report. If in fact the disclosure was made for a permissible purpose, then the inquiry ends, and no reinvestigation of the reasonableness of the consumer reporting agency's procedures are necessary.

The court, relying on an earlier Georgia case, found this to be a common sense conclusion: "It makes no sense for a consumer whose file was disclosed only for permissible purposes to nevertheless be able to challenge the reasonableness of the consumer reporting agency's procedures. Rather, only a consumer whose file was disclosed for an impermissible purpose may challenge the reasonableness of the reporting agency's procedures. Once the consumer has shown that their file was disclosed for an impermissible purpose, that does not end the inquiry. The FCRA does not provide for strict liability; liability is imposed only when the consumer reporting agency either willfully or negligently fails to maintain reasonable procedures to avoid improper disclosures."

II. The Seventh Circuit, in *Ippolito v. WNS and Equifax Services Inc*., addressed a case where the plaintiff alleged that Equifax failed to meet its obligations under §§ 604 and 607(a) when it provided a consumer report to a picture framing company (WNS) that pulled a report (which the court ultimately concluded was not a consumer report) on a competitor. In *dicta*, the court noted that WNS had executed a subscriber agreement restricting its use of consumer reports to permissible purposes.

The court went on to further state that "Plaintiffs were allowed to argue to the jury that Equifax negligently gave a consumer report to WNS for a non-consumer purpose. Plaintiffs' primary problem with regard to holding Equifax liable was that their theory of the case against WNS was perhaps Equifax's best defense. By arguing that business reports were consumer reports as a matter of law and that WNS allegedly "certified" that it would only request consumer reports, plaintiffs essentially were left with the argument that Equifax was negligent because it did not ask WNS why each and every report was requested even though Equifax discussed the FCRA with WNS and WNS allegedly "certified" that the reports would only be used for 'consumer purposes.' The jury obviously did not agree."

III. In *Lusk v. TRW,* the Ninth Circuit, in a cursory opinion addressing an appeal by a *pro se* plaintiff that alleged that TRW violated § 607 when it provided his consumer report to a third party (FAB) for an allegedly impermissible purpose, the court held that:

- "TRW had sufficient reason to believe that FAB had a legitimate business need for Lusk's report because FAB had previously certified that it would only request reports for specified permissible purposes, and FAB's stated purpose for the request, pre-rental screening, constituted a legitimate business need even though it was erroneous."
- "Second, Lusk failed to present any significant probative evidence rebutting TRW's evidence that its security screening for new members, such as FAB, constituted reasonable procedures in compliance with 15 U.S.C. § 1681e."

"Third, FAB had a permissible purpose for requesting Lusk's credit report—collection of money possibly due Lusk's landlord for damage in Lusk's apartment."

IV. In *Hansen v. Morgan*, the 9th Circuit was faced with the question of whether a credit bureau that supplied a subscriber with a credit report which ultimately was used in a political campaign had reasonable procedures for §607(a) purposes. The court found that the procedures were reasonable in light of a general certification in the subscriber's user agreement:

The Pocatello Credit Bureau did not inquire of Morgan about the reasons for which he desired the report. Morgan simply identified himself by name and number and made the request. He said, "127, Mel Morgan, I would like a written report update on George V. Hansen." The chief executive of the credit bureau stated in his deposition that the bureau does not inquire of the purpose for which each request they receive is made. Rather the bureau relies on the member's compliance with the provisions of the membership and service contract, which requires users to seek information only for purposes permitted by the FCRA. These purposes are enumerated both in the FCRA and in the bureau's membership contract.

V. In *Boothe v. TRW,* a federal district court in the Southern District of New York was faced, in 1982, with the question of whether TRW maintained reasonable procedures in a suit where a subscriber, Fidelifacts, had obtained a consumer report for an impermissible purpose. The court noted that the subscriber had signed an FCRA certification restricting the purposes for which it could obtain consumer reports. The court found that the certification was sufficient concluding that it would be "impractical" to "verify the purpose for each credit report."

The court described the evidence, or lack thereof, before it regarding TRW's practices beyond obtaining the certification, as follows: "No other evidence was offered as to steps taken by TRW to ensure that Fidelifacts would not request and automatically obtain reports for whatever reason it chose. In fact, the evidence presented demonstrates that there is no way for TRW to find out if Fidelifacts requests a report for an improper purpose, unless the latter chooses to tell it so, as there is no way to input on the teletype the purpose for the request. This is true despite the fact that the computer program of TRW could be written to require subscribers to input the reason for the request."

Nevertheless, the court concluded that "By requiring its subscribers to certify the purpose for reports in advance, TRW reasonably strikes a balance between the conflicting goals of protecting the privacy rights of consumers and promoting an efficient credit economy." The court, however, did limit its holding to the facts of the case before it, which the court described as a subscriber "primarily in the business of requesting reports for proper purposes (employment) and there was no showing that TRW knew of the improper purpose

for the report issued as to the plaintiff….In short, Fidelifacts' primary business purpose and its certification to TRW constituted sufficient "reason to believe" on the part of TRW that Fidelifacts had a legitimate business need for the report requested."

VI. In PHILLIPS v. GRENDAHL Boyfriend sued his prospective mother-in-law, detective agency, and credit services company, asserting claims for alleged violations of Fair Credit Reporting Act (FCRA) and invasion of privacy. The United States District Court for the District of Minnesota, Ann D. Montgomery, J., 2001 WL 1618593, granted summary judgment for defendants. Boyfriend appealed. The Court of Appeals, John R. Gibson, Circuit Judge, held that: (1) finder's report obtained during investigation of boyfriend was "consumer report" under FCRA; (2) factual issues precluded summary judgment for prospective mother-in-law on FCRA claims on grounds that she did not "use or obtain" consumer report; (3) prospective mother-in-law's investigation of boyfriend was not permissible purpose for obtaining or using consumer report under FCRA; (4) willful noncompliance with FCRA requires knowing and intentional commission of an act that defendant knows to violate the law; (5) factual issues precluded summary judgment for defendants on FCRA claims; (6) defendants were not liable for publication of private facts under Minnesota law; and (7) defendants were not liable for intrusion upon seclusion under Minnesota law.

VI. Nunally v. Equifax. Plaintiffs claimed that after its reinvestigation was completed, Equifax was required under 15 U.S.C. §1681i(a)(6) to provide to the Plaintiffs a free copy of their consumer reports after Defendant completed its reinvestigations of the Plaintiffs' consumer files. Following the reinvestigations, Equifax sent brief summary reports concerning the results of its reinvestigations to the Plaintiffs, but failed to send the Plaintiffs a new copy of their consumer reports as required by FCRA § 1681i(a)(6)(B)(ii), resulting in a violation of the FCRA, 15 U.S.C. § 1681i(a)(6).

Due to Defendant's failure to provide the Plaintiffs with a free and complete copy of their consumer reports following the Defendant's reinvestigation (*sic*) were unsure and unaware of what their credit report now contained and whether Equifax had in fact corrected the inaccurate consumer report it was publishing to third parties.

Consequently, after the reinvestigations, the Plaintiffs were forced to pay Equifax a fee in order to obtain new copies of their consumer reports (that Equifax was obligated under the FCRA to provide free of charge) to ensure that Equifax had removed the inaccurate information it had previously been reporting about the Plaintiffs.

Defendant's failure to send the Plaintiffs new consumer reports free of charge following its reinvestigations constituted a willful and/or negligent violation of the FCRA, 15 U.S.C. § 1681(a)(6), and Plaintiffs are entitled to actual and/or statutory damages as provided for in 15 U.S.C. §§ 1681n and/or 1681o.

The Court ruled:

The parties have not called to the attention of the court any specific statutory or regulatory provisions which harmoniously or otherwise lends clarity to the issue. The court ultimately concludes, without certitude, that the term "based upon the consumer's file as that file is revised" means the full file. The provision does not state, "based upon the corrected portion of the file." There is no reason to suggest that the complete file was not intended.

Further, the "consumer report" term which is used is the same term which is repeatedly used in § 1681g. It would appear that if a full report is not intended, such would have been clearly stated.

This court does not deem its decision to be either infallible or final. The issue, being an open question, is clearly one which should, early on, be decided by the Court of Appeals. This is true not only because of these individual cases but because a class certification is also sought.

The court will certify the case pursuant to 28 U.S.C. § 1292(b).

VI. STERGIOPOULOS & CASTRO, , v. FIRST MIDWEST BANCORP, INC. A few years ago, Ivelisse Castro and George Stergiopoulos each decided to buy a new car. Castro wanted a Toyota 4Runner, while Stergiopoulos fancied a Chevrolet Camaro. When each of them sought financing, their respective car dealers shopped the potential loans (or, as they were called, Retail Installment Contracts (RICs)) to third-party lenders. One of the third-party lenders to consider both loans was the defendant, First Midwest Bancorp, Inc. In deciding whether to purchase the plaintiffs' RICs, First Midwest requested the plaintiffs' credit reports. First Midwest apparently did not care for what it saw there, because it refused to take on either Castro's or Stergiopoulos's RIC.

This is a common scenario. Dealers routinely attempt to assign tentative financing arrangements to lenders, and those lenders often rely on a consumer's credit report to determine whether the deal is worth taking. The question before us is whether, despite its routine nature, this practice is legal. Stergiopoulos and Castro contend that it is not. In their complaint, styled as a class action though no class was ever certified, they assert that First Midwest has been violating the **Fair Credit Reporting Act** (FCRA or Act), *15 U.S.C. § 1681 et seq*., by requesting consumers' credit reports without the consumers' knowledge or explicit consent. First Midwest filed a motion for summary judgment before the district court, arguing that the FCRA authorized its actions. The district court so found and granted judgment for First Midwest. We affirm.

Neither Castro's nor Stergiopoulos's credit application mentioned that, in addition to NMAC and GMAC, respectively, third-party lenders unknown to the plaintiffs might also order copies of their reports. Nonetheless, it was clear that the transaction contemplated sale of the paper to another entity. It is also undisputed that the dealers selected First Midwest in these two cases, and the customers had nothing to do with that choice.

Stergiopoulos and Castro initiated the credit transactions at the car dealerships by requesting financing. While they did not know that First Midwest in particular was going to request their credit reports, they were aware that the transactions contemplated sale of the RIC to a third party, and the statute does not require that consumers expressly approve each request for a report. The use of the word "involved" implies that the entity obtaining the credit report may not have a predicate credit transaction with the consumer directly; instead, **[*9]** on its face, the provision merely requires that the entity must be engaged in a credit transaction in which the consumer is participating. Here, the car dealer served as a broker. First Midwest satisfied the FCRA's requirement that it "intended to use the information in connection with a credit transaction involving" Castro and Stergiopoulos.

Attachment 12: (a) Gram-Leach-Billy Act (b) Federal Reserve Board Regs

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THE GRAMM-LEACH-BLILEY ACT:
PRIVACY PROVISIONS

On November 13, 1999, Congress enacted the Gramm-Leach-Bliley Act ("GLB" or "Act"), also known as the Financial Services Modernization Act of 1999. Gramm-Leach-Bliley Act, Pub. L. No. 106-102, 113 Stat. 1338 (1999). The Act generally establishes sweeping changes in the financial services industry, allowing the creation of new financial services holding companies that may offer a full range of financial products and eliminating legal barriers to affiliations among banks, securities firms, insurance companies and other financial services companies.

Title V of the Act contains comprehensive federal privacy protections for consumers. With the passage of the Act, the financial services industry became the first major industry group to grapple with federal statutory requirements regarding privacy. Financial institutions will need to substantially comply with the GLB's requirements by July 2001, which is the date on which federal enforcement of the GLB will commence.

The Act applies to all "financial institutions." This term is broadly defined to include companies that are significantly engaged in "financial" activities, including banks, insurance providers, securities firms and mortgage lenders. The Act's privacy protections generally apply to "consumers," meaning individuals who obtain from a financial institution financial products or services to be used primarily for personal, family or household purposes.

The Act's privacy provisions establish new requirements applicable to "nonpublic personal information." "Nonpublic personal information" means personally identifiable financial information (i) provided by a consumer to a financial institution, (ii) resulting from a transaction or service performed for the consumer, or (iii) otherwise obtained by the financial institution. "Personally identifiable financial information" includes health information obtained in connection with providing insurance to a consumer. Excluded from "nonpublic personal information" is (i) publicly available information and (ii) any consumer list that is derived without using personally identifiable financial information. While it may be argued that the GLB covers only "financial information" (based on the definition of "nonpublic personal information"), the federal agencies implementing the GLB believe that any information obtained by a financial institution in connection with providing a "financial product or service" is protected "financial information," even if the information is not typically considered to be financial in nature.

To comply with the GLB, financial institutions must

a. establish and provide to consumers when a customer relationship is established and annually thereafter clear and conspicuous notice of the financial institution's information sharing policies and practices,

b. clearly provide consumers the right to "opt-out" of having their nonpublic personal information shared with nonaffiliated third parties

(subject to a number of significant exceptions related largely to the processing of consumer transactions),

c. refrain from disclosing to any nonaffiliated third party marketer, other than a consumer reporting agency, an account number or similar form of access code to a consumer's credit card, deposit or transaction account, and

d. abide by regulatory standards to be established by certain government authorities, including state insurance authorities, to protect the security and confidentiality of customer records and information and protect against security threats and unauthorized access to or certain uses of such records or information.

While the Act's privacy provisions are quite complex, the general gist of Title V is that financial institutions may share virtually any information with "affiliated" companies, but may share information with "nonaffiliated" companies only after providing an opportunity for the consumer to "opt-out" of the disclosure. Thus, the Act does not so much restrict information-sharing practices as require notice of such activities.

The provisions of Title V do not preempt or supersede state law if state law provides more stringent privacy protections. Section 505(a) requires that the Act and its regulations be enforced by various federal and state regulatory agencies having jurisdiction over the relevant financial institution. The Act gives federal enforcement authority to, among others, the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Securities and Exchange Commission. The Federal Trade Commission has general enforcement authority for any financial institution that does not fall within the jurisdiction of any of the enumerated regulatory agencies.

(b) Regulations of the Federal Reserve Board

Reporting negative Information:

Model Notice B–1

We may report information about your account to credit bureaus. Late payments, missed payments, or other defaults on your account may be reflected in your credit report.

Model Notice B–2

We have told a credit bureau about a late payment, missed payment or other default on your account. This information may be reflected in your credit report.

Financial Information Privacy Regulations

THE GRAMM-LEACH-BLILEY ACT:

PRIVACY PROVISIONS

On November 13, 1999, Congress enacted the Gramm-Leach-Bliley Act ("GLB" or "Act"), also known as the Financial Services Modernization Act of 1999. Gramm-Leach-Bliley Act, Pub. L. No. 106-102, 113 Stat. 1338 (1999). The Act generally establishes sweeping changes in the financial services industry, allowing the creation of new financial services holding companies that may offer a full range of financial products and eliminating legal barriers to affiliations among banks, securities firms, insurance companies and other financial services companies.

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institution. "Personally identifiable financial information" includes health information obtained in connection with providing insurance to a consumer. Excluded from "nonpublic personal information" is (i) publicly available information and (ii) any consumer list that is derived without using personally identifiable financial information. While it may be argued that the GLB covers only "financial information" (based on the definition of "nonpublic personal information"), the federal agencies implementing the GLB believe that any information obtained by a financial institution in connection with providing a "financial product or service" is protected "financial information," even if the information is not typically considered to be financial in nature.

To comply with the GLB, financial institutions must

a. establish and provide to consumers when a customer relationship is established and annually thereafter clear and conspicuous notice of the financial institution's information sharing policies and practices,

b. clearly provide consumers the right to "opt-out" of having their nonpublic personal information shared with nonaffiliated third parties (subject to a number of significant exceptions related largely to the processing of consumer transactions),

c. refrain from disclosing to any nonaffiliated third party marketer, other than a consumer reporting agency, an account number or similar form of access code to a consumer's credit card, deposit or transaction account, and

d. abide by regulatory standards to be established by certain government authorities, including state insurance authorities, to protect the security and confidentiality of customer records and information and protect against security threats and unauthorized access to or certain uses of such records or information.

While the Act's privacy provisions are quite complex, the general gist of Title V is that financial institutions may share virtually any information with "affiliated" companies, but may share information with "nonaffiliated" companies only after providing an opportunity for the consumer to "opt-out" of the disclosure. Thus, the Act does not so much restrict information-sharing practices as require notice of such activities.

The provisions of Title V do not preempt or supersede state law if state law provides more stringent privacy protections. Section 505(a) requires that the Act and its regulations be enforced by various federal and state regulatory agencies having jurisdiction over the relevant financial institution. The Act gives federal enforcement authority to, among others, the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation and the Securities and Exchange Commission. The Federal Trade Commission has general enforcement authority for any financial institution that does not fall within the jurisdiction of any of the enumerated regulatory agencies.

Exceptions:

(1) With the consent or at the direction of the consumer, provided that the consumer has not revoked the consent or direction;

(2) (i) To protect the confidentiality or security of your records pertaining to the consumer, service, product, or transaction;

(ii) To protect against or prevent actual or potential fraud, unauthorized transactions, claims, or other liability;

(iii) For required institutional risk control or for resolving consumer disputes or inquiries;

(iv) To persons holding a legal or beneficial interest relating to the consumer; or

(v) To persons acting in a fiduciary or representative capacity on behalf of the consumer;

(3) To provide information to insurance rate advisory organizations, guaranty funds or agencies, agencies that are rating you, persons that are assessing your compliance with industry standards, and your attorneys, accountants, and auditors;

(4) To the extent specifically permitted or required under other provisions of law and in accordance with the Right to Financial Privacy Act of 1978 (12 U.S.C. 3401 et seq.), to law enforcement agencies (including a federal functional regulator, the Secretary of the Treasury, with respect to 31 U.S.C. Chapter 53, Subchapter II (Records and Reports on Monetary Instruments and Transactions) and 12 U.S.C. Chapter 21 (Financial Recordkeeping), a State insurance authority, with respect to any person domiciled in that insurance authority's State that is engaged in providing insurance, and the Federal Trade Commission), self-regulatory organizations, or for an investigation on a matter related to public safety;

(5) (i) To a consumer reporting agency in accordance with the Fair Credit Reporting Act (15 U.S.C. 1681 et seq.), or

(ii) From a consumer report reported by a consumer reporting agency;

(6) In connection with a proposed or actual sale, merger, transfer, or exchange of all or a portion of a business or operating unit if the disclosure of nonpublic personal information concerns solely consumers of such business or unit; or

(7) (i) To comply with Federal, State, or local laws, rules and other applicable legal requirements;

(ii) To comply with a properly authorized civil, criminal, or regulatory investigation, or subpoena or summons by Federal, State, or local authorities; or

(iii) To respond to judicial process or government regulatory authorities having jurisdiction over you for examination, compliance, or other purposes as authorized by law.

(b) Examples of consent and revocation of consent. (1) A consumer may specifically consent to your disclosure to a nonaffiliated insurance company of the fact that the consumer has applied to you for a mortgage so that the insurance company can offer homeowner's insurance to the consumer.

How the Federal Reserve Board informs banks—it issued the following questions and answers:
Frequently Asked Questions for the Privacy Regulation
December 2001

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iii. Staff of the Board of Governors of the Federal Reserve System has developed the following Frequently Asked Questions (FAQs) to assist financial institutions in complying with the privacy provisions of the Gramm-Leach-Bliley Act (GLB Act) and the Board's Regulation P. These FAQs illustrate how select provisions of the regulation apply to specific situations a financial institution may confront. However, they do not necessarily address all provisions that may apply to any given situation.
Additionally, this staff guidance addresses a financial institution's obligations only under sections 502-509 of the GLB Act and Regulation P and does not address the applicability of the Fair Credit Reporting Act or any other federal or state law that may pertain to the questions and answers.
Staff may supplement or revise these FAQs as necessary or appropriate in light of further questions and experience.

1 **A. Financial institutions, products, and services that are covered**

under the Privacy Rule

A.1. Q. Who must comply with the Privacy Rule?
A. Any financial institution that provides financial products or services to consumers must comply with the privacy provisions of Title V of the Gramm-Leach-Bliley Act ("GLB Act") (15 U.S.C. §§ 6801-09) and the Privacy Rule. Under the banking agencies' rules,1 you are a financial institution if you engage in an activity that is financial in nature or incidental to a financial activity, as described in § 4(k) of the Bank Holding Company Act of 1956 ("BHC Act") (12 U.S.C. § 1843(k)). For purposes of the banking agencies' rules, activities "described in § 4(k) of the BHC Act" include the activities specifically listed in § 4(k) and any additional activities the Board, in consultation with the Secretary of the Treasury, determines to be financial in nature or incidental to a financial activity in accordance with § 4(k).

Section 225.86 of the Board's Regulation Y lists or otherwise references the activities that are financial in nature as of the date of these FAQs. See 12 C.F.R. 225.86. Note, however, that additional activities the Board authorizes in the future, such as activities approved by Board order, may not necessarily be listed at § 225.86. Authorized financial activities as of the date of these FAQs include but are not limited to the following:

· Lending, exchanging, transferring, investing for others, or safeguarding money or securities; · Insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death, or providing and issuing annuities, either as principal, agent, or broker; and Providing financial advice, underwriting, dealing in, or making a market in securities.

1 The scope of the privacy regulation promulgated by the Federal Trade Commission ("FTC") is more limited than that of the other agencies. Under the FTC's privacy regulation, financial institution means "any institution the business of which is engaging in financial activities as described in § 4(k) of the Bank

Holding Company Act of 1956." See 16 C.F.R. 313.3(k)(1). Moreover, an institution is not a financial institution unless it is significantly engaged in financial activities. Id. In addition, the FTC's regulation does not automatically apply to institutions significantly engaged in activities that the Board determines,

after November 12, 1999, to be financial in nature. See 16 C.F.R. 313.18(a)(2).

2 You have consumers if you provide your financial products or services to individuals to be used primarily for their personal, family, or household purposes. Additionally, the Privacy Rule restricts the use and disclosure of nonpublic personal information obtained from a nonaffiliated financial institution, as discussed below.

A.2. Q. I am a small financial institution with no affiliates. I do not disclose information about my customers or consumers to anyone, except as permitted by an exception under §§ 216.14 and 216.15 of the Privacy Rule.2

Does the Privacy Rule apply to a small operation like mine?

A. Yes. You have responsibilities under the Privacy Rule regardless of your size, affiliate relationships, or information collection and disclosure practices. The Privacy Rule is focused not only on regulating the disclosure of financial information about customers and consumers, but also on requiring each financial institution to provide initial and annual notices of its policies to its customers. You may, however, provide notice in a simplified form, as illustrated by the notice described in § 216.6(c)(5).

A.3. Q. I provide trust services. In this capacity, I serve as the trustee of trusts whose beneficiaries are individuals. Does the Privacy Rule apply to my trust operations?

A. When you act as a trustee, you have a relationship with the trust. Because the trust itself is not an individual, it is not a consumer under the Privacy Rule. Even if the grantor and all the beneficiaries are individuals, neither the grantor nor any of the beneficiaries are your consumers solely because of their relationship to the trust. If, for example, the trust requires you, as trustee, to transfer money to a beneficiary, you provide that financial service to the trust rather than the individual who is the beneficiary. In other words, grantors and beneficiaries of a trust are not your consumers unless they directly obtain a financial product and service from you for their personal, family, or household purposes. Accordingly, you do

not have any obligations under the Privacy Rule with respect to the trust. Your duties as a fiduciary, however, may require you to maintain the

2 All subsequent section references are to the Privacy Rule unless otherwise noted.

3 confidentiality of information about the trust, its grantor, and its beneficiaries.

A.4. Q. I act as a custodian for Individual Retirement Arrangements ("IRAs"). Are the individuals who own the IRAs my customers?

A. Yes. An individual who establishes an IRA account for which you act as a custodian has obtained a financial product or service that is to be used primarily for personal, family, or household purposes; therefore, he or she is a consumer. When an individual selects you to act as custodian for his or her IRA, the individual enters into a continuing relationship with you and becomes your customer under the Privacy Rule. By contrast, an individual who is a participant or a beneficiary of an employee benefit plan that you sponsor or for which you act as trustee or fiduciary is not your customer because your relationship in that case is with the plan.

A.5. Q. I am a tax return preparer and I understand that I may be subject to the Privacy Rule concerning the disclosure of my clients' nonpublic personal information. However, I also am subject to section 7216 of the Internal Revenue Code, which restricts the use and disclosure of my customers' federal tax return information. Do the privacy provisions of the GLB Act and the Privacy Rule supersede the restrictions in section 7216?

May I now disclose my customers' federal income tax return information after I provide them with the proper notices and give my customers a reasonable opportunity to opt out?

A. No. The Privacy Rule does not supersede the restrictions in section 7216. The GLB Act and the Agencies' implementing regulations do not authorize a financial institution to disclose nonpublic personal information in a way that is prohibited by some other law. Therefore, you may not avoid the restrictions of section 7216 by providing your customers with an opt out notice and a reasonable opportunity to opt out.

B. Individuals who are entitled to receive notices B.1. Q. Why does the Privacy Rule sometimes refer to consumers and other times to customers? Aren't customers also consumers?

A. All customers are consumers, but not all consumers are customers.

4 A consumer is an individual who obtains a financial product or service from you that is primarily for personal, family, or household purposes. A financial product or service includes the evaluation or brokerage of information collected in connection with a request or application, such as a bank's review of loan application materials to determine whether an applicant qualifies for a loan. A customer is a type of consumer, namely, an individual who has an ongoing relationship with you under which you provide a financial product or service. Note that neither a business nor an individual who obtains a financial product or service for business purposes is a consumer or a customer under the Privacy Rule. The rule distinguishes consumers from customers because your responsibilities to provide notices to consumers and to customers differ in several respects. You must give all your customers initial privacy notices. You must give initial notices (or short form notices) to consumers who are not your customers only if you intend to disclose nonpublic personal information about those consumers to nonaffiliated third parties (unless an exception in §§ 216.14 or 216.15

applies such that no initial notice is required prior to the disclosure). · You must give annual privacy notices to your customers as long as

they remain your customers. ou are never required to send annual notices to consumers who are not your customers. It is important to remember that all consumers are entitled to the same protection from disclosures of nonpublic personal information under this regulation regardless of whether they are customers. You therefore must not disclose the nonpublic personal information of any consumer or any customer to any nonaffiliated third party outside of the exceptions in §§ 216.13 – 216.15 unless you provide a privacy notice and a reasonable opportunity to opt out, and the consumer or customer does not opt out.

B.2. Q. I occasionally make business loans to sole proprietors. Do I have to provide them with a privacy notice?

5 A. Although a sole proprietor is an individual, if the sole proprietor obtains a loan from you for business purposes he or she is not a “consumer”for purposes of the Privacy Rule. Therefore, you do not have to provide any privacy notices to the sole proprietor. B.3. Q. Is a guarantor or an endorser of a consumer loan considered my consumer or customer?

A. A guarantor or endorser of a consumer loan is your customer because the individual assumes secondary liability on the loan he or she guarantees or endorses and thereby receives an extension of credit from you.

You may, however, treat the primary borrower and the guarantor or endorser as joint account holders. As a result, you may deliver a single privacy notice to the joint account holders in accordance with § 216.9(g). If you disclose information to nonaffiliated third parties outside of the exceptions in §§ 216.13 – 216.15, you must also provide the primary borrower and the guarantor/endorser with an opportunity to opt out. You may deliver a single opt out notice to the joint account holders under § 216.7(d).

B.4. Q. Non-U.S.-resident consumers conduct business at my U.S. offices. Do the privacy regulations apply in cases where consumers live in another country?

A. Yes. The privacy regulations apply to all United States offices of entities for which the federal financial institution regulators have primary supervisory authority, regardless of where the consumer lives.

B.5. Q. Is a person who only browses my web site my consumer? A. No. The person does not obtain a financial product or service from you merely by browsing your web site.

C. Delivering your privacy notices

C.1. Q. I issue credit cards to consumers. Very often, I take credit card applications by telephone and approve them within minutes. My customers wish to begin using their new accounts right away. When must I deliver initial notices in these cases?

6 A. You cannot deliver your privacy notice solely by explaining it over the telephone. However, you may provide an initial notice within a reasonable time after establishing a customer relationship if (i) providing it when you establish that relationship would substantially delay the customer’s transaction, and (ii) the customer agrees to a later delivery. In the case of approving a credit card application by telephone, waiting until you have time to mail the notice would substantially delay the customer’s use of a new credit account. As long as your new customer agrees to receive the notice later, you may deliver it

within a reasonable time after establishing the customer relationship. Notwithstanding that exception, delayed delivery of an initial notice does not alter the restrictions on disclosing nonpublic personal information. That is, if you delay delivering your initial notice to a customer, you may not disclose that customer's nonpublic personal information to any nonaffiliated third party (except as permitted by the exceptions under §§ 216.14 and 216.15) before you provide the notices and a reasonable opportunity to opt out, in accordance with §§ 216.7 and 216.10.

C.2. Q. I am a financial institution with several subsidiaries. Must each affiliated financial institution issue a separate privacy notice? If affiliated financial institutions are permitted to combine their notices, how may we identify them in the notice?

A. You and your subsidiaries may share common privacy policies and practices and you may combine your respective privacy notices into a joint notice. However, any joint notice must be accurate as to each institution, must be clear and conspicuous, and must identify which institutions it covers. You do not have to list each financial institution by its particular legal name. Instead, if each institution shares the "ABC" name, then the joint notice could state that it applies to "all institutions with the ABC name" or "in the ABC family of companies." Conversely, if an affiliated institution does not have ABC in its name, then your notice must separately identify that institution.

C.3. Q. My privacy notice must identify "categories" of nonpublic personal information I collect and categories of affiliates and nonaffiliated

7 third parties with which I share that information. How detailed do the categories need to be?

A. The Privacy Rule does not require your privacy notices todescribe in detail the information you collect or disclose. Moreover, you are not required to identify by name parties to whom you may make disclosures. Rather, you may describe the types, or categories, of information you collect and disclose, and the types of third parties to whom you disclose the information. These categories must be representative of your policies and practices. Because the examples in the rule that describe categories of information and parties to whom you disclose information are not exclusive, you may describe the items in § 216.6(a)(1)-(9) that apply to you by using other reasonably understandable language that informs a consumer about your privacy policies and practices. You also may use different language and may provide additional detail as appropriate to explain your policies and practices to your consumers. In addition, the Privacy Rule requires you to address only those items that apply to you. Your initial notice must accurately describe your policies and procedures as of the time you provide the notice to a consumer or customer. A notice also may be accurate even if it reflects anticipated as well as current policies and practices.

C.4. Q. Won't my annual notice look just like my initial notice?

A. The initial and annual notices may be identical because the required contents for your initial notice are the same as those for your annual notice. You must, of course, incorporate any revisions you make to your privacy policy into your annual notice. Your annual notice, like your initial notice, must describe any right of consumers to opt out of disclosures you may make and must describe how consumers may opt out. If the only opt out method you allow is for consumers to send you a specific opt out form, then you must include that form with your initial and annual notices.

C.5. Q. After I provide an initial privacy notice to my customer, the Privacy Rule requires me to deliver privacy notices to that customer not less than annually during the continuation of the customer relationship. What does “annually” mean?

A. “Annually” means at least once in any period of

8 12 consecutive months during which a customer relationship exists. If you use the calendar year as your notice period, you have the flexibility to give the first annual notice to a customer at any point in the calendar year following the year in which the customer relationship is established. Thereafter, you are expected to provide annual notices on a consistent basis. Any period of more than 12 consecutive months between annual notices should have an appropriate business justification.

C.6. Q. Can I combine my privacy notice with other consumer disclosures, such as those under the Truth in Lending Act (Regulation Z) or the Truth in Savings Act (Regulation DD)?

A. The Privacy Rule does not prohibit you from combining your privacy notices with other information. However, you still must comply with all applicable requirements, such as those governing form, content, and delivery of notices. For example, if you combine your privacy notice with a disclosure under Regulation Z or Regulation DD, each component of the combined notice/disclosure must comply with the “clear and conspicuous” requirements in the regulation governing that component.

C.7. Q. I do not disclose any nonpublic personal information about my customers to any affiliates or nonaffiliated third parties, except under the conditions described in §§ 216.14 and 216.15 (exceptions to notice and opt out requirements). What aspects of my privacy policies and practices must my notice address?

A. In this case, you may use a simplified notice. A simplified notice is sufficient if it: · Describes the categories of nonpublic personal information you collect; ·

States the fact that you do not share nonpublic personal information about your customers or former customers to affiliates or nonaffiliated third parties, except as authorized by law; and Describes your policies and practices for protecting the confidentiality and security of consumers’ nonpublic personal information (under § 501(b) of the GLB Act).

C.8. Q. I own and operate several ATMs. Many consumers who use them are not my customers. I disclose to nonaffiliated third parties

9 nonpublic personal information about those consumers other than as permitted by the exceptions in §§ 216.14 or 216.15, so I must provide them with the required notices when they use my ATMs. But ATM screens are very small. Am I required to purchase machines with screens large enough to hold my privacy policy? Must I make consumers click through dozens of tiny screens of information?

A. Neither new machines nor multiple screens are necessary. You must provide an opt out notice, as required under § 216.7. This notice must state that you disclose nonpublic personal information about the consumer to nonaffiliated third parties, state that the consumer has a right to opt out of that disclosure, and provide a reasonable opportunity for the consumer to opt out (such as by requiring the consumer to decide whether to opt out as a necessary part of the transaction). § 216.10(a)(3)(iii). In addition to the opt out notice, you must provide an initial privacy notice. For consumers who are not your customers, you may provide a short-form initial notice with an opt out notice. § 216.6(d). This short-form notice

must state that your privacy policy is available upon request and it must describe a reasonable means for the consumer to get your privacy notice. As with any privacy notice, the opt out notice and the short-form initial notice must be clear, conspicuous, and accurate. These notices must be delivered in a manner so that the consumer can agree to receive the notices electronically, such as by acknowledging receipt of the notices as a necessary step to completing the transaction at the ATM. § 216.9(a).

C.9. Q. I am a small bank. I want to offer credit cards to my customers, but I am too small to handle a credit card operation. Instead, I contract with others to help me. When my customer indicates an interest in getting a credit card, I supply an application form. That form makes clear that the lender is a large bank ("Large Bank"). I am not affiliated with the Large Bank. The customer sends the completed form directly to the Large Bank, so that I do not "collect" the application information within the meaning of § 216.3(c). The Large Bank issues the credit card for approved applicants, with its name on the back. My name and logo are prominent on the front of the credit card. Who must provide the initial privacy notice?

A. When a financial institution makes a consumer loan, as the Large Bank does in this case, it has a customer relationship with that consumer. The Large Bank, therefore, must provide an initial privacy notice and must provide annual notices as long as the credit card relationship

10 continues. You are not required to send any new notices to your customers because you do not appear to be providing any financial product or service to them in connection with this credit card product.

D. Providing notices to joint account holders

D.1. Q. I have two depositors who hold one account jointly. The depositors share the same address. When notice is required, may I mail just one privacy notice?

A. Yes, you may mail one notice to two or more joint account holders at the same address. § 216.9(g).

D.2. Q. What if those same account holders have different addresses?

A. You still may mail one notice to all accountholders jointly at one account holder's address. § 216.9(g).

D.3. Q. One account holder, A, maintains with me a single account and a joint account with another consumer, X. What are my obligations to send privacy notices to A and X? Can I satisfy the initial privacy notice requirement by sending just one notice?

A. In some cases, one notice may be sufficient. For example, if A and X open the joint account first and A subsequently opens an individual account, you need not provide an additional initial notice to A if the most recent notice you provided to A as part of the joint account is accurate as to the individual account. § 216.4(d). If A already has an individual account with you but X becomes your customer at the time the joint account is opened, you must provide an initial notice to X with respect to the joint account. § 216.4(a). However, you may deliver the initial notice either to A or to X by providing one notice to those consumers jointly. § 216.9(g). For example, you may deliver one notice addressed to both A and X. You subsequently may satisfy the annual and revised notice requirements by sending one notice regarding the joint account either to A or X.

D.4. Q. One depositor, A, has two different joint accounts, one with X and the other with Y. When annual or revised notices are required as to both accounts, how many notices must I provide?

11 A. Annual and revised notices pertaining to each of the joint accounts may be provided either to A or to both of the other account holders respectively. Thus, one notice to A is sufficient, as long as the notice is accurate as to both accounts. § 216.9(g). The Privacy Rule does not require you to mail two identical notices to A, one for each account. However, you must neither disclose to X that A has a joint account with Y nor disclose to Y that A has a joint account with X, unless these facts are publicly available. The fact that a consumer is a financial institution's customer is nonpublic personal information, unless you have a reasonable basis to believe that the customer relationship is a matter of public record.

D.5. Q. Assume the same facts as Question D.4. What if the two joint account holders with A, X and Y, have different addresses?

A. You still may provide one notice to A. However, in any communications with X and Y, you must not disclose to X the fact that A has a joint account with Y, nor may you disclose to Y that A has a joint account with X, unless you have a reasonable basis to believe this information is publicly available.

E. Complying with the opt out provisions for joint account holders

E.1. Q. I have two depositors who hold one account jointly. Must I

deliver a separate opt out notice to each account holder and allow each of them to opt out individually? Suppose I mail only one opt out notice for that account, and one of the joint holders checks "I opt out" and returns it to me. To whom does the opt out decision apply?

A. You may deliver either a single opt out notice to one of the account holders or a separate notice to each account holder. In either case, the notice must permit one joint account holder to opt out on behalf of all holders of the account. So long as your notice fulfills this requirement, you also may permit joint account holders to opt out individually. The answer to your second question depends upon how you have designed your opt out notice. Your notice must permit one joint

12 account holder to opt out on behalf of all holders of that account. However, you have several ways to do this. For example, your notice may contain one box that, when checked, will result in an opt out by the person checking the box and all other individuals on the account. Alternatively, the opt out notice may provide boxes that enable each individual on the account to opt out separately, as well as a box that permits one account holder to opt out on behalf of everyone on the account. With either option your opt out notice must clearly and conspicuously describe how each applicable opt out selection will be treated. For example, the opt out selection for all account holders should disclose that the customer making that selection is opting out for all account holders with respect to information concerning that joint account. Similarly, the "individual" opt out selection should explain that the selection applies only to the customer making the selection. If you already are disclosing nonpublic personal information because you did not receive an opt out direction after sending your initial notice, each joint account holder still may choose to opt out at a later date. You must abide by any subsequent opt out decision as soon as reasonably practicable after you receive it, and you must not delay complying with one individual account holder's opt out direction until the remaining account holder(s) opt out. Once a consumer opts out, whether during the initial opt out period or subsequently, you must not share the consumer's nonpublic personal

information to which the opt out applies unless and until the consumer subsequently revokes his or her opt out direction. § 216.7(g)(1).

E.2. Q. I allow joint account holders X and Y to make independent opt out elections. For opt outs, I use reply forms with check-off boxes. Must I mail two opt out response forms for one joint account?

A. No, only one is necessary. However, you must allow each account holder a reasonable amount of time to opt out before disclosing any nonpublic personal information about him or her. For example, suppose you normally allow each consumer thirty days to opt out, and you immediately receive an opt out instruction from X but not from Y. You still must allow Y the standard thirty days to opt out before you may disclose any nonpublic personal information relating to the joint account. You may disclose

13nonpublic personal information about Y if Y does not opt out within the reasonable opt out period, but only to the extent such a disclosure would not reveal nonpublic personal information about X.

E.3. Q. I allow joint account holders to make independent opt out elections. May I require each account holder to opt out in a separate response?

A. No. You must allow both account holders a reasonable opportunity to opt out in one response, such as one opt out form or in one call to your toll-free opt out line.

E.4. Q. I allow joint account holders, X and Y, to make independent opt out elections. Suppose that X opted out, but Y did not respond. What nonpublic personal information about X and Y may I disclose?

A. Because X has opted out, you must not disclose any nonpublic personal information about X, except as permitted by an exception at §§ 216.13, 216.14, or 216.15. In addition, you must not disclose nonpublic personal information about Y except as permitted by an exception if the disclosure of that information also would disclose nonpublic personal information about X. For example, suppose that X and Y are married, share the same surname, reside at the same address, and jointly hold a savings account with you. You may disclose nonpublic personal information relating to that account about Y, such as the average monthly balance in the account, as long as that disclosure does not include any nonpublic personal information about X. Furthermore, you must not disclose the fact that Y holds the joint account together with X.

F. Delivering opt out notices and providing consumers with a reasonable opportunity to opt out of disclosures

F.1. Q. Must I provide opt out notices if I do not disclose nonpublic personal information to nonaffiliated third parties, except as permitted under one of the exceptions under §§ 216.13, 216.14, or 216.15?

14 A. No. If you disclose nonpublic personal information only under one or more of those exceptions, you need not provide any opt out notices. Nonetheless, be aware that if you disclose nonpublic personal information under § 216.13, then you must provide an initial notice that includes a separate statement that describes that disclosure. Also, you must provide an annual notice to your customers regardless of your disclosure policies and practices. § 216.5.

F.2. Q. What are some reasonable means of allowing consumers an opportunity to opt out?

A. You may provide various opt out methods that are reasonable, depending on the circumstances surrounding the financial product or service. For example, for new customers who open credit card accounts, you may deliver a form with a check-off box that they can check and return to you. If you use this method, you must deliver the check-off form with your opt out notice. You also may provide a toll-free telephone number that consumers can call to opt out. §§ 216.7(a)(2)(ii), 216.10(a)(3)(i). The Privacy Rule provides that you may require a consumer to opt out through a specific means if that means is reasonable for that particular consumer. § 216.7(a)(2)(iv). For example, you may require a consumer who has agreed to the electronic delivery of notices to opt out by using a process available on your web site if that consumer uses your web site to access financial products or services. You also may require a consumer who conducts an isolated transaction at your branch, ATM, or office in person to decide whether to opt out as a necessary part of completing the transaction and to use the means you specify to effect his or her opt out direction. § 216.10(a)(3)(iii).

Note that you may *allow* any consumer to opt out by e-mail or by using a process available on your web site, but you may not *require* the consumer to use an electronic method if the consumer has not agreed to electronic delivery of notices. Under these circumstances, you must provide other reasonable methods for the consumer to opt out. No particular method described in an example in the Privacy Rule is strictly required and there may be other reasonable methods for allowing a consumer to opt out of disclosures. Some methods to opt out, however, are unreasonable. For instance, you must *not* require consumers to

15 write their own letters to opt out as the only opt out method. § 216.7(a)(2)(iii)(A).

F.3. Q. If I allow my customers to mail a form to indicate their opt out election, am I required to provide my customers with a postage-paid envelope so they can mail the form back?

A. No. You are not required to provide an individual with a postage-paid envelope to meet the requirement that you provide a reasonable means for consumers to opt out.

F.4. Q. In our initial and annual notices, our bank would like to provide a tear-off opt out form and our privacy policies on the front and back of a single sheet of paper. Is this permissible?

A. Yes, provided the opt out form may be detached without removing text from your privacy policy. However, if by detaching the opt out form the customer removes text from the privacy policy, the practice may violate § 216.9(e). This section requires a financial institution to provide its privacy notices in a form in which a customer can retain them or obtain them later. If the customer would remove text from your privacy policy by detaching the opt out notice, then you should either redesign the privacy notice or have procedures in place to provide a customer with the complete text of your privacy notice upon request.

F.5. Q. I provide consumer credit cards. I would like to disclose to nonaffiliated third parties different types of nonpublic personal information about my customers, such as their addresses and their account information. The nonaffiliated third parties are not financial institutions with which I have a joint agreement. I realize that I must allow my customers to opt out of all these disclosures, but may I give them the choice to opt out of disclosures of certain categories of information as well as all categories of information to nonaffiliated third parties?

A. Yes. You must allow your customers to opt out of all these disclosures to nonaffiliated third parties. Additionally, you may allow your customers to choose to opt out of some types of disclosures, rather than simply all of those disclosures. For example, you may allow your customers to opt out of disclosures of account information and provide a separate

16 opportunity for customers to opt out of disclosures of their addresses. § 216.10(c).

F.6. Q. I make consumer loans. I would like to disclose my customer list to nonaffiliated clothing retailers and to nonaffiliated automobile dealers. These nonaffiliated third parties are not financial institutions with which I have a joint agreement. I realize that I must allow my customers to opt out of all these disclosures. But may I also give them the choice to opt out of disclosures to certain kinds of nonaffiliated third parties without having to opt out of disclosures to all kinds of third parties?

A. Yes. You must allow your customers to opt out of all these disclosures. Additionally, you may allow your customers to choose to opt out of disclosures to some kinds of nonaffiliated third parties instead of simply all of those parties. For example, you may allow your customers to opt out of disclosures to clothing retailers and allow a separate opportunity for the same customers to opt out of disclosures to automobile dealers.

F.7. Q. We deliver opt out notices by mail and allow our new customers 30 days to opt out before we begin sharing their information with nonaffiliated third parties. Section 216.7(e) provides that a financial institution must comply with a consumer's opt out direction as soon as reasonably practicable after the financial institution receives it. It may take our bank up to five weeks to process an opt out direction. If we mail a new customer a privacy and opt out notice on September 1 and we receive the customer's opt out direction on September 15, may we share that individual's nonpublic personal information between September 15 and October 22 — the date by which we can process the opt out?

A. No. Because your question concerns a new customer rather than an existing one, the standard in § 216.10(a)(1) rather than that in § 216.7(e) applies. Section 216.10(a)(1) of the Privacy Rule provides that a financial institution may not share a consumer's nonpublic personal information unless the institution has given the consumer an initial privacy notice, an opt out notice, and a reasonable opportunity to opt out, and the consumer has not opted out. If your customer opts out at any point within the 30-day period in your example, then you would not be able to disclose that individual's information to nonaffiliated third parties unless the customer subsequently revoked the opt out direction. § 216.7(g)(1).

17 Section 216.7(e) applies only where the financial institution is already lawfully disclosing nonpublic personal information of existing customers or consumers to nonaffiliated third parties. Because the Privacy Rule permits consumers to opt out at any time, § 216.7(e) provides an institution with a reasonable period of time to process an existing consumer's opt out election before the institution must cease disclosing the consumer's information. The institution must process the opt out election as soon as reasonably practicable. For example, following the 30-day period that you provide initially for your customers to opt out, you may disclose the nonpublic personal information of those individuals who have not exercised their right to opt out. However, you must honor any subsequent opt out election by any of those customers "as soon as reasonably practicable."

G. Complying with the limitations on redisclosure and reuse of nonpublic personal information

I. Nonpublic personal information disclosed under an exception I am a consumer lender, but a nonaffiliated third party ("Servicer") services my loans. I disclose nonpublic personal information to the Servicer under an exception for that purpose. I have the following questions.

G.1. Q. I disclose nonpublic personal information about my customers to the Servicer so the Servicer can process transactions that the customers have requested. May the Servicer disclose the information it collects from me about my customers to a retail merchant that is not affiliated with me?

A. Generally, no. When the Servicer receives nonpublic personal information about your customers under an exception to the notice and opt out provisions, such as in connection with servicing your loans, the Servicer's use and disclosure of that information is limited. The Servicer must not disclose any nonpublic personal information to a retail merchant not affiliated with you unless the Servicer may do so under an applicable exception in §§ 216.14 or 216.15. For example, the Servicer may not provide information about your customers to the retail merchant for marketing purposes.

G.2. Q. May the Servicer disclose the nonpublic personal information to my affiliate?

18 A. Yes. The Privacy Rule explicitly provides that the Servicer may disclose the information to your affiliate. § 216.11(c)(1).

G.3. Q. May the Servicer disclose the information to the Servicer's affiliate?

A. Yes, but the Servicer's affiliate may disclose and use the information only as the Servicer could disclose and use it. § 216.11(c)(2). The Servicer's affiliate therefore may use the information to service your loans. The affiliate also may disclose the information under an applicable exception in §§ 216.14 or 216.15 in the ordinary course of business to carry out the activity covered by the exception under which the Servicer received the information.

II. Nonpublic personal information disclosed outside of an exception I am a consumer lender and am affiliated with a property insurer. In my privacy notices I inform consumers that I disclose nonpublic personal information to my affiliated insurance company. My privacy notice also states that, if a consumer does not opt out, I may disclose nonpublic personal information about the consumer to nonfinancial companies, such as retailers. Among the nonaffiliated third parties to whom I disclose information are an automobile dealer and a residential plumbing company. The plumbing company is affiliated with a company that sells air conditioning products and services. I have the following questions about disclosing information about consumers who do not opt out.

G.4. Q. I disclose information about my customers who do not opt out to a residential plumbing company. Can the plumbing company use the information for marketing purposes?

A. Yes. This is permissible because you disclosed nonpublic personal information to the plumbing company in accordance with the notice and opt out provisions of the GLB Act. § 502(a)-(b) of the Act, codified at 15 U.S.C. § 6802(a)-(b). In other words, you disclosed information about a consumer consistent with your privacy notice and the consumer's choice not to opt out.

19 As illustrated in the following questions and answers, when the plumbing company receives from you nonpublic personal information about a consumer who has not elected to opt out, the company is free to use the information for marketing or other purposes.

However, the plumbing company may disclose the nonpublic personal information it receives from you only if such a disclosure is consistent with the restrictions on disclosure of the information described in your privacy policy. § 216.11(d). The plumbing company therefore is required to honor any subsequent opt out elections made by consumers pursuant to your privacy policy and accordingly must have a mechanism through which it can monitor and implement subsequent opt out elections you receive.

G.5. Q. One of my affiliates sells insurance. May the plumbing company, who received my customers' information outside an exception, disclose that information to my affiliated insurer?

A. Yes. The Privacy Rule explicitly provides that the plumbing company may disclose the information to your affiliate. § 216.11(d)(1). G.6. Q. I disclosed information to the plumbing company outside an exception. The plumbing company is affiliated with an air conditioning company. The air conditioning company is not affiliated with me. May the plumbing company disclose my consumers' nonpublic personal information to that air conditioning company?

A. Yes. The Privacy Rule permits a party that receives nonpublic personal information outside of an exception to disclose that information to its affiliates. In this case, therefore, the plumbing company may disclose the information to its affiliated air conditioning company. However, the affiliated air conditioning company may, in turn, disclose the information only to the extent that the plumbing company may, consistent with your privacy notice. § 216.11(d)(2).

G.7. Q. I disclosed information to the plumbing company outside an exception. May the plumbing company disclose my consumers' nonpublic personal information to a nonaffiliated automobile parts retailer?

A. Yes. The Privacy Rule permits a party that receives nonpublic personal information outside of an exception to disclose that information to 20 another nonaffiliated third party, provided that it would be lawful for the original financial institution to make that disclosure directly to that party. Under your privacy notice, it would be lawful for you to disclose nonpublic personal information about those consumers who chose not to opt out to the automobile parts retailer. § 216.11(d)(3). However, the plumbing company could not disclose nonpublic personal information obtained from you to other nonaffiliated retailers if your privacy policy would not permit such disclosures.

H. Complying with the limitation on disclosing account numbers

H.1. Q. I am a depository institution. I transform my customers' account numbers into encrypted forms that can be used solely to identify those customers. I enter into an arrangement with a third party telemarketing firm whereby I disclose my customers' names, telephone numbers, and encrypted identifying numbers. The third party telemarketing firm uses that information to market products (other than products I offer) to those customers. For those customers who agree to purchase the products, the third party telemarketing firm submits their encrypted identifying numbers to me, and I decrypt them into account numbers. At the end of this process, am I permitted to disclose the customers' actual account numbers to the third party telemarketing firm so that the telemarketing firm can initiate the charges to the customers' accounts?

A. No. Section 216.12 generally prohibits you from disclosing credit card, deposit, or other transaction account numbers “for use in telemarketing, direct mail marketing, or other marketing through electronic mail to the consumer.” Accordingly, you must not provide your customers’ account numbers to the third party telemarketing firm “for use in telemarketing.” The primary reason a marketer seeks access to a customer’s account number is to allow the marketer to initiate a charge to the customer’s account as part of the transaction. Section 216.12 prohibits you from disclosing customer transaction account numbers to the third party telemarketing firm to initiate a charge to a customer’s account even after a customer accepts the product. Moreover, the general exceptions for notice and opt out under §§ 216.14 and 216.15, including the exception for disclosing information with the consent or at the direction of the consumer,

21 do not apply to disclosures of account numbers for use in marketing that are prohibited by § 216.12.

Section 216.12 provides only three exceptions. A financial institution may disclose its customers’ account numbers to: (i) a consumer reporting agency; (ii) its agent to market the institution’s own products or services, provided that the agent is not authorized to directly initiate charges to the account; or (iii) another participant in a private label credit card or an affinity or similar program involving the institution. Because none of these exceptions applies in your case, you must not provide your customers’ account numbers to a third party telemarketing firm so that it can initiate the charges to the customers’ accounts.

H.2. Q. I would like to enter into an arrangement with a nonaffiliated insurance agency that markets its products to my customers through direct mail solicitations. The proposed arrangement contemplates that I would disclose a customer’s account number to the insurance agency’s affiliate. The affiliate then would use the account number to debit the purchase price from my customer’s account in response to these solicitations. The affiliate’s only role in the arrangement would be initiating the charges. Does the Privacy Rule allow me to disclose a customer’s account number to the insurance agency’s affiliate under these circumstances?

A. No. The Privacy Rule prohibits you from disclosing your customers’ account numbers to *any* nonaffiliated third party for use in marketing. § 216.12(a). Although the affiliate in your hypothetical does not distribute marketing materials but only initiates charges, its conduct of that activity is an integral part of your marketing arrangement with the insurance company. The disclosure of a customer’s account number to the insurance company’s affiliate under these circumstances therefore would be a disclosure for use in marketing that violates the Privacy Rule.

I. Disclosing nonpublic personal information under the exceptions to the notice and opt out provisions

I.1. Q. I offer consumer checking accounts. I notify my customers that, among other things, I make disclosures as permitted by law. Merchants sometimes call me and ask whether a particular consumer’s checking account has sufficient funds to cover a check to the merchant. How does the Privacy Rule apply to my response to the merchant’s question?

22 A. The Privacy Rule allows you to disclose nonpublic personal information about your consumers without providing them a reasonable opportunity to opt out under certain circumstances. These exceptions to the opt out requirement are described at §§ 216.13 – 216.15 of the Privacy Rule. For example, you do not need to allow your customer to opt out of a disclosure made in connection with processing or clearing checks (§ 216.14(b)(2)(vi)(A))

or for the purposes of preventing actual or potential fraud, unauthorized transactions, claims, or other liability (§ 216.15(a)(2)(ii)). Therefore, if you have notified your customer that you make disclosures as permitted by law, you may disclose whether your customer's checking account has sufficient funds to cover a check, regardless of whether or not the customer has exercised his or her opt out rights.

Be aware of the possibility that the caller may be attempting to obtain information about your customer through false or fraudulent statements to you. Toward this end, you must ensure that you respond to the caller in accordance with the controls you have implemented as part of your information security program, as required by the applicable provisions of the banking agencies' Interagency Guidelines Establishing Standards for Safeguarding Customer Information (the "security guidelines"). See 66 Fed. Reg. 8616 (February 1, 2001).

I.2. Q. While we may confirm funds availability to a merchant where our customer seeks to pay for merchandise with a check under the exceptions in §§ 216.14 and 216.15, may we confirm funds availability to an individual who is not a merchant for the same purpose? For instance, if our customer wants to use a check to purchase a used car from an individual seller, may we respond to the seller's request about the availability of funds in the customer's account under these exceptions?

A. Whether or not someone is a "merchant" is not material to determining if you may disclose customer information pursuant to the exceptions in §§ 216.14 and 216.15. You should determine whether the third party to whom you intend to disclose information actually is involved in carrying out a financial transaction that is requested or authorized by your customer. Check verification is permitted under the exceptions to the notice and opt out provisions, such as in connection with processing or clearing a 23

check under § 216.14(b)(2)(vi)(A), and under § 216.15(a)(2)(ii) to protect against or prevent actual or potential fraud or unauthorized transactions. As discussed in the answer above, if you make such a disclosure you should take appropriate measures to ensure that the individual inquiring has a legitimate need for the information and is not engaging in an attempt to obtain customer information fraudulently. Concerns about properly safeguarding customer information are heightened in a situation in which you disclose nonpublic personal information to an individual rather than to a known merchant.

I.3. Q. I offer consumer checking accounts. I notify my customers that, among other things, I make disclosures as permitted by law. My checking account customers deposit checks made payable to my customer but drawn on a financial institution unaffiliated with me. My practice is to write my customer's account number on the back of the deposited check to facilitate its processing. The check itself then goes to the maker's financial institution, with my customer's account number on the check. Is this a disclosure of nonpublic personal information that would be subject to opt out requirements or the prohibition against sharing account numbers?

A. No. The opt out provisions do not apply to disclosures in connection with servicing or processing a financial product or service that a consumer requests or authorizes. Nor do they apply to disclosures that are required, or are a usual, appropriate, or acceptable method in connection with settling, processing, clearing, transferring, reconciling or collecting amounts charged, debited or otherwise paid. §§ 216.14(a),

216.14(b)(2)(vi)(A). Also, because the account number is added to the check solely for use in processing the check and is not used in connection with marketing by a third party, this

disclosure is not prohibited by the ban on disclosing account numbers for marketing purposes. § 216.12.

I.4. Q. I made a loan to a consumer who defaulted. In trying to collect the bad loan, I wish to learn information to locate the defaulting borrower. I believe that a financial institution unaffiliated with me may have some helpful information about the borrower. If I were to ask that institution for information, I would disclose nonpublic personal information, such as the fact that I have a loan to a particular consumer. I previously notified my borrower that, among other things, I make disclosures as permitted by law.

24 Must I allow my borrower to opt out of my question to the financial institution? A. No. You may disclose nonpublic personal information to the financial institution without complying with the opt out provisions as necessary to enforce a consumer loan where the disclosure is required or is one of the lawful or appropriate methods to enforce your rights. § 216.14(b)(1).

I.5. Q. A financial institution that is not affiliated with me made a loan to a consumer who defaulted. In trying to collect the bad loan, the lender wishes to learn information to locate the defaulting borrower. The lender believes that I may have some helpful information about the borrower and asks me to disclose nonpublic personal information. I notify my consumers that, among other things, I make disclosures as permitted by law. May I disclose nonpublic personal information to help the lender try to collect a bad loan without providing opt out notices?

A. Where you have notified your consumer that you make disclosures as permitted by law, you may make disclosures to “persons holding a legal or beneficial interest relating to the consumer,” or under the appropriate circumstances, “to protect against or prevent actual or potential fraud, unauthorized transactions, claims, or other liability,” without providing opt out notices and a reasonable opportunity for a consumer to opt out. §§ 216.15(a)(2)(iv), 216.15(a)(2)(ii). Thus, disclosures to the lender may be permissible without complying with the opt out provisions.

As stated above, you must be aware of the possibility that the party requesting the information may be attempting to obtain that information about your customer through false or fraudulent statements to you.

I.6. Q. I make consumer loans. I notify my customers that, among other things, I make disclosures as permitted by law. A state law requires me to disclose to the state the names, addresses, social security numbers, and account balances of individuals the state believes have failed to make required child support payments. Does the Privacy Rule require me to allow my customers to opt out of disclosures to the state under this state law?

25 A. No. The Privacy Rule exempts from the opt out provisions any disclosures you make “[t]o comply with Federal, State, or local laws, rules and other applicable legal requirements.” § 216.15(a)(7)(i).

I.7. Q. Must I provide a privacy notice to consumers who are not my customers when I have to report information about denied mortgage applicants under the Home Mortgage Disclosure Act (“HMDA”)?

A. No. If the information that HMDA requires you to disclose is not personally identifiable, the Privacy Rule would not apply to your disclosure of that information. Alternatively, if you disclose nonpublic personal information to comply with the law, you may disclose the

information under § 216.15(a)(7)(i) without providing a privacy notice to consumers who are not your customers.

I.8. Q. We often receive phone calls from auto dealers or other financial institutions requesting loan pay-off amounts on our customers. May we respond to these requests without providing those customers with a reasonable opportunity to opt out of that kind of disclosure?

A. Yes, if the disclosure is in connection with servicing or processing a financial product or service from the third party that the customer has requested or authorized. In your case, for example, you may disclose loan pay-off information to a third party lender where your customer seeks to refinance the bank loan with the other lender. Alternatively, you may disclose nonpublic personal information that is required, or is a usual, appropriate or acceptable method to carry out the transaction that the customer has requested or authorized. § 216.14(a). This would be the case, for example, if the car dealer accepts your customer's car as partial consideration for the purchase of another vehicle and wants to know the outstanding amount on the customer's car loan with you. As discussed in response to several of the questions above, you should be aware of the possibility that the caller may be attempting to obtain information about your customer through false or fraudulent statements to you. Toward this end, you must ensure that you respond to the caller in accordance with the controls you have implemented as part of your information security program.

26 I.9. Q. During the ordinary course of business, I may request proof of insurance from a nonaffiliated insurance agency on an automobile that serves as our collateral on a customer's loan. May I disclose customer information to the insurance agency in order to obtain this information without triggering specific notice and opt out requirements?

A. Yes, you may disclose nonpublic personal information, such as the existence of your relationship with a particular customer, to a nonaffiliated insurance agency in order to obtain proof of insurance under the exceptions to the specific notice and opt out requirements in § 216.14.

For example, you could disclose nonpublic personal information under the exception in § 216.14(b)(1) as a lawful or appropriate method to enforce your rights in providing the loan.

I.10. Q. I make wire transfers for consumers who are not otherwise my customers. Do I have to provide an initial privacy notice to these consumers when I only make a wire transfer for them?

A. No. Processing a wire transfer for a consumer on a one-time basis would not create a customer relationship, even if the consumer repeatedly requests that one-time service. Accordingly, you do not owe the consumer an initial notice on that basis. Furthermore, this disclosure would fall under the exception for processing a transaction that a consumer has requested or authorized. § 216.14(a)(1). Consequently, you would not be required to provide any privacy notices unless you also disclosed nonpublic personal information about the consumer to nonaffiliated third parties outside of an exception under § 216.14 or § 216.15. See § 216.4(a)(2).

I.11. Q. I use a nonaffiliated third party to service consumer loans, and in this arrangement I disclose to the servicer nonpublic personal information about my borrowers. This arrangement seems to qualify for an exception from both the notice and opt out requirements, under § 216.14(a)(1). At the same time, this arrangement seems to qualify for

an exception from opt out requirements—but not from notice requirements—under § 216.13(a)(1).

The latter exception requires me to provide notice to consumers of the disclosures, and requires language in our contract that restricts the servicer's further disclosure and use of the nonpublic personal information. When a servicing arrangement qualifies for two differing exceptions, which applies?

27 A. When a disclosure qualifies for both the § 216.13 exception and a § 216.14 or § 216.15 exception, you do not need to comply with the notice and confidentiality provisions under § 216.13. Instead, you may make that disclosure solely in accordance with an exception under § 216.14 or § 216.15. I.12. Q. A community bank has an agreement with a mortgage company to prequalify mortgage loan applicants prior to referring them to the mortgage company for underwriting. As part of this agreement, the community bank, among other things, (1) educates applicants about home buying and about different types of loan products available; (2) collects

financial information and related documents; (3) assists the applicant in understanding and resolving credit problems; and (4) maintains regular contact with the applicant during the loan process to apprise the applicant of the status of the application. The community bank forwards the completed loan application to the mortgage company for underwriting, origination and servicing. After the loan is approved, the community bank has no further contact with the applicant with respect to the applicant's loan. Does the bank have to provide an initial privacy notice to the applicant? If so, does the bank have to disclose this information sharing arrangement in its privacy notice, or is it covered by an exception in § 216.14 or § 216.15?

A. If the bank does not already have a customer relationship with the loan applicant, the services that the bank performs pursuant to this program appear to give rise to a customer relationship between the applicant and the bank as described in § 216.3(i)(2)(i)(F), at least until the applicant has completed the loan process. As a result, the bank would have to provide an initial privacy notice. Whether the bank must disclose the information sharing arrangement with the mortgage company in its privacy notice depends on whether the disclosure is permitted under one of the exceptions in §§ 216.13, 216.14, or 216.15.

If the bank and the mortgage company have an agreement to jointly offer, endorse, or sponsor the mortgage company's loan product as described in § 216.13 and otherwise comply with the confidentiality

28 requirements of this section, the bank would have to describe this arrangement in its privacy notice in accordance with § 216.6(a)(5). Where the bank discloses to the applicant that the mortgage loan will be made by the mortgage company and not the bank, the bank's disclosure of the applicant's nonpublic personal information to the mortgage company would fall within the exception in § 216.14(a)(1), to service or process a financial product the consumer has requested. The bank would not have to specifically describe this information sharing arrangement in its privacy notice as long as the notice states that the bank makes disclosures to nonaffiliated third parties as "permitted by law." § 216.6(b).

Finally, the bank could obtain the applicant's specific consent to disclose the applicant's nonpublic personal information to the mortgage company so the applicant may obtain the loan. In that event, the disclosure would fall within the exception in § 216.15(a)(1). The bank's privacy notice may refer to this disclosure as "permitted by law." § 216.6(b).

Where the disclosure of information may be made pursuant to an exception under both § 216.13 and either § 216.14 or § 216.15, the bank may rely on the latter exceptions, and therefore would not have to specifically describe in its privacy notice its disclosure arrangements under § 216.6(a)(5).

The mortgage company also will establish a customer relationship with any applicant for whom it originates a loan, and will have to provide a notice of its privacy policies not later than when it establishes the customer relationship.

J. Complying with the exception to the opt out provisions for joint marketing arrangements

J.1. Q. I disclose my consumer borrowers' names and addresses to a nonaffiliated insurance company. The insurance company sends the borrowers a letter, on my letterhead, offering insurance. I do not sell insurance. Does this arrangement qualify for the § 216.13 joint marketing agreement exception? Must the products described in the marketing materials be our products?

29 A. The exception to the opt out requirement in § 216.13 applies to disclosures you make to nonaffiliated third parties pursuant to a joint written agreement between you and one or more financial institutions under which you and the other financial institution(s) jointly offer, endorse, or sponsor a financial product or service. You may disclose your consumer borrowers' names and addresses to the insurance company under § 216.13 because (i) the insurance company is a financial institution, (ii) insurance is a financial product or service, and (iii) you and the insurance company market the insurance together. The financial product you offer, sponsor or endorse under a joint agreement with another financial institution need not be your product.

You and the insurance company must have a written agreement that restricts the insurance company from disclosing or using the borrowers' nonpublic personal information for any purpose other than selling insurance to the borrowers. Furthermore, you must describe this type of arrangement in your privacy notice in accordance with § 216.6(a)(5).

J.2. Q. I disclose my consumer borrowers' names and addresses to a nonaffiliated retail merchant that sells household goods, hardware, and clothing. The retail merchant wants to send notices, on my letterhead, offering household products. Would this arrangement qualify for the § 216.13 joint marketing agreement exception?

A. No. To qualify for the § 216.13 exception, a joint marketing arrangement must be an agreement between financial institutions for offering, endorsing, or sponsoring financial products or services.

J.3. Q. Each month I mail account statements to my customers. May I include marketing materials for a third party vendor's products in my mailings to my customers? I do not have a joint marketing agreement under § 216.13 with the vendor.

A. Yes. However, you must be careful not to facilitate your customer's unwitting disclosure of his or her nonpublic personal information to the vendor by virtue of a response to the marketing materials. For example, the vendor may have printed a reference code on its marketing materials that indicates that the offer for that product was sent to your customers who share certain financial characteristics. From this code, the vendor would be able to determine that the individual who responds to the 30 marketing materials that you delivered

is your customer or holds certain kinds of assets. In that case, you would have disclosed nonpublic personal information about the customer to the vendor.

To comply with the Privacy Rule under these circumstances, you must either describe these types of marketing arrangements in your initial, annual, or revised privacy notice and provide your customer with a reasonable opportunity to opt out or obtain your customer's specific consent to such arrangements. Alternatively, you may structure the marketing materials so your customer knows that by responding he or she would be disclosing certain categories of nonpublic personal information about himself or herself.

J.4. Q. I am a bank. I have a financial advisory center on my premises that is operated by people employed both by me and by an insurance company. The shared employees do not sell bank products. They sell insurance products and services offered by the insurance company pursuant to a third-party arrangement. We provide the employees with information about our customers so that they may solicit our customers on behalf of the insurance company. Do we have to provide our customers with an opportunity to opt out of these disclosures?

A. You must provide a reasonable opportunity for your customers to opt out of any disclosure of their nonpublic personal information to a nonaffiliated third party unless one of the exceptions applies. Although a dual employee himself or herself is not a "nonaffiliated third party,"

providing customer information to a dual employee for purposes of marketing the insurance company's products and services to your customers is deemed to be providing the information directly to the insurance company. Because the insurance company is a nonaffiliated third party, you must provide your customers a reasonable opportunity to opt out of disclosure of their nonpublic personal information prior to disclosing such information to the dual employees unless the disclosure is covered by an exception.

The exception at § 216.13 specifically permits you to disclose nonpublic personal information about your customer to the nonaffiliated insurance company without providing the customer an opportunity to opt out if three requirements are met:

31 · The insurance company must market financial products or services offered under a joint agreement between you and the insurance company. The joint agreement must be a written agreement under which you and the insurance company "jointly offer, endorse, or sponsor" a financial product or service. Simply agreeing to share customer information with the insurance company would not satisfy this contractual requirement. Rather, your agreement with the insurance company must provide for the joint offering, endorsement, or sponsorship of the financial product or service. For example, a third-party agreement that provides the insurance company will use your name in its marketing materials or offer insurance products and services on your premises would demonstrate that you are jointly offering, endorsing, or sponsoring the products or services with the insurance company;

· You must have provided your customers with an initial privacy notice, including a separate statement describing your joint marketing that satisfies § 216.6(a)(5); and · You must have a written contract that restricts the insurance company from disclosing or using your customer's nonpublic personal information for any purpose other than to offer insurance products and services to those customers. In addition to the foregoing requirements, the prohibition against disclosing a consumer's account number for use in telemarketing, direct mail marketing, or other marketing through electronic mail, as set forth in § 216.12, applies to your arrangement with the insurance company.

J.5. Q. Must I have a confidentiality and security clause in all my contracts with service providers who have access to customer information?

A. Both the privacy regulations and the banking agencies' security guidelines require financial institutions to enter into contracts with service providers that address customer information in particular circumstances. The requirements differ, however, and those differences are as follows:

Under § 216.13 of the Privacy Rule, you may share nonpublic personal information with a servicer, without providing a consumer with the right to opt out of this disclosure, if you have a contract with the servicer that *limits the servicer's ability to further use or disclose this information.*

The Privacy Rule does not require you to have such a contract clause in

32 place prior to disclosing information to any servicer — only those servicing arrangements that fall within § 216.13. If the servicing arrangement is within the scope of the exceptions in §§ 216.14 and 216.15, you may disclose information to the servicer without a contract that limits the servicer's ability to use or disclose nonpublic personal information. In those instances, the servicer will be subject to the limits on reuse and redisclosure under § 216.11. Under III.D.2 of the security guidelines, you must provide by contract with each of your service providers that has access to customer information that it *undertakes security measures that will protect your customer information*. The supplementary materials to the guidelines explain that a service provider must implement controls that satisfy the objectives of the guidelines, yet need not have a security program that is identical to the program that financial institutions themselves must implement under the guidelines. There is a different transition rule for each of these contract clauses. Section 216.18 of the Privacy Rule states that a contract entered into on or before July 1, 2000, must be brought into compliance with the provisions of § 216.13 by July 1, 2002. Contracts entered into after July 1, 2000, should have been brought into compliance by July 1, 2001. The security guidelines provide that a contract entered into on or before March 5, 2001, between a bank and service provider must be brought into compliance with the security guidelines by July 1, 2003. Contracts entered into after March 5, 2001, should have been brought into compliance by July 1, 2001.

The Safeguards Rule requires the following program:

designate employee(s) to coordinate the program,

- identify reasonably foreseeable internal and external risks to the security, confidentiality and integrity of customer information that could result in the unauthorized disclosure, misuse, alternation, destruction or other compromise of such information,
- assess the sufficiency of any safeguards in place to control these risks,
- include employee training and management,
- include an assessment of information systems and network and software design as well as information processing, storage, transmission and disposal,
- include a process to detect, prevent and respond to attacks, intrusions or other systems failures,
- regularly assess and test the risks and monitor the effectiveness of the controls and procedures, and

- make sure service providers have systems in place capable of maintaining similar safeguards.
- Finally, the program must be evaluated and adjusted in light of the results of the testing and monitoring.

Basically, the following must be implemented and it should be in writing:

A. An employee responsible for implementing and maintaining the program must be designated. This can be someone in the audit, compliance, credit, IT or other appropriate department.
B. The program must identify security risks. Unauthorized disclosure, misuse, alteration can occur at the point of sale where an untrustworthy employee can capture the information and subsequently use it. The program must, therefore, restrict sales associates' access to the information through technical and administrative means, such as avoiding paper sales slips with names and account numbers or permitting only electronic capture of the information.
C. The program must require the person designated to run it to assess the sufficiency of the safeguards that are in place.
D. A training program must be implemented for all associates that have access to the protected data that explains the program, the procedures and the requirements that pertain to their handling of the protected information.
E. The information system and network safeguards need to be assessed. This would include a technical assessment of the passwords, fire walls, encryption and other security features designed to prevent hacking into the network. In addition, the information processing and storage systems need to be assessed to determine their security features. The assessment plan needs to be a part of the program.
F. The program needs to define a process to detect security breaches, prevent them and respond to attacks, intrusions or other failures. This could include testing of fire walls and periodic audits.
G. Periodic audits and tests of the program should be built into it to determine whether its various elements are still effective. An annual unannounced test should be part of the program.
H. If Choice Point has any service providers that will have access to the data, they need to be contractually required to have security systems and audits of their procedures need to be conducted.
I. The program should include a process to evaluate and adjust it based on the results and changes in the technical environment.

Attachment 13: Safeguards Rule

Attachment 13 Safeguards Rule.pdf

SAFEGURADS RULE

"Financial Institutions" subject to the FTC's jurisdiction for purposes of the Gramm-Leach-Bliley Act (GLBA) must implement an information security program pursuant to the FTC rule on safeguarding customer information no later than May 23, 2003. Financial institutions subject to the FTC's jurisdiction include mortgage lenders, payday lenders, finance companies, mortgage brokers, non-bank lenders, check cashers and collection agencies.

GLBA required the FTC to establish standards for these financial institutions relating to administrative, technical and physical safeguards for customer information. The objectives of these standards are to: ensure the security and confidentiality of customer records and information, protect against any anticipated threats or hazards to the security or integrity of such records and protect against unauthorized access to, or use of, such records or information that could result in substantial harm or inconvenience to any customer.

Under the rule, financial institutions must:

- __Designate an employee or employees to coordinate its information security program;
- __Identify reasonably foreseeable internal and external risks to the security, confidentiality and integrity of customer information that could result in the unauthorized disclosure, misuse, alteration, destruction or other compromise of such information, and assess the sufficiency of any safeguards in place to control these risks. Such a risk assessment should include consideration of risks in:
  - o Employee training and management;
  - o Information systems; and
  - o Detecting, preventing and responding to attacks, intrusions or other systems failures;
  - __Design and implement information safeguards to control the risks identified and regularly test or otherwise monitor the effectiveness of the safeguards;
  - __Oversee service providers, by:
  - o Taking reasonable steps to select and retain service providers that are capable of maintaining appropriate safeguards for the customer information at issue; and
  - o Requiring service providers by contract to implement and

Attachment 14: Universal Data Form

UNIVERSAL DATA FORM

METRO STATUS CODES (Most frequently used) (Used by CCA and EXPERIAN)	
Code	Description
03	Card lost or stolen
04	Closed, inactive; DELETE RECORD
* 10	Account renewed/refinanced
* 11	Open or closed account in good standing
* 12	Paid Satisfactory
* 13	Paid/closed account/zero balance
42	Account was repo - now redeemed
* 43	Current account/was collection
* 45	Current account/foreclosure was started
57	Paid account was 90 days delinquent
58	Paid account was 120 days delinquent
59	Paid account was 150 days delinquent
60	Paid account was 180 days delinquent
61	Paid in full/voluntary surrender
62	Paid in full/collection/insurance/education
63	Paid in full/repossession
64	Paid in full/charge off
65	Paid in full/foreclosure started
66	Paid by original seller of merchandise
67	Discharged in bankruptcy Chap. 7, 11 or 12
68	Paid in full/less than full balance
69	Debt included in Chapter 13
* 71	Account past due 30 days
* 78	Account delinquent 60 days
* 80	Account delinquent 90 days
* 82	Account delinquent 120 days
* 83	Account delinquent 150 days
* 84	Account delinquent 180 days
85	Could not locate/consumer now located
86	Now paying/was a charge off
87	Foreclosure proceedings started
88	Government claim filed: education loan
89	Deed in lieu of foreclosure
91	Early termination through default
92	Claim filed with government for insured portion of balance
93	Past due—assigned to attorney/collection agency
94	Collateral sold to settle default mortgage
95	Voluntary surrender
96	Merchandise repossessed by credit grantor
97	Unpaid balance reported as a loss/charge off
98	Credit grantor cannot locate consumer

MOP CODES (Used by EQUIFAX and TRANS UNION)	
Code	Description
00	Too new
01	As agreed; not more than 1 payment past due
02	Pays 31-60 days; not more than 2 payments past due.
03	Pays 61-90 days; not more than 3 payments past due.
04	Pays 91-120 days; not more than 4 payments past due.
05	Pays over 120 days; 5 or more payments past due
07	Making regular payments or paid under wage earner plan or similar arrangement.
08	Repossession
8A	Voluntary repossession
8D	Legal repossession
8P	Repossession; making payments
8R	Repossession redeemed
09	Charged off to bad debt
9B	Collection account
9P	Making payments on account rated 09 or 9B

ECOA CODES	
Code	Description
0	Undesignated
1	Individual
2	Joint contractual liability
3	Authorized user
4	Joint
5	Co-Maker
6	On behalf of
7	Maker
T	Association with account terminated
X	Consumer deceased

* DENOTES SUPPLEMENTAL STATUSES FOR AUTOMATED MONTHLY REPORTERS ONLY. THESE STATUSES MAY NOT BE USED BY LIMITED MANUAL REPORTERS.

EXPERIAN 7010/807 (2/97)

Attachment 15: (a) Comply Traq forms (b) On Site Property Observation Request Form

(a) Comply Traq forms
End User Investigation Check List
Client: _____

Date Initiated: _____ **Account Number**: _____

Item		Initials	Label
Application Submission Check List			
1.) Completed and signed Application Submission Check List.	□ In File		
Application Information Complete			
1.) Verify company information & principal information is filled out completely.			
2.) Verify business and bank references have been provided and average bank balance conforms to stated business type.			
Application Verification and Fraud Prevention			
1.) Run Principal name and address through people search to confirm address.	□ Verified/In File		
2.) Run Principal name and address through Criminal Search.	□ Verified		
3.) Run Principal name through OFAC Search.	□ Verified/In File		
4.) Confirm company is listed with directory assistance.	□ Verified/In File		
5.) Pull super phone or reverse phone number search on phone numbers provided for references and verify that business name on search matches business name from reference.	□ Verified/In File		
6.) Call and verify business and bank references listed.	□ Verified		
7.) Run Business information through Bridger product for fraud prevention.			
Bona Fide Business Verification			
1.) Indicate and file item provided for proof of Bona Fide Business Verification: ❑ Copy of Business License ❑ Sales tax records ❑ Articles of Incorporation ❑ State and/or Federal tax records ❑ Corporation verification with state or federal governmen t	□ In File		
2.) Verify presence of marketing materials or business card,	□ In File		

Item		Initials	Label
which conforms to stated business type.			
3.) Verify presence of a copy of a business check, in company's name.	□ In File		
FCRA Information			
1.) Ensure that User has adequately described its business.			
2.) Ensure that User has indicated intended use of information.			
3.) Ensure that User affirmed a permissible purpose.			
4.) Has User indicated its business is one of those listed below, which are businesses not in the traditional financial services industry, or do not routinely have a need for consumer reports in the ordinary course of business or is there any question as to its ethical nature or legitimate need for consumer reports (check any that apply)? ❑ Pawn shop ❑ Dance studio ❑ Employment Screening ❑ Check Cashing ❑ Health club ❑ Private investigator ❑ Attorney or Law Firm ❑ Tenant Screening ❑ Process Server ❑ Repossession company ❑ Bail bonds business ❑ Credit Repair / Counseling ❑ Other: _____	□ Yes □ No		
5.) If a pawn shop, ensure that business is in a secure and safe location.			
6.) If attorney or law firm, ensure that the business name reflects that it is exclusively in the collection business.			
7.) If a bail bonds or repossession business, ensure it is established and reputable.			
8.) Ensure that business is not a credit repair / counseling business, or reselling consumer reports, or providing credit reports direct to consumers.			
Employment Screening Industry Verification			
1.) Did User check "Employment Screening" in the FCRA Information Section?	□ Yes □ No		
2.) If yes, attach signed copy of the "Employment Compliance Certification Form."	□ In File		
3.) Verify that the business has at least 2 employees and list number.	Employees:___		
Tenant Screening Industry Verification			
1.) Did User check "Tenant Screening" in the FCRA Information Section?	□ Yes □ No		

Item		Initials	Label
2.) Verify presence of 3 completed rental applications.	□ In File		
3.) Verify presence of one of the following items and indicate which one provided. ❑ Document Filings in Landlord / Tenant Court ❑ Membership in local/regional/national Apartment Association.	□ In File		
4.) Verify presence of complex name.			
5.) Verify complex is listed with telephone directory assistance.	□ Yes □ No		
6.) Verify complex has more than 2 units.	Units:_____		
7.) Is End User an Individual Landlord?	□ Yes □ No		
8.) If yes, verify receipt of one of the following items and indicate which one: ❑ Copy of Title ❑ Copy of Property tax document ❑ Public records search ❑ Property insurance documents ❑ County Assess or's office records	□ In File		
Operating from a Residence and Permitted by the Reporting Agency			
1.) Did User check "Operating from a Residence"?	□ Yes □ No		
2.) If yes, verify receipt of one of the following items and indicate which one: ❑ Receipt of corporation verification by certificate of incorporation or formation with state or federal government ❑ Receipt of Sole proprietorship/partnership, verification by business license from county or state government or fictitious name application.	□ In File		
3.) Verify business has separate business phone, listed in the name of the business.	□ Verified		
Business Site Verification			
1.) Is a site survey required? (not for Banks, CU's or Government Agencies where address had been verified)	□ Yes □ No		
2.) Order Site Survey.	Date Ordered: __		
3.) Receipt of Site Survey.	□ In File		
4.) Verify sign at place of business, which conforms to stated business type.	□ Verified		
5.) Verify business license is displayed and location of business is safe, is not a residence and conforms to stated business type.	□ Verified		

Item		Initials	Label
6.) Verify office space, furnishings & equipment conforms to stated business type.	□ Verified		
7.) Verify business does not share office space and if so, with a reputable business.	□ Verified		
8.) Verify presence of employees that perform business functions.	□ Verified		
9.) Verify customer files are stored in locked cabinets & destroyed when necessary.	□ Verified		
10.) Verify office, equipment and room to access reports is protected and restricted.	□ Verified		
11.) Is Applicant a Bank?	□ Yes □ No		
12.) If yes, verify Bank is listed at http://www2.fdic.gov/sdi/main.asp & place print screen in file.	□ In File		
13.) Is Applicant a Credit Union?	□ Yes □ No		
14.) If yes, verify CU is listed at http://www.ncua.gov/ & place print screen in file.	□ In File		
15.) Is Applicant a Government Agency?	□ Yes □ No		
16.) If yes, verify government agency is listed at http://www.usgov.gov/ and place print screen in file.	□ In File		
Consumer Reporting Repository "Do Not Sell To" Lists			
1.) Compare customer information to Experian Watch List.			
2.) Compare customer information to Equifax Watch List.			
3.) Compare customer information to ChoicePoint Watch List.			
FCRA Training			
1.) Customer Has Completed FCRA training course.			
2.) Received copy of Certificate.	□ In File		
Auditing			
3.)			
4.)	□ In File		
Client Specific Items			
1.)			
2.)	□ In File		
3.)			
4.)			
5.)			
6.)			

Notes:

Signatures Confirming Completion

Inside Sales Representative		**Manager**	
Signature	Date	Signature	Date

(b) ON-SITE PROPERTY OBSERVATION REQUEST FORM

Date Requested _____ Requested By _____

Company	Sales Representative Name & Number
Address	Type of Business as Submitted on Application
City, State, Zip	Broker Consolidated Billing
Contact Name	Broker Name
Telephone Number	Account Number
Permissible Purpose:	Comments:
Complete this original form and return to requester via appropriate method within 2 business days. Notify requester of any delay and reason for delay beyond 2 business days.	
Representative Name and Company Name	Representative Telephone Number
Date Observation Performed	Relationship of Representative to Company if Broker End User

1. Type of Establishment (Check all that apply)

☐ Exclusive Commercial Building
☐ Store/Shopping Center/Mall
☐ Share office space wi h other businesses
☐ Executive Suite with shared Receptionist
☐ Other

☐ Residence – If yes, does the following exist?
☐ Yes ☐ No Is business area located in any portion of the living quarters
☐ Yes ☐ No Is business located in an apartment or high-rise condominium

If customer shares office space or is in an Executive Suite list the names of the other companies:
_____
_____
_____
_____

Are there locked doors between the companies? ☐ Yes ☐ No

2. Type of Signage _____
☐ Exterior ☐ Interior/Lobby

3. Is location consistent with industry type (i.e. Car lot has vehicles for sale)? ☐ Yes ☐ No

4. Leasing Company Name _____ Telephone No. _____

Are there signs in front of the building or in the lobby referring to the Leasing Company/Agent? ☐ Yes ☐ No

If yes, what is the information?
_____

5. Is there any evidence, inside or out, indicating that the company or any adjacent business is involved in or associated with any of the following?

☐ Investigative/Detective Agency ☐ Credit repair/Credit Counseling ☐ Check Cashing ☐ Process Server ☐ Pawn Shop

If yes, explain:

_____

6. Is the business license displayed in the office? ☐ Yes ☐ No

If no, explain:

_____

If yes, please record: License Number: _____ Expiration Date: _____

Business Type/SIC on License: _____ Licensing Agency/Phone: _____

7. Document Destruction/Storage

Are customer files stored in locked file cabinets? ☐ Yes ☐ No

How does customer destroy confidential documents? ☐ Shredder ☐ Destruction Service Other _____

8. Office Observations

Estimated Square Footage of Office Space _____

Number of employees observed _____

Number of workstations _____

Office Equipment observed (check all that apply) ☐ File Cabinets ☐ Computers ☐ Copier ☐ Phones

☐ Postage Meter ☐ Fax

Are there personal items on the desks or in the office of the employees (i.e. Pictures of family, degrees/awards on the wall)? ☐ Yes ☐ No

9. How will customer receive reports? ☐ DAT ☐ PC ☐ ePort ☐ Other

Equipment Description

_____

(Mfr/Make/Model/Software)

_____

10. Location of equipment used to access credit reports?

_____

11. Is access of equipment restricted? ☐ Yes ☐ No

If yes, how?

_____

12. If no, is the equipment secured to the desk by a PC lock? ☐ Yes ☐ No

13. Is the PC password protected? ☐ Yes ☐ No

14. Is the PC viewable by non-employees? ☐ Yes ☐ No

15. Type of neighborhood surrounding the business? (Check one)

☐ Residen ial ☐ Commercial

☐ Rural ☐ Other _____

Status of neighborhood (Check one)

☐ Stable ☐ Improving

☐ Other _____

16. If there are any other factors that raise doubts whether the customer should be served wi h information, please explain:

_____

_____

17. General Comments, if any:

_____

_____

18. Did you speak to the contact person? ☐ Yes ☐ No

If no, with whom did you speak? Name _____ Title _____

Attachment 16: Id Analytics form

ID Analytics and Thirteen Consumer Industry Leaders Join Together to Prevent Identity Theft and Related Fraud

Breakthrough Pattern Recognition Technology Arms Businesses with Tools to Protect Themselves and Consumers

SAN DIEGO, CA, May 14, 2003 – ID Analytics, Inc., a new company providing advanced technology to help businesses reduce loss due to identity theft and related fraud, today announced its new solution, the ID Score™, for consumer companies across multiple industries. With a charter to detect and prevent identity fraud at the point of application, ID Analytics is working with some of the nation's largest card issuers, retail banks, retailers, wireless carriers and online merchants, including Citibank, Diners Club, Discover Financial Services, First North American National Bank® and Sprint.

The ID Score is a pattern recognition technology solution that helps businesses reduce losses associated with identity theft by as much as 40 percent, incremental to current fraud detection efforts. By using the ID Score at the point of application, companies can identify potentially fraudulent applications in real time, allowing them to better manage their risk and to protect their valued consumers.

Unprecedented Multi-Industry Collaboration

Over the past year, ID Analytics has worked with thirteen leading consumer companies in the nation's first-ever cross-industry identity theft research. The research involved analyzing the identity information from hundreds of millions of credit, debit and wireless phone applications as well as confirmed and suspicious fraud account records. Through this research, ID Analytics

found that identity theft schemes are highly complex, evolve continually, and routinely cut across the wireless, credit card, banking and online markets. More than 70 different variables — most of which are only visible with significant cross-industry cooperation — have proven useful in detecting identity fraud before it occurs.

The most significant finding from the research is that the magnitude of identity fraud losses is enormous, surpassing current industry estimates. While there was variation by industry and channel, losses were found to be as high as $100 per approved account. Even using currently available solutions, consumer businesses have difficulty recognizing when identity fraud has occurred because the “fraudster” who has been granted credit simply disappears, having never made any payments on the account in question. Through the cross-industry research led by ID Analytics, it is now apparent that 60 to 80 percent of the losses identified by the research to be fraud were originally misclassified as bad debt.

According to market research firm Financial Insights, annual fraud losses to financial institutions will likely reach $4.2 billion in 2003. “It’s imperative that fraud related to identity theft is appropriately mitigated,” said Dennis Behrman, retail financial analyst for Financial Insights. “Without adequate attention and due diligence, identity theft will continue to spiral upwards, becoming so costly that the only valid mitigation of the risk will involve withholding certain customer-demanded services, or passing on losses to consumers in the form of higher fees. Either of these scenarios would have an incredibly damaging effect to customer relationships.” Behrman added that if identity theft continues to grow at last year’s rate, every single US bank, on average, will lose $3 million to identity theft-related fraud between now and 2006.

Breakthrough Fraud Detection Technology

Underlying the ID Score is a pioneering pattern recognition technology called Graph Theoretic Anomaly Detection™ (GTAD™), which has a patent pending. ID Analytics scientists have applied their expertise in advanced machine learning techniques to develop GTAD, which dynamically detects unusual patterns based on the identity data elements included on an application, such as name, address, phone and social security number. The resulting graphic patterns are then identified as high probability frauds or likely legitimate applications. Next, the fraudulent anomalies identified by GTAD are used to create analytic scores that assess the risk of identity theft. Working with this unique and unprecedented set of information, ID Analytics has been able to gain insight into hundreds of fraudulent

behavioral identity patterns and suspicious identity relationships that have not been identified with current fraud detection methods.

“By working with our network of customers and analyzing their information, we’ve spent the last year building identity fraud detection models that allow us to understand and score fraudulent behavior patterns,” said Allen Jost, PhD, chief technology officer for ID Analytics. “With the GTAD technology, we can conduct this dynamic pattern analysis in fractions of a second.”

Unlike other fraud detection products with high false-positive ratios that ultimately require tedious manual data verification and lack the ability to identify new fraud patterns, GTAD enables the instant delivery of a score at the point of application with low false-positive rates, and high detection rates. This timely delivery of the ID Score, combined with the cross-industry data, enables lenders to stop applications early in the fraud cycle.

“As a result of this cross-industry effort and our work with the law enforcement community, we’ve gained astounding insights into the behavior of identity thieves, recognizing incredibly consistent patterns of activity across the board,” said ID Analytics CEO Hansen. “For instance, the typical identity thief initiates the crime by defrauding a mobile phone provider, and moves from there to establishing any number of fraudulent accounts with credit card companies, retailers, and so on. Ultimately, an accomplished ‘fraudster’ can bring in hundreds of thousands of dollars in 12 to 18 months’ time. Until now, these behavioral patterns have gone undetected.”

According to Linda Foley, executive director of the Identity Theft Resource Center, it’s timely and appropriate for credit-granting businesses to shoulder the epidemic problem of identity theft. “Consumers are not, and cannot be, the first line of defense,” said Foley. “Typically, identity theft doesn’t start with an action taken by a consumer. In most cases, the root is in the business community and that’s where the next battle must be fought. When identity theft strikes, a victim is left with a ruined credit history and the time-consuming and complicated task of regaining financial health. ID Analytics and the ID Score are finally a step in the right direction. The measures they’re taking will not only reduce business losses due to this crime, but will also better protect their consumers.”

Attachment 17: Consumer reports: (a) Equifax (b) Experian and (c) Trans Union

EQUIFAX Credit Profile Report
EQUIFAX
PO Box 740241
Atlanta, GA 30374-0241
1-800-685-1111
Date Reported: 12/23/2005

Personal Information

Name: MARY HAYDEN AAPRICOT	**Date of Birth:** [redacted]
SSN: [redacted]	**Phone:**
On File Since: 2/3/2000	
Address: [redacted]	
Reported On: 10/1/2001	
Address [redacted]	
Reported On: 2/1/2000	

Employment Information

Company Name: DPHQLWB WRXUV	**Date Hired:** **Date Reported:**	**Occupation:** WRXU JXLGH **Income:** **Separation Date:**
Company Name: DQFHQLWB WRXUV	**Date Hired:** **Date Reported:**	**Occupation:** **Income:** **Separation Date:**
Company Name: BDPDV FR LQF	**Date Hired:** **Date Reported:**	**Occupation:** WRXU JXLGH **Income:** **Separation Date:**

Report Summary

Total # of Trades:	7	**30 Days:**	4	**Accounts Balance:**	$8,679
Current Trades:	6	**60 Days:**	1	**Mnthly Payment:**	$234
Unrated Trades:	0	**90+ Days:**	0	**Credit Limit:**	$10,124
Curr Neg Trades:	1	**Inquiries:**	5	**High Credit:**	$10,124
Hist Neg Trades:	2	**Inq. last 6 mnths:**	2	**Total Real Est. Bal.:**	$0
No. of Accts Paid:	0	**Public Records:**	0	**Total Rev. Bal.:**	$1,404
Curr Past Due:	1	**Collections:**	0	**Tot. Installment Bal.:**	$7,275
Amount Past Due:	$61	**Oldest Trade:**	2/1/2000	**Available %:**	0

Scorecards

Scorecard: EDAS
Score: 0
(D) DAS NOT AVAILABLE, MODEL BUILDING IN PROGRESS
Reasons:

Number of inquiries did NOT adversely affect the score

Scorecard: FACTA BEACON 5.0
Score: 486
Reasons: (00039) Serious delinquency
(00010) Proportion of balances to credit limits is too high on bank revolving or other revolving
(00012) Length of time revolving accounts have been established
(00013) Time since delinquency is too recent or unknown
(Y) Number of inquiries adversely affected the score - impact was not significant

Scorecard: MarketMax
Score: 650
Reasons: (00825) Unable to Verify Applicant Address
(00827) Unable to Verify Applicant Telephone Number
(00816) Telephone Number Zip Code Mismatch
(00000) 00000
Number of inquiries did NOT adversely affect the score

Scorecard: Bankruptcy Navigator Index 3.0 Including Bankruptcies Calibrated
Score: 273
Reasons: (00366) Number of 60 day delinquencies on Revolving accounts within last 12 months
(00363) Number of 30 day delinquencies on Revolving accounts within last 12 months
(00202) Number of Accounts Currently Reported 60 days past due
(00025) Utilization of Available Credit on Bank Revolving Accounts
Number of inquiries did NOT adversely affect the score

Trade Lines

Firm Name/ID Account Number KOB Status	Opened Reported Acct. Type	Credit Limit High Credit Chargeoff Lst. Paymnt.	Balance Past Due Orig. Amt. Closed Ind	MoPmnt MoRep Date Closed Owner	30 60 90 Pattern Terms
/133MF00000 9001341270000 -	2/1/2000 3/1/2001 Installment	$1,846 $1,846 0	$0 $0 0	$142 12 -	- - - -

(1)Pays account as agreed MEDICAL UNSECURED		3/1/2001		Individual	-
FIRST USA/495ON00028 - (3)not more than three payments past due AMOUNT IN H/C COLUMN IS CREDIT LIMIT	8/1/2004 9/1/2005 Rev/Opt	$1,404 $1,404 0 6/1/2005	$1,404 $61 0	$32 12 - Joint	3 1 0 2**32*2*****/* -
CITIBK N A/771BB00024 127830000 - (1)Pays account as agreed UNSECURED	6/1/2004 8/1/2005 Installment	$8,720 $8,720 0 8/1/2005	$7,275 $0 0	$202 13 - Individual	- - - - -
GUAM FIN/771FP00095 9001343450000 - (1)Pays account as agreed PAID ACCOUNT / ZERO BALANCE UNSECURED	2/1/2003 6/1/2004 Installment	$8,477 $8,477 0 6/1/2004	$0 $0 0	$173 15 - Individual	1 0 0 ****2*******/**** -
BANK OF HI/770BB02112 126700000 - (1)Pays account as agreed AUTO	2/1/2000 7/1/2004 Installment	$8,545 $8,545 0 6/1/2004	$0 $0 0	$202 53 - Individual	- - - - -
GUAM FIN/771FP00095 9001346750000 - (1)Pays account as agreed PAID ACCOUNT / ZERO BALANCE UNSECURED	9/1/2002 2/1/2003 Installment	$5,832 $5,832 0 2/1/2003	$0 $0 0	$162 3 - Individual	- - - - -
GUAM FIN/771FP00095 9001341270000 - (1)Pays account as agreed UNSECURED	2/1/2000 3/1/2001 Installment	$1,846 $1,846 0 3/1/2001	$0 $0 0	$142 12 - Individual	- - - - -

Inquiries

Date	Subscriber Name	Subscriber #	Amount	Mkt.	SubMkt.	KOB

11/2/2005	COMPASSBK	999BB07290
9/17/2005	US SM BUS	771VF00080
6/25/2004	BK OF GUAM	771BB00156
6/18/2004	CITIBK N A	771BB00024
12/27/2003	ENCYC BRIT	155DZ00023

Account Detail

Number	Name	Phone	Address
495ON00028	FIRST USA BANK, NA		201 N WALNUT ST WILMINGTON, DE19801
771BB00024	CITIBANK N A	6714772484	P O BOX FF HAGATNA, GU96932
771FP00095	GUAM FINANCIAL COMPA	6714728353	424 W O'BRIEN DR, STE 232 JULALE CENTER HAGATNA, GU96910-5015
770BB02112	BANK OF HAWAII - WHO		130 MERCHANT ST., STE #970 WHOLESALE CRDTDIV-COST CTR#251 HONOLULU, HI96813
771VF00080	U S SMALL BUSINESS A	6714727419	400 ROUTE 8, SUITE 302 FIRST HAWAIIAN BANK BLDG MONGMONG, GU96927-2010
771BB00156	BANK OF GUAM	6714728971	P O BOX BW HAGATNA BRANCH HAGATNA, GU96932
155DZ00023	ENCYCLOPEDIA BRITANN	3123477000	310 SOUTH MICHIGAN AVE. CHICAGO, IL60604-4202

Warning Messages

SAFESCANNED: Your inquiry has gone through our SAFESCAN data base.
(FACT ACT) Address Discrepancy Indicator: No substantial difference occurred
DAS NOT AVAILABLE, MODEL BUILDING IN PROGRESS
INQR Subject's SSN is 526-91-7348;year issued: 1981;state: AZ
(OFAC)OFAC 20051223 120007 Nothing to report NO MATCH FOUND IN CDC'S OFAC DATABASE.

Sample Credit Report

experian

Report Number
2818573907

Personal Credit Report from Experian for
John Q. Consumer

Report Date: 04/12/00

Index:

- Potentially Negative Items
- Accounts in Good Standing
- Requests for Your Credit History
- Personal Information
- Your Personal Statement(s)
- Important Message Fom Experian

Potentially Negative Items

Credit Items

BNBUSA/COMPUSA

Address:
P O BOX 15519
WILMINGTON, DE 19850

Account Number:
7001306000461...

Status:
open/past due 30 days. $20 past due as of 8-1998.

Status Details:
As of 6-2005, this account is scheduled to go
status.

Date Opened:
10/1997
Reported Since:
10/1997
Date of Status:
08/1998
Last Reported:
08/1998

Type:
Revolving
Terms:
NA
Monthly Payment:
10
Responsibility:
Individual

Credit Limit/Original Amount:
$3000
High Balance:
$3193
Recent Balance:
$0as of 08/30/1998
Recent Payment:
3193

CHEVY CHASE FED SAV BANK

Address:
6202 PRESIDENTS COURT
FREDERICK, MD 21701

Account Number:
5407301009607...

Status:
open/past due 60 days. $96 past due as of 8-1998.

Status Details:
As of 7-2005, this account is scheduled to go
status.

Date Opened:
11/1995
Reported Since:
12/1995
Date of Status:
08/1998
Last Reported:
08/1998

Type:
Revolving
Terms:
NA
Monthly Payment:
131
Responsibility:
Joint

Credit Limit/Original Amount:
$1500
High Balance:
$1798
Recent Balance:
$0 as of 08/15/1998
Recent Payment:
1798

https://scorecard.experian.com/creditexpert/creditscore/016_5_cr_samplecr.jsp 11/7/02

CITIBANK PREFERRED VISA

Address:
P O BOX 6500
SIOUX FALLS, SD 57117

Account Number:
4271382104687...

Status:
account charged off/past due 150 days. $8,486 written off in 8-1998. $1,538 past due as of 8-1998.

Status Details:
This account is scheduled to continue on rec

Date Opened:
01/1997

Reported Since:
01/1997

Date of Status:
05/1998

Last Reported:
08/1998

Type:
Revolving

Terms:
NA

Monthly Payment:
0

Responsibility:
Individual

Credit Limit/Original Amount:
$8000

High Balance:
$8486

Recent Balance:
$0 as of 08/30/1998

Recent Payment:
8486

Account History:
Between 3-1998 and 4-1998, your credit limit/high balance was $8,000

Balance History:
$8337 04/1998
$8171 03/1998

Accounts in Good Standing

BB & B

Address:
2035 WEST 4TH STREET
TEMPE, AZ 85281

Account Number:
138300759...

Status:
open/never late.

Status Details:

Date Opened:
10/1997

Reported Since:
10/1997

Date of Status:
10/1997

Last Reported:
12/1997

Type:
Revolving

Terms:
NA

Monthly Payment:
0

Responsibility:
Individual

Credit Limit/Original Amount:
NA

High Balance:
$Unknown

Recent Balance:
$0/paid as of 12/1997

Recent Payment:
0

MACYS NJ NY

Address:
9111 DUKE BLVD
MASON, OH 45040

Account Number:
335646403...

Status:
closed/never late.

Status Details:
This account is scheduled to continue on rec

Date Opened:
09/1994

Reported Since:

Type:
Revolving

Terms:

Credit Limit/Original Amount:
$500

High Balance:

02/1996	NA	$75
Date of Status:	**Monthly Payment:**	**Recent Balance:**
04/1998	5	$0 as of 04/1998
Last Reported:	**Responsibility:**	**Recent Payment:**
04/1998	Individual	75

Creditor's statement regarding this item: Account closed at credit grantor's request.

Requests for Your Credit History

MBNA AMERICA/CREDIT
Address:
400 CHRISTIANA RD MS7009
NEWARK, DE 19713

Date of Request:
09/1998

CITIBANK
Address:
670 MASON RDGE CTR MS761
SAINT LOUIS, MO 63141

Date of Request:
03/1998

ADVANTA NATIONAL BANK
Address:
650 NAAMANS ROAD
CLAYMONT, DE 19703

Date of Request:
12/1997

PROVIDIAN BANCORP
Address:
PO BOX 9120
PLEASANTON, CA 94566

Date of Request:
05/1997

Personal Information

For your protection, the Social Security number you used to obtain this report is not displayed.

Names:
John Q. Consumer
Jonathon Q. Consumer
J.Q. Consumer

Social Security Number Variations:
999999999

Date of Birth:
09/03/1954

Spouse's First Name:
Jane

Employers:

DEBAJ ENGINEERING CORP

Address: 123 MAIN STREET
ANYTOWN, MD 90001-9999
Type of Residence: Multifamily
Geographical Code: 0-156510-31-8840

Address: [redacted]
Type of Residence: Single family
Geographical Code: 0-176510-33-8840

Address: [redacted]
Type of Residence: Apartment complex
Geographical Code: 0-156510-31-8840

Notices:
This address is a non-residential address: 8604 2ND AVE SILVER SPRING MD 20910.
COMMERCIAL BUSINESS ADDRESS: 8604 2ND AVE, SILVER SPRING, MD, 20910.

Your Personal Statement(s)

There are no general personal statements currently displaying on your personal credit report

Important Message Fom Experian

Contacting Us

PO Box 9556
Allen, TX 75013
1-888-524-3390
Monday - Friday, 9:00am to 5:00pm in your time zone.

End of Report

P.O. BOX 99999
ANYTOWN, SD 88888

RETURN SERVICE REQUESTED

YOUR TRANS UNION FILE NUMBER: 999DE0020
PAGE 1 OF 4
DATE THIS REPORT PRINTED: 09/12/2001

SOCIAL SECURITY NUMBER: 987-65-4321
BIRTH DATE: 12/1967
YOU HAVE BEEN IN OUR FILES SINCE: 02/1980
AKA: REPORT,MARY
PHONE: 765-4321

CONSUMER REPORT FOR:

*****
REPORT, MARY, C
1000 E NORTHFIELD AV APT 987
STONY POINT, NY 10980

FORMER ADDRESSES REPORTED:

6767 E HARRISON BLVD, SEATTLE, WA 98100
1569 S FRANKLIN DR, OGUNQUIT, ME 03907

EMPLOYMENT DATA REPORTED:

CNA INSURANCE
DATE REPORTED: 05/1999
POSITION: MANAGER

BANK ONE
DATE VERIFIED: 10/1989

STUDENT
DATE REPORTED: 11/1978

YOUR CREDIT INFORMATION

THE FOLLOWING ITEMS OBTAINED FROM PUBLIC RECORDS APPEAR ON YOUR REPORT. YOU MAY BE REQUIRED TO EXPLAIN PUBLIC RECORD ITEMS TO POTENTIAL CREDITORS. ANY BANKRUPTCY INFORMATION WILL REMAIN ON YOUR REPORT FOR 10 YEARS FROM THE DATE OF FILING. UNPAID TAX LIENS MAY GENERALLY BE REPORTED FOR AN INDEFINITE PERIOD OF TIME DEPENDING ON YOUR STATE OF RESIDENCE. PAID TAX LIENS MAY BE REPORTED FOR 7 YEARS FROM DATE OF PAYMENT. ALL OTHER PUBLIC RECORD INFORMATION, INCLUDING DISCHARGED CHAPTER 13 BANKRUPTCY AND ANY ACCOUNTS CONTAINING ADVERSE INFORMATION REMAIN FOR 7 YEARS. ALL OTHER PUBLIC RECORD INFORMATION INCLUDING DISCHARGED CHAPTER 13 BANKRUPTCY, MAY BE REPORTED FOR 7 YEARS.

DOCKET #99922000250 DISTRICT COURT PAID CIVIL JUDGMENT
PLAINTIFF: KATE ASHLEY L MD PHD
PLAINTIFF ATTORNEY: HOWARD
ENTERED: 11/1996
AMOUNT: $873
PAID: 11/1999

DOCKET #99930900111 RECORDER OF DEEDS RELEASE OF TAX LIEN
PLAINTIFF: STATE OF CALIFORNIA
ENTERED: 08/1997
AMOUNT: $5297
PAID: 05/2000

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REPORT ON REPORT, MARY, C                                          PAGE  2 OF  4
SOCIAL SECURITY NUMBER: 987-65-4321      TRANS UNION FILE NUMBER: 999DE0020
_____________________________________________________________________________

THE FOLLOWING ACCOUNTS CONTAIN INFORMATION WHICH SOME CREDITORS MAY CONSIDER TO
BE ADVERSE. ADVERSE ACCOUNT INFORMATION MAY GENERALLY BE REPORTED FOR 7 YEARS
FROM THE DATE OF THE FIRST DELINQUENCY, DEPENDING ON YOUR STATE OF RESIDENCE.
THE ADVERSE INFORMATION IN THESE ACCOUNTS HAS BEEN PRINTED IN >BRACKETS< FOR
YOUR CONVENIENCE, TO HELP YOU UNDERSTAND YOUR REPORT. THEY ARE NOT BRACKETED
THIS WAY FOR CREDITORS. (NOTE: THE ACCOUNT # MAY BE SCRAMBLED BY THE CREDITOR
FOR YOUR PROTECTION).

 CRSS CNTY BK             # 99911166622288800  REVOLVING ACCOUNT
>PROFIT AND LOSS WRITEOFF<                     CREDIT CARD
    VERIF'D  10/2000   BALANCE:       $2711    JOINT ACCOUNT
    OPENED   06/1996   MOST OWED:     $2711    CREDIT LIMIT:     $1500
    CLOSED   05/2000  >PAST DUE:       $586<
   >STATUS AS OF 05/2000: CHARGED OFF AS BAD DEBT<

>COLLECTION RECORD<
 SAVIT COLL               # 66633344400        COLLECTION ACCOUNT
>PAID COLLECTION<                              COLLECTION AGENCY/ATTORNEY
    UPDATED  12/2000   BALANCE:          $0    INDIVIDUAL ACCOUNT
    PLACED   09/1998   MOST OWED:        $80   WESTFIELD ASSOC IN INT MED
    PAID OFF 12/2000
   >STATUS AS OF 12/2000: PAID COLLECTION<

 CRSS CNTY BK             # 67899933312398700  REVOLVING ACCOUNT
                                               CREDIT CARD
    UPDATED  08/2001   BALANCE:        $575    JOINT ACCOUNT
    OPENED   03/1997   MOST OWED:       $948   PAY TERMS:  MINIMUM $35
                                               CREDIT LIMIT:     $1200
   >STATUS AS OF 10/2000: 120 DAYS PAST DUE<
   >IN PRIOR 20 MONTHS FROM DATE PAID   1 TIME  90 DAYS,
     3 TIMES 60 DAYS,  4 TIMES 30 DAYS LATE<
   >MAXIMUM DELINQUENCY OF  90+ DAYS OCCURRED IN 10/2000<
_____________________________________________________________________________

THE FOLLOWING ACCOUNTS ARE REPORTED WITH NO ADVERSE INFORMATION
_____________________________________________________________________________
 CAPITAL 1 BK             # 1239872584564470 0  REVOLVING ACCOUNT
                                               CREDIT CARD
    UPDATED  08/2001   BALANCE:        $102    INDIVIDUAL ACCOUNT
    OPENED   06/2001   MOST OWED:        $96   PAY TERMS:  MINIMUM $15
    STATUS AS OF 08/2001: PAID OR PAYING AS AGREED
    IN PRIOR  2 MONTHS FROM LAST UPDATE NEVER LATE

 MITSUBISHI               # 011155761200       INSTALLMENT ACCOUNT
                                               AUTO LEASE
    UPDATED  08/2001   BALANCE:      $19352    JOINT ACCOUNT
    OPENED   09/2000   MOST OWED:    $25790    PAY TERMS: 48 MONTHLY $537
    STATUS AS OF 08/2001: PAID OR PAYING AS AGREED
    IN PRIOR 11 MONTHS FROM LAST UPDATE NEVER LATE
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PAGE 3 OF 4

REPORT ON REPORT, MARY, C
SOCIAL SECURITY NUMBER: 987-65-4321 TRANS UNION FILE NUMBER: 999DE0020

THE FOLLOWING COMPANIES HAVE RECEIVED YOUR CREDIT REPORT. THEIR INQUIRIES REMAIN ON YOUR CREDIT REPORT FOR TWO YEARS. (NOTE: "TU CONSUMER DISCLOSURE" INQUIRIES ARE NOT VIEWED BY CREDITORS).

INQUIRY TYPE	DATE	SUBSCRIBER NAME
INDIVIDUAL	09/11/2001	F.MAC/COUNTRYWIDE FUND
PARTICIPANT	09/10/2001	COUNTRYWIDE VIA LANDSAFE CREDIT
PERMISSIBLE PURPOSE = CREDIT TRANSACTION		
INDIVIDUAL	08/03/2001	TU CONSUMER DISCLOSURE
JOINT	07/13/2001	224 FLEET MORTGAGE VIA CBC COMPANIES
PERMISSIBLE PURPOSE = CREDIT TRANSACTION		
INDIVIDUAL	06/20/2001	CAPITAL ONE BANK
INDIVIDUAL	06/12/2001	PLAZA ASSOCIATES
JOINT	03/05/2001	3103 PAYLESS MORTGAG VIA CREDIT LENDERS SVC AGEN
PERMISSIBLE PURPOSE = CREDIT TRANSACTION		
PARTICIPANT	01/16/2001	COLUMBIA EQUITIES L VIA AUTOMATED INFORMATION S
PERMISSIBLE PURPOSE = CREDIT TRANSACTION		

THE COMPANIES LISTED BELOW RECEIVED YOUR NAME, ADDRESS AND OTHER LIMITED INFORMATION ABOUT YOU SO THEY COULD MAKE A FIRM OFFER OF CREDIT OR INSURANCE. THEY DID NOT RECEIVE YOUR FULL CREDIT REPORT, AND THESE INQUIRIES ARE NOT SEEN BY ANYONE BUT YOU.

DATE	SUBSCRIBER NAME	DATE	SUBSCRIBER NAME
07/2001	UNITED READERS SERVICE	07/2001	FIRST CONSUMERS NATIONAL
06/2001	FULL SPECTRUM LENDING	04/2001	PROVIDIAN BANCORP

THE COMPANIES LISTED BELOW OBTAINED INFORMATION FROM YOUR CONSUMER REPORT FOR THE PURPOSE OF AN ACCOUNT REVIEW OR OTHER BUSINESS TRANSACTION WITH YOU. THESE INQUIRIES ARE NOT DISPLAYED TO ANYONE BUT YOU AND WILL NOT AFFECT ANY CREDITOR'S DECISION OR ANY SCORE.

DATE	SUBSCRIBER NAME
02/2001	NTL CITY BK
11/2000	NTL CITY BK
09/1999	SEARS

CONSUMER STATEMENT:
#HK# ID FRAUD VICTIM ALERT: FRAUDULENT APPLICATIONS MAY BE SUBMITTED IN MY NAME USING CORRECT PERSONAL INFORMATION. DO NOT EXTEND CREDIT WITHOUT FIRST CONTACTING ME PERSONALLY AND VERIFYING ALL APPLICATION INFORMATION AT HOME (555) 123-4567. DATE REPORTED 02/01.

SPECIAL MESSAGES:
CONSUMER STATEMENT ON FILE RELATES TO TRUE NAME FRAUD OR CREDIT FRAUD

REPORT ON REPORT, MARY, C PAGE 4 OF 4
SOCIAL SECURITY NUMBER: 987-65-4321 TRANS UNION FILE NUMBER: 999DE0020

IF YOU BELIEVE ANY OF THE INFORMATION IN YOUR CREDIT REPORT IS INCORRECT,
PLEASE LET US KNOW. FOR YOUR CONVENIENCE, AN INVESTIGATION FORM IS INCLUDED.
PLEASE COMPLETE IT AND MAIL TO:

TRANS UNION CONSUMER RELATIONS
P.O. BOX 99999
ANYTOWN, SD 88888

1-800-800-0000
OUR BUSINESS HOURS IN YOUR TIME ZONE ARE:
8:30 A.M. TO 4:30 P.M. EXCEPT MAJOR HOLIDAYS.
MONDAY THRU FRIDAY

FOR ADDITIONAL CONSUMER INFORMATION OR TO DISPUTE YOUR CREDIT REPORT ONLINE
VISIT THE PERSONAL SOLUTIONS PAGE AT WWW.TRANSUNION.COM

Attachment 18: (a) CBE Agreement for service (b) Agree for Service- Sub. Ag & comments

AGREEMENT FOR SERVICE

This Agreement ("Agreement") is dated and is effective , 20 and is made between ********* ("*********") and _____ ("Client") so that Client and its affiliates listed on Exhibit A may acquire various information services (the "Information Services") from *********. ********* and Client agree as follows:

I.GENERAL AGREEMENT

1. Scope of Agreement.
This Agreement consists of the general terms set forth in the body of this Agreement, Exhibit A ("Client Affiliates"), Exhibit B ("Information Services") and Exhibit C ("Pricing"). If there is a conflict between the general terms and conditions and any Exhibit, the provisions of the Exhibit will govern and control. This Agreement applies to every kind of information, software or service provided by ********* to Client, even if a given type of service or information is not specifically referred to in this Agreement or is not currently provided by *********, unless the service is furnished pursuant to a separate written agreement with *********, executed and effective after the effective date of this Agreement, and containing an "entire agreement" or "merger" clause. This Agreement specifically supersedes and replaces any agreement between the parties that predates this Agreement and that relates to any of the Information Services named in Exhibit B, even if the prior agreement contains an "entire agreement" or "merger" clause, and any such agreements are terminated.

2.Users. will provide its Information Services, as available, to Client and Client Affiliates during the term of this Agreement. "Client Affiliates" are those entities listed in Exhibit A, which are and will be at all times entities which are controlled by, or are under common control with Client. "Control" means having the ability to direct the management and policies of the entity in

اتفاق تقديم خدمات

أنه فى يوم ـ ـ ـ ـ من شهر ـ ـ ـ ـ لعام ـ200

تحرر هذا الاتفاق وأبرم بين كل من:

1- ـ

2- ـ (العميل)

بحيث يتمكن العميل والكيانات التابعة له الوارد بيانها فى الملحق (A) من الحصول على مختلف خدمات المعلومات (خدمة المعلومات) من خلال ـ ـ ـ، وعليه، توافق كل من ـ ـ ـ ـ ـ و العميل على الشروط والأحكام التالية:

(I) الاتفاق العام

(1) نطاق الاتفاق:

يتكون هذا الاتفاق من الشروط العامة المنصوص عليها فى متن هذا الاتفاق، ومن الملحق (A) (الكيانات التابعة للعميل)، والملحق (B) (خدمة المعلومات) والملحق (C) (التسعير).

وفى حالة وقوع أى إختلاف بين هذه الشروط والأحكام العامة وبين الشروط الواردة فى أى ملحق، تسرى شروط ذلك الملحق وتنفذ.

ويسرى هذا الاتفاق على أى نوع من أنواع المعلومات أو برامج الحاسب أو الخدمات التى تقدمها ـ ـ ـ ـ ـ للعميل، حتى لو لم يشار تحديداً إلى هذا النوع من الخدمات أو المعلومات فى هذا الاتفاق أو حتى لو لم تكن ـ ـ ـ ـ تقدم هذه الخدمة حاليا، هذا الا اذا كانت تلك الخدمة تمنح بمقتضى اتفاق كتابى آخر منفصل مبرم مع ـ ـ ـ ـ ، كان قد تحرر وصار سارياً بعد حلول تاريخ سريان هذا الاتفاق، بل وكان من ضمن شروطه بند " الاتفاق ككل" وبند "الاندماج".

كما يلغى هذا الاتفاق على الأخص ويحل محل كل ما عداه من اتفاقات بين الأطراف سبق تاريخها تاريخ سريان هذا الاتفاق وكانت تتعلق بأى من خدمات المعلومات الواردة فى الملحق (B)، ويسرى هذا الإلغاء حتى لو كانت تلك الاتفاقات السالفة تضم بند "الاتفاق ككل" أو بند "الاندماج"، وستعتبر هذه الاتفاقات فى حكم الاتفاقات المنهاه.

تقوم ـ ـ ـ ـ ـ بتوفير ما هو متاح لديها من خدمة معلومات للعميل وللكيانات التابعة له خلال مدة هذا الاتفاق. ويقصد بمفهوم "الكيانات التابعة للعميل" تلك الكيانات الوارد بيانها فى الملحق (A) وهى كيانات تخضع حاليا أو ستخضع فيما بعد لسيطرة العميل، أو هى كيانات تخضع أو ستخضع هى والعميل معاً لسيطرة مشتركة من الغير. كما يقصد بـ مفهوم "السيطرة" إمكانية توجيه الإدارة وتوجيه السياسات السارية على أى كيان سواء على نحو مباشر أو غير مباشر. وفى هذا الصدد، يقر

question, whether directly or indirectly. Client represents and warrants that it has the full power and authority to bind each Client Affiliate to every obligation of Client in this Agreement, and Client's signature to this Agreement will bind each Client Affiliate. At *********'s request, Client will cause any Client Affiliate to provide ********* with written certification substantially similar to the one made by Client in Section I.3. References throughout this Agreement to "Client" will apply as well to any Client Affiliate using the Information Services, as appropriate.

العميل ويضمن أن لديه الصلاحية والسلطة الكاملة لإلزام أى كيان تابع له بأى التزام على العميل بهذا الاتفاق، وأن توقيع العميل على هذا الاتفاق سيلزم أى كيان تابع له بما التزم به العميل. كما أنه بناءا على طلب ـ ـ ـ ـ، يمكن للعميل أن يلزم أى من الكيانات التابعة له بإصدار تعهد كتابى يشبه فى فحواه ذلك التعهد الصادر من العميل والوارد بيانه فى البند (3-1) أدناه. ومن المعلوم أن أى إشارة فى هذا الاتفاق لـ "العميل" ستكون إشارة إلى كل من يتبعه من كيانات ممن يستغلون خدمة المعلومات وفقا لما هو ملائم لهم.

3.FCRA Certifications. Client certifies that it will order Information Services that are consumer reports, as defined by the Federal Fair Credit Reporting Act, 15 U.S.C. 1681 et. seq., as amended (the "FCRA") only when Client intends to use the consumer report:

(a) in accordance with the FCRA and all state law FCRA counterparts, and

(b) for one of the following FCRA permissible purposes:

(i) in connection with a credit transaction involving the consumer on whom the consumer report is to be furnished and involving the extension of credit to, or review or collection of an account of, the consumer;

(ii) in connection with the underwriting of insurance involving the consumer;

(iii) as a potential investor or servicer, or current insurer, in connection with a valuation of, or an assessment of the credit or prepayment risks associated with, an existing credit obligation;

(iv) when Client otherwise has a legitimate business need for the information either in connection with a business transaction that is initiated by the consumer, or to review an account to determine whether the consumer continues to meet the terms of the account;

(v) in accordance with the written instructions of the consumer to whom it relates; or

(vi) for employment purposes. Client will use each consumer report ordered from ********* for one of the foregoing purposes and for no other purpose. CLIENT IS NOT AUTHORIZED TO REQUEST OR RECEIVE CONSUMER REPORTS FOR EMPLOYMENT PURPOSES UNLESS CLIENT HAS SELECTED THE PERSONA® REPORT SERVICE ON EXHIBIT B.

(3) التعهدات الخاصة بقانون التقرير الائتمانى الفيدرالى:

يتعهد العميل بأن يطلب خدمة المعلومات الصادرة فى شكل تقارير المستهلك الوارد بيانها فى قانون التقرير الائتمانى الفيدرالى المعدل رقم 15 USC/ 1681 (قانون التقرير الائتمانى) وذلك عندما يعتزم العميل فقط استخدام تقرير المستهلك:

(أ) وفقا لأحكام قانون التقرير الائتمانى وكافة قوانين التقرير الائتمانى النظيرة له بالدولة، و

(ب) فى أى غرض من الأغراض المصرح بها فى قانون التقرير الائتمانى والوارد بيانها فيما يلى:

(I) استخدام التقارير فيما يتعلق بالمعاملات الائتمانية التى يدخل فيها المستهلك الذى سيتم تقديم تقرير المستهلك بشأنه، أوإذا كانت هذه المعاملات الائتمانية يدخل فيها تمديدا لمهلة الإئتمان لحساب المستهلك أو مراجعة أو تحصيل لهذا الحساب.

(II) استخدام التقارير فيما يتعلق بضمان تغطية أى تأمين يدخل فيه المستهلك،

(III) استخدام التقارير فى تقييم أو تقدير حجم المخاطر الائتمانية أو مخاطر الدفع المقدم عند فرض أى التزام ائتمانى من العميل بوصفة مستثمر أو مقدم خدمة محتمل أو مؤمن يجرى نشاطه حاليا، و

(IV) استخدامها عندما ينمو لدى العميل أى حاجة عمل مشروعة أخرى للحصول على أى معلومات تتعلق إما بصفقة عمل ابتدأها المستهلك، أو بمراجعة حساب ما لتحديد ما إذا كان المستهلك يمكنه الاستمرار فى استيفاء شروط ومتطلبات الحساب أم لا، و

(V) استخدام التقارير فيما يتعلق بأى تعليمات كتابية تصدر من المستهلك إلى أى طرف ذو صلة، و

(VI) استخدامها فى أغراض التوظيف.

ويتعين على العميل استخدام أى تقرير مستهلك يطلبه من ـ ـ ـ ـ فى الأغراض السالفة الذكر فقط وليس لأى أغراض أخرى.

ولا يجوز للعميل أن يطلب أو أن يتسلم تقارير المستهلك لأى أغراض توظيف، إلا إذا كان قد تخير خدمة التقرير الشخصى الوارد بيانها فى الملحق (B).

California Law Certification:

Client will refer to Section V.2 of Exhibit B of the Agreement in making the following certification, and Client agrees to comply with all applicable provisions of the California Credit Reporting Agencies Act, as referenced in Section V.2:

التعهد الخاص بقانون كاليفورنيا:

يتعين على العميل الرجوع إلى البند (5-2) من الملحق (B) المرفق بالاتفاق عند إصدار التعهد التالى، وعليه أن يوافق على الالتزام بكافة الأحكام السارية والواردة فى قانون وكالات التقرير الائتمانى الصادر بكاليفورنيا، والمشار إليه فى البند (5-2) المذكور.

(PLEASE CHECK THE APPROPRIATE LINE BELOW)

(الرجاء التعليم على الخط الملائم فى المربع الوارد أدناه)

Client certifies that it ____ IS or _____ IS NOT a "retail seller", as defined in Section 1802.3 of the California Civil Code and referenced in Section V.2 of Exhibit B of the Agreement, and _____ DOES or _____ DOES NOT issue credit to consumers who appear in person on the basis of an application for credit submitted in person.

يشهد العميل بأنه ـ ـ ـ ـ ـ ـ يعمل/ ـ ـ ـ ـ لا يعمل "كبائع تجزئة" ذلك الوارد تعريفه فى البند 1802-3 من مدونة القانون المدنى بكاليفورنيا والمشار إليه فى البند (5-2) من الملحق (B) المرفق بالاتفاق، كما يشهد بأنه قد أجرى ـ ـ ـ/ لم يجر ـ ـ ـ ـ أى ائتمان لمستهلكين يمثلون أشخاصهم لتقديم طلب إجراء الإئتمان.

Vermont Certification:

Customer certifies that it will comply with applicable provisions under Vermont law. In particular, Customer certifies that it will order information services relating to Vermont residents, that are credit reports as defined by the VFCRA, only after Customer has received prior consumer consent in accordance with VFCRA § 2480e and applicable Vermont Rules. Customer further certifies that the attached copy of VFCRA § 2480e applicable Vermont Rules were received from *********, as referenced on Exhibit D.

تعهد فيرمونت

يتعهد العميل بأن يلتزم بالأحكام السارية بمقتضى قانون فيرمونت. ويضمن على وجه الخصوص أن يطلب خدمة المعلومات المتعلقة بمواطنى فيرمونت – والتى تصدر فى شكل التقارير الائتمانية الوارد تعريفها فى قانون التقرير الائتمانى الصادر بفرمونت – فقط بعد استلام العميل موافقة مسبقة من المستهلك تصدر بمقتضى قانون التقرير الائتمانى بفرمونت الصادر برقم 2480 e وبموجب قوانين فرمونت السارية. كما يقر العميل أيضا باستلامه من ـ ـ ـ ـ النسخة المرفقة من قانون التقرير الائتمانى بفرمونت رقم 2480 e والقوانين السارية بفرمونت المشار إليها فى الملحق (D).

4. Access. Client will be responsible for providing and installing all hardware and software at its facilities necessary to access the Information Services. ********* will provide reasonable consultation to Client to assist in defining those hardware and software needs.

(4) الدخول على خدمة المعلومات:

يتحمل العميل مسئولية توفير وتركيب كافة معدات وبرامج الحاسب وما يلزم من تسهيلات للدخول على خدمة المعلومات. وعلى ـ ـ ـ ـ الإدلاء بالمشورة الملائمة للعميل لمعاونته على التعرف على ما هو مطلوب لهذه المعدات والبرامج.

5. License of Information. ********* grants a non-exclusive license to Client and each Client Affiliate to use the information provided through the Information Services only as described in this Agreement. Client and each Client Affiliate may reproduce or store the information obtained from ********* solely for each of their respective own uses in accordance with this Agreement, and will hold all information licensed under this Agreement in strict confidence and will not reproduce, reveal or make it accessible in whole or in part, in any manner whatsoever, to each other or any others unless required by law, or unless Client first obtains *********'s written consent; provided, however, that Client or Client Affiliate, as applicable, may discuss information in a consumer report with the subject of that consumer report when Client or Client Affiliate has taken adverse action against the subject based on the consumer report. Neither Client nor Client Affiliates will provide a copy of the consumer report to the consumer, except as may be required or permitted by

(5) الترخيص باستخدام المعلومات:

تمنح ـ ـ ـ ـ ـ للعميل ولكل كيان تابع له ترخيصاً غير قصرى باستخدام المعلومات الواردة من خلال خدمة المعلومات، على أن يتم ذلك فقط على النحو المنصوص عليه بهذا الاتفاق. ويجوز للعميل ولأي كيان تابع له نسخ أو تخزين المعلومات الواردة من ـ ـ ـ ـ ـ، على أن يتم ذلك لاستغلالها فى الأغراض المخصصة لها فقط طبقا لهذا الاتفاق، وعليه أيضا أن يحافظ على السرية التامة لكافة المعلومات المرخص باستغلالها طبقا لهذا الاتفاق، وألا ينسخها أو يفصح عنها للغير أو يسمح له بالدخول عليها سواء على نحو كلى أو جزئى أو على أي نحو أيا كان، ما لم ينص القانون بوجوب ذلك أو ما لم يستصدر العميل أولا موافقة كتابية من ـ ـ ـ ـ ـ ـ، على أنه يجوز للعميل أو للكيان التابع له مناقشة المعلومات الواردة فى تقرير المستهلك مع المستهلك محل التقرير وذلك إذا ما أتخذ العميل أو الكيان التابع له تصرفا مضادا لذلك الطرف بناءا على ما ورد له فى تقريرالمستهلك، ولا يجوز للعميل أو للكيانات التابعة له تقديم نسخة من تقرير المستهلك لذلك المستهلك، ما لم يتطلب أو يصرح القانون بذلك أو يوافق ـ ـ ـ ـ على ذلك كتابة، إلا إذا كان هذا الشرط التعاقدى المانع

law or approved in writing by *********, except in any state where this contractual prohibition would be invalid. Client will refer the consumer to ********* whenever the con¬sumer disputes information in a consumer report disclosed by Client. Client will not interpret the failure of ********* to return information regarding the consumer's eligibility for a credit service as a statement regarding that consumer's credit worthiness, because that failure may result from one or more factors unrelated to credit worthiness.

6. Compliance with Laws. Client will comply with the provisions of the FCRA, the Federal Equal Credit Opportunity Act, as amended (the "ECOA"), all state law counterparts of them, and all applicable regulations promulgated under any of them, including, without limitation, any provisions requiring adverse action notification to the consumer.

7. Audits. ********* may, from time to time, conduct various audits of Client's practices and procedures to determine Client's compliance with this Agreement. Client will reasonably cooperate in all those audits. ********* may conduct on-site audits of Client's facilities during normal business hours, and upon reasonable notice. In addition, ********* may conduct audits by mail that may require Client to provide documentation regarding permissible pur¬poses for particular consumer reports ordered by Client.

II. REPORTING OF ACCOUNT INFORMATION

When required as a condition (as specified in Exhibit B) of receiving a particular type of Information Service ordered by Client, or when Client agrees to provide its account information in connection with its receipt of Information Services, Client will prepare and deliver to *********, each month and at Client's expense, its most current account information (the "Information"), in a mutually agreeable form and medium, on consumers that have credit accounts with Client. At its expense, ********* will incorporate the Information into *********'s computerized credit reporting system, and will promptly return the media to Client. Information so incorporated will cease to be the property of Client and will become the property of *********. Client will notify ********* immediately upon learning that information supplied is inaccurate or misleading. Client will provide ********* with any corrections or additional information necessary to make the Information supplied complete and accurate and will implement procedures to avoid re-reporting information that is inaccurate. Client may be liable under state or federal law if Information furnished is false or furnished with malice or willful intent to injure the consumer or with conscious indifference to potential inaccuracies.

III. PRICING

شرطا غير صحيح فى أى حال من الأحوال. ويتعين أن يسمح العميل بأن يرجع المستهلك إلى ـ ـ ـ ـ ـ ـ إذا ما نازع العميل فى صحة أى معلومات أفصح عنها العميل من واقع ما هو وارد فى تقرير المستهلك. ولا يجوز للعميل تفسير أو تأويل إخفاق ـ ـ ـ فى الرد بمعلومات فى شأن أهلية مستهلك ما فى الحصول على خدمة ائتمان على أنه بيان بشأن الجدارة الائتمانية للمستهلك، ذلك لأن ذلك الإخفاق قد يرجع إلى عامل أو عوامل لا تتعلق مطلقا بالجدارة الائتمانية.

(6) الالتزام بالقوانين:

يتعين على العميل الالتزام بأحكام قانون التقرير الائتمانى الفيدرالى وقانون تكافؤ الفرص الائتمانية الفيدرالى المعدل (قانون تكافؤ الفرص الائتمانية) وكافة القوانين النظيرة لهما بالدولة وكافة اللوائح السارية التى صدرت بمقتضى أى منها، بما فى ذلك على وجه العموم لا الحصر أى أحكام تتطلب إرسال إخطار بالتصرف المضاد للمستهلك.

(7) عمليات الفحص و المعاينة:

يجوز لـ ـ ـ ـ أن يقوم من حين لآخر بإجراء العديد من عمليات الفحص لما يجريه العميل من تصرفات وما يتخذه من إجراءات لتحديد مدى التزام العميل بهذا الاتفاق. ويتعين على العميل أن يتعاون على النحو اللائق لتفعيل عمليات الفحص المذكورة. كما يجوز لـ ـ ـ ـ ـ إجراء عمليات معاينة ميدانية لمرافق العميل خلال ساعات العمل المعتادة وبموجب إخطار ملائم بهذا الصدد. وعلاوة على ذلك، يجوز لـ ـ ـ ـ ـ ـ ـ إجراء عملية الفحص المذكورة بالبريد، حيث يتطلب الأمر من العميل إرسال مستندات بالأغراض المصرح بها التى طلب العميل بموجبها تقارير المستهلك.

(II) الإبلاغ عن بيانات الحساب

عندما يشترط (وفقا لما هو محدد بالملحق (B)) لاستلام نوع معين من خدمة المعلومات بناءا على طلب العميل أو عندما يوافق العميل على تقديم بياناته الحسابية المتعلقة بخدمة المعلومات الواردة له، يتعين على العميل أن يعد لـ ـ ـ ـ ـ ـ ـ ويقدم له شهريا وعلى نفقته الخاصة أحدث بياناته الحسابية (البيانات) عن المستهلكين ممن لديهم حسابات ائتمان مع العميل، وعلى أن يتم ذلك فى النموذج وبالوسيلة التى يتفق الطرفان بشأنها فيما بينهما.

وتقوم ـ ـ ـ ـ ـ على نفقتها الخاصة بإدخال البيانات فى نظام التقرير الائتمانى الحسابى الخاص بها، ثم تعيد على الفور وسيلة نقل البيانات للعميل. وفى هذه الحالة، لن تظل البيانات المدخلة مملوكة للعميل، بل ستتحول ملكيتها إلى ـ ـ ـ ـ ـ ـ . وعلى العميل حينئذ أن يخطر ـ ـ ـ ـ ـ على الفور إذا ما نما إلى علمه أن البيانات الواردة من قبله كانت تفتقر إلى الدقة أو قد تسبب الالتباس.

ويتعين على العميل فى هذه الحالة أن يتقدم لـ ـ ـ ـ ـ ـ ـ بأى تصحيحات أو بيانات إضافية تلزم لإتمام البيانات الواردة من قبله وتوخيا لدقتها، وعليه اتخاذ ما يلزم أيضا من إجراءات لتفادى الإبلاغ مرة أخرى عن أى بيانات تفتقر للدقة. وسيتحمل العميل بمقتضى قانون الدولة والقوانين الفيدرالية المسؤلية عن أية بيانات زائفة أو أى بيانات ترد

Client will pay ********* for the Information Services pursuant to the terms of the body of this Agreement and Exhibits B and C. If not specifically stated in Exhibit C, the price for a service will be *********'s standard price for that service as set forth by ********* from time to time. The prices in Exhibit C are effective for the term stated in Exhibit C, and are (a) not renewable unless otherwise provided in Exhibit C, and (b) subject to modification by ********* on the one year anniversary of this Agreement and subsequently at intervals of no less than one year, upon thirty (30) days prior written notice of any price changes. Unless otherwise specified, Client will pay for all Information Services no later than ten (10) days after receipt of *********'s invoice. Interest will accrue daily on all amounts not timely paid at the rate of 1.5% per month. The prices/fees are exclusive of any excise, use or similar taxes. It is Client's sole responsibility to pay those taxes, and ********* may separately invoice them.

IV.TERM AND TERMINATION

1.This Agreement will terminate (a) upon written agreement of the parties; (b) in the event that ********* or Client ceases to conduct business in a normal course, becomes insolvent, makes a general assignment for the benefit of creditors, suffers or permits the appointment of a receiver for its business or assets, or avails itself of, or becomes subject to, any proceeding under the Federal Bankruptcy Code of 1978, as amended, or any similar state insolvency or bankruptcy statutes, and either party gives the other written termination notice following that event; or (c) as otherwise provided in this Agreement. In addition, if either party materially breaches this Agreement, the non-breaching party may terminate this Agreement after providing written notice of the breach to the breaching party with thirty (30) days opportunity to cure. ********* may, in its own discretion, suspend services during any cure period. Either party, by written notice to the other party, may immediately terminate this Agreement or suspend any
Information Service or Services if based on a reasonable belief that the other party has violated the FCRA, the ECOA, any of the state law counterparts to the FCRA or ECOA, or any other applicable law or regulation.

2. Notwithstanding anything to the contrary in this Agreement, if the continued provision of all or any portion of the Information Services becomes impossible, impractical, or undesirable due to a change in applicable federal, state or local laws or regulations, as determined by ********* in its reasonable judgment, ********* may either (a) cease to provide the affected services within, or pertaining to persons residing within, the affected jurisdiction, or (b) establish new prices which will apply to the affected services when provided or delivered within, or pertaining to persons residing within, the affected jurisdiction, which prices will be

بوسيلة تنطوى على سوء نية أو على نية متعمدة للإضرار بالمستهلك أو على عدم الإلتفات لأية تفاوتات.

(III) التسعير

يلتزم العميل بسداد رسوم خدمة المعلومات لـ ـ ـ ـ ـ ـ، طبقا لشروط هذا الاتفاق ولشروط الملحق (B) و (C). وإن لم يرد الرسم بالتحديد فى الملحق (C)، يكون سعر الخدمة هو السعر المطبق لدى ـ ـ ـ ـ ـ من حين لآخر مقابل هذه الخدمة. وتسرى الأسعار الواردة فى الملحق (C) خلال المدة المذكورة بالملحق، و (أ) لن تكون قابلة للتجديد، ما لم ينص الملحق (C) على خلاف ذلك (ب) ولكن قد تخضع للتعديل من قبل ـ ـ ـ عند حلول سنوية هذا الاتفاق وما يستتبعها من فواصل زمنية لا تقل مدتها عن عام واحد، ويتعين أن يتم التعديل بموجب إخطار كتابى مسبق للتعديل فى السعر بمدة (30) يوم.

وما لم ينص الاتفاق على خلاف ذلك، يلتزم العميل بسداد رسوم خدمة المعلومات خلال مهلة لا تتجاوز (10) أيام من تاريخ استلام الفاتورة الصادرة من ـ ـ ـ ـ ـ ـ ـ بهذا الشأن. ويستحق بعد ذلك احتساب فوائد تراكمية يومية على كافة المبالغ التى لم تسدد فى ميعاد استحقاقها وستكون بنسبة 1.5% شهريا. وتكون تلك الرسوم/ الأسعار خالصة من أى ضرائب أو فوائد أو ما شابه ذلك. وسيتحمل العميل وحدة مسئولية سداد هذه الضرائب، ويجوز لـ ـ ـ ـ ـ ـ ـ أن يرسل بها فاتورة منفصلة.

(IV) مدة الاتفاق وإنهائه

(1) **ينتهى هذا الاتفاق**: (أ) بموجب موافقة كتابية من الطرفين، أو (ب) إذا ما توقف ـ ـ ـ ـ ـ ـ أو العميل عن السير فى عملها على النحو المعتاد، أو صار معسرا أو قام بإجراء حوالة عامة لصالح دائنين، أو صار مضطرا لتعيين حارس قضائى على أعماله أو أصوله أو وضع نفسه أو حتى تعرض لأى إجراء قانونى لتخذ بمقتضى قانون الإفلاس الفيدرالى المعدل الصادر فى عام 1978 أو ما شابهه من قوانين إفلاس أو إعسار بالدولة وقام أحد الطرفين بعد وقوع هذا الحدث بإرسال إخطار كتابى بالإنهاء للطرف الآخر، أو (ج) إذا ما نص الاتفاق على خلاف ذلك.

وعلاوة على ذلك، إذا ما أخل أى طرف إخلالا جسيما بهذا الاتفاق، يجوز للطرف المتضرر إنهاء هذا الاتفاق بعد إرسال إخطار كتابى بالإخلال للطرف المخل مانحاً إياه مهلة قدرها (30) يوم لمعالجة الإخلال. ويجوز لـ ـ ـ ـ ـ ـ إيقاف الخدمة – وفقا لما يتراءى له – خلال مهلة المعالجة. كما يجوز أيضا لأى طرف – بموجب إخطار كتابى يرسل للطرف الآخر – إنهاء هذا الاتفاق فورا أو إيقاف أى خدمة أو خدمات معلومات، إذا ما قام هذا الإنهاء على اعتقاد صائب بأن الطرف الآخر قد أخل بقانون التقرير الائتمانى أو بقانون تكافؤ الفرص الائتمانية الفيدرالى أو بأى قوانين نظيره لهما بالدولة أو بأى قانون أو لائحة أخرى سارية بالدولة.

(2) بغض النظر عما قد يخالف ذلك من أحكام بالاتفاق، إذا ما استحال من وجهة نظر ـ ـ ـ ـ ـ ـ ـ الاستمرار فى تقديم كافة خدمات المعلومات أو بعضها أو لم يعد ذلك أمرا عمليا أو أمرا مرغوبا فيه بسبب وقوع تعديل فيما هو سارى من

reasonably calculated to cover the costs incurred by ********* in complying with the applicable laws or regulations and will become effective on the date specified in such notice unless Client objects in writing, in which case ********* may exercise its rights under clause (a) above. ********* will attempt to provide written notice of its actions as far in advance of the effective date as is reasonably possible under the circumstances.

3.The obligations of Sections V, VI and all other indemnification, defense and hold harmless obligations will survive the termination of this Agreement.

(V) WARRANTY, INDEMNIFICATION AND LIMITATION OF LIABILITY

1.Client and ********* recognize that every business decision represents an assumption of risk and that neither party, in furnishing Information or the Information Services to the other, underwrites or assumes the other's risk in any manner.
EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, OR ANY AMENDMENT, NEITHER PARTY GUARANTEES OR WARRANTS THE CORRECTNESS, COMPLETENESS, CURRENTNESS, MERCHANTABIL¬ITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE INFORMA¬TION OR SERVICES PROVIDED TO THE OTHER. NEITHER PARTY, NOR ANY OF ITS DIRECTORS, OFFICERS, AGENTS, EMPLOYEES, CONTRACTORS, LICENSORS, AFFILIATED COMPANIES OR AFFILIATED CREDIT BUREAUS (“AFFILIATED PERSONS AND ENTITIES”) WILL BE LIABLE TO THE OTHER FOR ANY LOSS OR INJURY ARISING OUT OF, OR CAUSED IN WHOLE OR IN PART BY, THEIR ACTS OR OMISSIONS, EVEN IF NEGLIGENT, IN PROCURING, COMPILING, COLLECTING, INTERPRETING, PROCESSING, REPORTING OR TRANSMITTING ANY INFORMATION, OR THE INFORMATION SERVICES.

Client recognizes that accessing the consumer credit database with additional or different identification information on a consumer, or at a different time from a prior request for information, may result in file content different from that on the date of the original access. CLIENT WILL INDEMNIFY AND HOLD HARMLESS ********* AND ITS AFFILIATED PERSONS AND ENTITIES FROM AND AGAINST ANY DIRECT AND ACTUAL LOSS, COST, LIABILITY AND EXPENSE (INCLUDING REASONABLE ATTORNEY FEES) RESULTING FROM CLIENT’S BREACH OF SECTIONS I.3., I.5, I.6 OR EXHIBIT B OF THIS AGREEMENT.

قوانين أو لوائح فيدرالية أو محلية أو أى لوائح أخرى بالدولة، فى هذه الحالة يجوز لـ _ _ _ _ _ _ _ (أ) التوقف عن تقديم الخدمات المتأثرة بالتعديل داخل المنطقة الخاضعة للقوانين المعدلة أو التوقف عن تقديمها للأشخاص المقيمين بهذه المنطقة، أو (ب) وضع أسعار جديدة تطبق على الخدمات المتأثرة بالتعديل عند تقديمها داخل المنطقة الخاصة للقوانين المعدلة أو للأشخاص الكائنين بها، حيث يتم حساب تلك الأسعار لتغطى التكاليف التى تكبدتها _ _ _ _ _ _ _ _ للالتزام بالقوانين واللوائح السارية، وتسرى هذه الأسعار فى التاريخ المحدد فى الإخطار ذو الصلة، ما لم يعترض العميل كتابة عليها، وفى حالة الإعتراض، يجوز لـ _ _ _ _ _ _ _ _ ممارسة حقوقها المنصوص عليها فى البند (أ) أعلاه.

وعلى _ _ _ _ _ _ _ _ محاولة إرسال إخطار كتابى بما اتخذته من إجراءات فى هذا الصدد قبل حلول تاريخ سريان الأسعار، إذا كان ذلك ممكنا لها وفقا للظروف والأحوال.

(3) تظل الالتزامات الواردة فى البنود (V) و(VI) وكافة الالتزامات الخاصة بالتعويض والدفاع أو تجنيب الضرر سارية ونافذة حتى بعد إنهاء هذا الاتفاق.

(V) الضمانات والتعويضات وحدود المسئولية:

(1) يقر كل من العميل و _ _ _ _ _ _ _ _ _ أن أى قرار عمل يمثل التزاما بالمسئولية، وأنه لا يجوز لأى طرف – عند تقديم أى بيانات أو خدمة معلومات للآخر – أن يضمن أو يتحمل المسئولية عن ذلك الطرف الآخر بأى شكل أو على أى نحو.

وما لم ينص الاتفاق أو أى تعديل له على خلاف ذلك، لا يضمن أى طرف مدى صحة المعلومات أو الخدمات التى يقدمها للآخر أو يضمن مدى اكتمالها أو حداثتها أو وضعها التجارى أو مدى ملاءمتها لأى أغراض معينه. ولن يتحمل أى طرف أو أى من مديريه أو مسئوليه أو وكلائه أو موظفيه أو مقاوليه أو المرخص لهم من قبله أو الشركات التابعة له أو مكاتب الائتمان التابعة (أشخاص وكيانات تابعة) المسئولية أمام الطرف الآخر عن أى خسارة أو ضرر ينشأ أو يقع على نحو كلى أو جزئى بسبب تصرف أو إغفال من جانبهم أو حتى بسبب إهمال فى تحصيل أو تجميع أو ترتيب أو تفسير أو معالجة أو الإبلاغ عن أو نقل أى معلومات أو خدمة معلومات.

ويقر العميل بأن الدخول على قاعدة البيانات الائتمانية للمستهلك من خلال بيانات تعريف إضافية أو مختلفة وكذلك الدخول فى ميعاد مختلف عن الميعاد المحدد فى طلب المعلومات المسبق قد ينتج عنه استخراج بيانات ملف مختلفة عن تلك البيانات التى كانت ستتوافر فى تاريخ الدخول الأصلى.

ويلتزم العميل بتعويض _ _ _ _ _ _ _ _ وتجنيبها الضرر هى والأشخاص والكيانات التابعة لها من جراء أى خسائر فعلية مباشرة أو تكاليف أو تبعات أو مصروفات (بما فى ذلك أتعاب المحاماة) والتى تنتج عن إخلال العميل بأى من أحكام البنود (1-3) و (1-5) و (1-6) أو بأحكام الملحق (B) المرفق بهذا الاتفاق.

2.NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, INCLUDING ANY AND ALL FUTURE AMENDMENTS, NEITHER PARTY, NOR ANY OF ITS AFFILIATED PERSONS AND ENTITIES, WILL BE RESPONSIBLE FOR CONSEQUENTIAL, INCIDENTAL, INDIRECT, EXEMPLARY OR SPECIAL DAMAGES, INCLUDING LOST PROFITS.

(2) وبغض النظر عما قد يخالف ذلك من أحكام بهذا الاتفاق وأى تعديلات تطرأ عليه مستقبلا، لن يتحمل أى طرف أو أى من الأشخاص أو الكيانات التابعة له المسئولية عن أى أضرار تبعية أو عرضية أو أدبية أو خاصة كالخسارة فى الأرباح.

3.The ********* developed software used hereunder by ********* to provide the Information Services under this Agreement will be “Year 2000 Ready” if the Information Services are designated by ********* as “Year 2000 Ready.” For purposes of this Agreement, Year 2000 Ready means that the Information Services will process and handle date and time data without material interruption or delay (including, but not limited to, calculating, comparing and sequencing) from, into and between the twentieth and twenty-first centuries, and the years 1999 and 2000, including leap year calculations, to the extent that all other information technology used in combination with the Information Services properly exchange date data with them. As the sole and exclusive remedy for any breach of this section, ********* will (a) exercise commercially reasonable efforts to correct any material non-compliance, and (b) reprocess the Information Services to Customer without additional charge, when it is generally available.

(3) يكون برنامج ـ ـ ـ ـ ـ ـ ـ المطور الذى تستخدمه ـ ـ ـ ـ ـ ـ ـ ـ لتقديم خدمة المعلومات المنصوص عليها بهذا الاتفاق هو برنامج “Year 2000 Ready”، هذا إذا كانت خدمة المعلومات المذكورة تصنفها ـ ـ ـ ـ ـ على أنها خدمة معلومات “Year 2000 Ready” . وبالنظر إلى أغراض هذا الاتفاق، يقصد بـ “Year 2000 Ready” أن خدمة المعلومات تقوم بمعالجة والتعامل مع بيانات التاريخ والوقت دون أى انقطاع أو تأخير ملحوظ (بما يشمل على وجه العموم لا الحصر عمليات الحساب والمقارنات والترتيب التتابعى) من القرن العشرين إلى القرن الحادى والعشرين وكذلك الأعوام 1999 و 2000، بما فى ذلك أيضا حسابات السنوات الكبيسة، بحيث يمكن لكافة تكنولوجيا المعلومات الأخرى المستخدمة بالتوافق مع خدمات المعلومات إجراء تبادل فى البيانات المؤرخة المتوفرة لديهم معها.

وتلتزم ـ ـ ـ ـ ـ ـ ـ للتعويض – تعويضاً وحيداً وقصرياً – عن أى إخلال بهذا البند بـ (أ) أن تبذل ما هو ملائم من جهود تجارية لمعالجة أى إخفاق فعلى فى الالتزام بهذا البند، و (ب) أن تقوم بإعادة معالجة خدمة المعلومات للعميل دون فرض رسوم إضافية، عندما تكون هذه الخدمة متاحة على وجه العموم.

VI.CONFIDENTIALITY

Client agrees to hold in confidence all consumer report information received through the Information Services provided by *********, except as provided in Section I.5. Each party acknowledges that all other materials and information disclosed to the other party ("Recipient") in connection with the performance of this Agreement, including the terms of this Agreement and the pricing contained in Exhibit C, consist of confidential and proprietary data. Each Recipient will hold those materials and that information in strict confidence, and will restrict its use of those materials and that information to the purposes anticipated in this Agreement. If the law or legal process requires Recipient to disclose confidential and proprietary data, Recipient will notify the disclosing party of the request. Thereafter the disclosing party may seek a protective order or waive the confidentiality requirements of this Agreement, provided that Recipient may only disclose the minimum amount of information necessary to comply with the requirement. Recipient will not be obligated to hold confidential any information from the disclosing party which (a) is or becomes publicly known, (b) is received from any person or entity who, to the best of Recipient’s knowledge, has no duty of confidentiality to the disclosing party, (c) was already known to Recipient

(VI) السرية

يوافق العميل على الحفاظ على سرية كافة المعلومات المدونة فى تقرير المستهلك والتى وردت له من خلال خدمة المعلومات التى يوفرها ـ ـ ـ ـ ـ، هذا باستثناء ما هو مصرح به فى البند (I-5) أعلاه. ويقر كل طرف بأن كافة المواد والمعلومات الأخرى المفصح عنها للطرف الآخر (المتلقي) فيما يتعلق بتنفيذ هذا الاتفاق بما فيه من شروط وأسعار واردة فى الملحق (C) المرفق، بأنها جميعها عبارة عن بيانات سرية خاصة.

ويتعين على كل طرف متلقي أن يحافظ على السرية التامة لهذه المواد والمعلومات وأن يقصر استخدامها على الأغراض المحددة لها فقط فى هذا الاتفاق. ولكن إذا ما أقتضى القانون من الطرف المتلقي إفشاء أى بيانات سرية أو بيانات خاصة، فيتعين عليه إخطار الطرف المفصح بذلك، على أنه يجوز أن يسعى الطرف المفصح بعد ذلك إلى استصدار أمر بحماية البيانات أو أن يتنازل عن أحكام السرية الواردة بهذا الاتفاق، شريطة ألا يبوح الطرف المتلقي إلا فقط بالمقدار الأدنى الضرورى من المعلومات التزاما منه بهذه الأحكام.

وليس على الطرف المتلقي أى التزام بالحفاظ على سرية أى معلومات ترد له من الطرف المفصح والتى (أ) تصبح معروفة المستوى العام أو (ب) ترد من أى شخص أو كيان يكون على حد علم الطرف المتلقي كيانا

prior to the disclosure, and that knowledge was evidenced in writing prior to the date of the other party's disclosure, or (d) is developed by the Recipient without using any of the disclosing party's information. Each party will indemnify, defend and hold harmless the other from and against any direct and actual loss, cost, liability and expense (including reasonable attorneys' fees) resulting from the indemnifying party's breach of this Section VI.

لا يتحمل أى التزام بالسرية تجاه الطرف المفصح، أو (ج) تكون معروفة بالفعل للطرف المتلقي قبل الإفصاح عنها، وأن هذه المعلومات كانت مثبته كتابيا قبل تاريخ الإفصاح عنها من الطرف الآخر.

ويتعين على كل طرف تعويض الطرف الآخر والدفاع عنه وتجنيبه أى ضرر ينشأ عن أى خسارة أو تكلفة أو مسئولية أو مصروفات مباشرة أو فعليه (بما فى ذلك أتعاب المحاماة) والتى تنتج بسبب إخلال الطرف المطلوب منه التعويض بأحكام هذا البند (VI).

VII. DATA SECURITY

This Section VII applies if Client will access any Information Services via personal computer or direct access terminals (in either case, a "DAT"). Client will: (a) restrict access to each DAT to those employees who have been trained by ********* personnel and/or Client's previously trained personnel , (b) inform all trained DAT operators and other employees of Client's FCRA and other obligations with respect to the access and use of consumer reports, (c) ensure that neither trained operators nor other employees will obtain credit reports for personal reasons or provide them to any third party, and (d) take all necessary measures to prevent unauthorized use of the DAT by any persons other than the trained operators for permissible purposes. Those measures will include limiting knowledge of the Client number(s), access codes, and telephone access number(s) ********* provides, and any DAT user passwords Client may use, to trained DAT operators and other employees with a need to know, changing the user passwords on the DAT at least every one-hundred eighty (180) days, or sooner if an employee trained to operate the DAT is no longer responsible for accessing credit reports, or if Client suspects an unauthorized person has learned the password, and using all security features in the software and hardware Client uses to access *********'s system. Client will immediately notify ********* if Client suspects or knows of unauthorized access to *********'s system. Client will not ship hardware or software between Client's locations or to third parties without deleting all ********* Client number(s), access codes, telephone access number(s) and Client user passwords. Client will inform trained DAT users and other employees with a need to know that unauthorized access to consumer reports may subject them to civil and criminal liability under the FCRA punishable by fines and imprison¬ment. ********* may suspend or terminate DAT service to Client at any time ********* reasonably believes that Client has violated this Section. IF ********* LEASES THE DAT TO CLIENT, ********* MAKES NO WARRANTIES WHATSOEVER IN CONNECTION WITH THE PERFORMANCE OF THE DAT, AND ********* WILL NOT BE RESPONSIBLE FOR TRANSMISSION DISTORTION, INTERRUPTIONS OR FAILURES OF THE DAT OR ANY INFORMATION SERVICE. CLIENT WILL INDEMNIFY, DEFEND AND HOLD ********* HARMLESS FROM AND AGAINST ANY DIRECT

(VII) تأمين البيانات

يسرى البند (VII)، إذا ما دخل العميل على أى خدمة بيانات من خلال الحاسب الشخصى أو محطات الدخول المباشر (يشار إليهما "بالمحطات").

ويتعين على العميل أن (أ) يقصر استخدام المحطات على العاملين الذين تلقوا تدريبا على يد مسئولى ـ ـ ـ ـ ـ ـ و/أو مسئولى العميل ممن سبق تدريبهم، و(ب) إحاطة كافة مشغلى المحطات المدربين والعاملين الآخرين بقانون التقرير الائتمانى السارى على العميل والالتزامات الأخرى المتعلقة بالدخول على تقارير المستهلك واستخدامها،و (ج) التأكد من عدم حصول المشتغلين المدربين أو أى عاملين آخرين على أى تقارير ائتمانية لأغراض شخصية أو تقديمها للغير، و (د) اتخاذ كل ما يلزم من إجراءات لمنع الاستخدام غير المرخص للمحطات من جانب أى شخص إلا إذا كان الاستخدام من خلال المشغلين المدربين ولأغراض مسموح بها.

كما تتضمن هذه الإجراءات قصر المعلومات الخاصة برقم (أرقام) العميل، وشفرات الدخول ورقم (أرقام) الدخول على الهواتف التى توفرها ـ ـ ـ ـ ـ ـ، وأى كلمات مرور يستخدمها العميل على المحطات، على مشغلى المحطات المدربين والعاملين الآخرين الذين فى حاجة للمعلومات. ويتعين تغير كلمات المرور على المحطات على الأقل كل مائه وثمانين يوما أو فى أى وقت أقرب من ذلك إذا لم يعد العامل المدرب على تشغيل المحطة مسئولا عن الدخول على تقارير الائتمان أو إذا ما شك العميل أن شخصا غير مصرح له قد علم بكلمة المرور ويستخدم كافة أدوات التأمين فى البرنامج أو فى المعدة التى يستخدمها العميل للدخول على نظام ـ ـ ـ ـ ـ ـ. وعليه يتعين على العميل إخطار ـ ـ ـ ـ ـ على الفور، إذا ما نما لديه شك أو علم بوجود عمليات دخول غير مصرح بها على نظام ـ ـ ـ ـ. وعلى العميل عدم شحن أى برامج أو معدات ونقلها فيما بين المواقع أو إلى الغير دون إلغاء كافة أرقام العميل لدى ـ ـ ـ ـ، وشفرات الدخول وأرقام الدخول على الهواتف وكلمات المرور الخاصة بالعميل. وعلى العميل أيضا إحاطة كافة مستخدمى المحطات المدربين والعاملين الآخرين الذى يحتاجون للمعلومات بأن الدخول غير المصرح به على تقارير المستهلك قد يعرضهم لمسئولية مدنية وجنائية طبقا لقانون التقرير الائتمانى مما يستوجب معه عقوبة بالغرامة أو الحبس. ويجوز لـ ـ ـ ـ ـ ـ إيقاف أو إنهاء خدمة المحطة المقدمة للعميل فى أى وقت ترى فيه ـ ـ ـ ـ أن العميل قد أخل بأحكام هذا البند. وإذا قامت ـ ـ ـ ـ ـ بتأجير المحطة للعميل، فلن يتقدم ـ ـ ـ ـ ـ بأى ضمانات أيا كانت بشأن أداء المحطة ولن تتحمل ـ ـ ـ ـ ـ ـالمسؤلية عن أى تشوش فى الإرسال أو انقطاع أو أعطال بالمحطة أو بأية خدمات معلومات، وعلى العميل تعويض ـ ـ ـ ـ ـ والدفاع عنها وتجنيبها الضرر الناشئ عن أى خسارة أو تكلفة أو مسئولية أو مصروفات فعلية مباشرة (بما يشمل أتعاب المحاماة) والتى تنتج عن أخفاق العميل فى الالتزام بهذا البند (VII) أو عن انتهاك أى من عاملى أو وكلاء العميل لأحكامه.

AND ACTUAL LOSS, COST, LIABILITY AND EXPENSE (INCLUDING REASONABLE ATTORNEY FEES) RESULTING FROM CLIENT'S FAILURE TO ABIDE BY, OR ITS EMPLOYEES' OR AGENTS' VIOLATION OF, THIS SECTION VII.

VIII. MISCELLANEOUS

1. Assignment. Neither party may assign it rights or obligations under this Agreement without the written consent of the other party. Any transaction or series of transactions including, without limitation, any merger, consolidation, or other reorganization of Client, or any Client Affiliate, or any issuance, sale, transfer or redemption of any capital stock of Client, or any Client Affiliate, or interests in Client or any Client Affiliate, that results in a change of control of Client, or the Client Affiliate, will be deemed to be an assignment of this Agreement. Following an assignment, ********* may terminate this Agreement upon written notice to Client, or may terminate this Agreement with the applicable Client Affiliate. "Control" is defined in Section I.2 of this Agreement. ********* may subcontract any of the work, services, or other performance required of ********* under this contract without the consent of Client. ********* will be responsible for all work performed by its subcontractors and agents as if it were performing the work itself.

2. Consent to Breach Not Waived. Neither party will, by the lapse of time, and without giving written notice, be deemed to have waived any of its rights under this Agreement. No waiver of a breach of this Agreement will constitute a waiver of any prior or subsequent breach of this Agreement.

3. Notices. Notices must be in writing, must be delivered according to clause (a) or (b) below, and must be delivered to the address set forth on the signature page of this Agreement, or to such other address as a party may designate by notice in accordance with this provision. All notices under this Agreement will be deemed given on the date of delivery (a) by a nationally recognized overnight courier, or (b) by certified mail, return receipt requested. Notice to Client will be sufficient notice to all Client Affiliates.

4. Force Majeure. Neither party will be liable to the other for any delay or interruption in performance as to any obligation hereunder resulting from governmental emergency orders, judicial or governmental action, emergency regulations, sabotage, riots, vandalism, labor strikes or disputes, acts of God, fires, electrical failure, major computer hardware or software failures, equipment delivery delays, acts of third parties, or

(VIII) أحكام متنوعة

(1) الحوالة:

لا يجوز لأى طرف حوالة حقوقه أو التزاماته المنصوص عليها بهذا الاتفاق دون موافقة كتابية من الطرف الآخر. وأى عملية أو سلسلة من العمليات بما يشمل دونما تحديد أى إندماج أو توحيد أو إعادة تنظيم من أى نوع آخر لكيان العميل أو لأى كيان تابع له أو أى إصدار أو بيع أو نقل أو صرف لأى أسهم رأس مالية خاصة بالعميل أو أى كيان تابع له، أو لأى مصالح فى العميل أو فى أى كيان تابع له بما ينتج عنها تغيير فى السيطرة الإدارية على العميل أو على الكيان التابع سيعتبر كل هذا بمثابة حوالة لهذا الاتفاق. واستتباعاً للحوالة، يجوز لـ ـ ـ ـ ـ ـ إنهاء هذا الاتفاق بموجب إخطار كتابى يرسل للعميل، أو يجوز إنهاء هذا الاتفاق مع الكيان التابع المفوض من العميل، ويرد تعريف مصطلح "السيطرة" فى البند (1-2) من هذا الاتفاق. ويجوز لـ ـ ـ ـ ـ ـ ـ التعاقد من الباطن بشأن أى أعمال أو خدمات أو أى التزامات مطلوبة وفقا لهذا العقد، دونما الحاجة لاستصدار موافقة من العميل، على أن تكون ـ ـ ـ ـ ـ ـ مسئولة عن كافة الأعمال المؤداه من خلال مقاولية من الباطن ووكلائه، كما لو كان قد أدى بنفسه تلك الأعمال.

(2) الموافقة على الإخلال ليست تنازلا عن الحق

لا يعتبر انقضاء المهلة الزمنية دون إرسال إخطار كتابى بمثابة تنازل من أى طرف عن أى من حقوقه المنصوص عليها بهذا الاتفاق.

ولا يعتبر التنازل عند وقوع أى إخلال بهذا الاتفاق بمثابة تنازل عن أى إخلال سابق أو تال بالاتفاق.

(3) الإخطارات

يتعين أن تصدر الإخطارات كتابة، وأن تسلم وفقا لأحكام البند (أ) أو (ب) أدناه، وأن ترسل على العنوان المنصوص عليه فى صفحة التوقيع بهذا الاتفاق، أو على أى عنوان آخر يحدده الطرف بموجب إخطار يرسل وفقا لهذا البند.

كافة الإخطارات المرسلة بمقتضى هذا الاتفاق ستعتبر وكأنها قد سلمت فى تاريخ الإرسال إذا ما تم الإرسال (أ) عبر بريد سريع معروف على المستوى الدولى أو (ب) من خلال بريد معتمد مسجل بعلم الوصول. وإرسال الإخطار للعميل سيكون إخطارا كافيا يعنى بكافة الكيانات التابعة للعميل.

(4) القوة القاهرة

لن يتحمل أى طرف المسئولية أمام الطرف الآخر عن أى تأخير أو انقطاع عن تنفيذ أى التزام مما هو منصوص عليه بالاتفاق، إذا ما نتج ذلك عن صدور أوامر حكومية للطوارئ، تصرف قضائى أو حكومى، تنفيذ لوائح طوارئ، أحداث شغب أو تخريب أو أعمال همجية أو

delays or interruptions in performance beyond its reasonable control.

5. Entire Agreement: Amendment. This Agreement constitutes the entire agreement of the parties with respect to the subject matter contained herein and may not be amended except by a written agreement that acknowledges modification of this Agreement, and that is signed by an authorized representative of Client and of *********, or as otherwise expressly provided in this Agreement. This Agreement will not be more strongly construed against either party, regardless of who is more responsible for its preparation.

6. Severability. If any part of this Agreement is found to be illegal or unenforceable, then that part will be curtailed only to the extent necessary to make it, and the remainder of the Agreement, legal and enforceable.

7. Applicable Law. This Agreement will be governed solely by the internal laws of the State of Georgia, without regard to principles of conflicts of law.

8. Independent Contractor. Nothing in this Agreement creates a joint venture, partnership, principal agent or mutual agency relationship between the parties. No party has any right or power under this Agreement to create any obligation, expressed or implied, on behalf of the other party.

9.Headings. The titles or captions used in this Agreement are for convenience only and will not be used to construe or interpret any provision hereof.

10. Service. To maintain quality service, telephone communications with Client may be monitored and/or recorded without further notice or disclosure.

11. Authority. Each person signing below represents and warrants that he or she has the necessary authority to bind the principal set forth below.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

CLIENT:_____
ADDRESS_____
Signed by: _____
Printed Name _____

Title:_____ Title: _____ Printed Name: _____
Date: Date: _____

إضراب عمالى أو نزاعات أو أحداث قدرية أو حرائق أو لنقطاع كهربى أو أعطال شديدة فى برنامج الحاسب أو معداته أو تأخير فى تسليم معدات أو تصرفات من الغير أو تأخير أو إعاقة فى الأداء خارجة عن نطاق التحكم الملائم للطرف المضرور.

(5) الاتفاق ككل وتعديلاته:

يشكل هذا الاتفاق كل ما تم الاتفاق والتفاهم بشأنه فيما بين الطرفين فيما يتعلق بموضوعة الوارد به، ولا يجوز تعديله إلا بإتفاق كتابى يقر بتعديل هذا الاتفاق، ويوقعه الممثلون المفوضون للعميل و للـ _ _ _ _ _ _ _، ما لم ينص هذا الاتفاق صراحة على خلاف ذلك، ولا يجوز تفسير أو تأويل هذا الاتفاق فى غير صالح أى طرف، بصرف النظر عمن يتحمل العبء الأكبر فى إعداده.

(6) البطلان الجزئى:

إذا ما ثبت عدم قانونية أو نفاذ أى جزء من أجزاء هذا الاتفاق، فيقتصر إعمال هذا الجزء فقط فى الحدود اللازمة التى تجعله وباقى الاتفاق ساريين ونافذين قانونا.

(7) القانون الواجب التطبيق:

يخضع هذا الاتفاق للقوانين الداخلية فقط لولاية جورجيا، بغض النظر عن مبدأ تعارض القوانين.

(8) المقاول المستقل:

لم يرد فى هذا الاتفاق ما ينص على وجود مشروع مشترك أو شركة تضامن أو علاقة وكيل بأصيل أو وكالة متبادلة بين الأطراف. وليس لأى طرف أى حق أو سلطة فى هذا الاتفاق يمكنه من خلالها إنشاء أى التزام صريح أو ضمنى نيابة عن الطرف الآخر.

(9) العناوين:

العناوين الواردة فى هذا الاتفاق هى للتعريف فقط ولا تستخدم فى تفسير أو تأويل أى حكم بها.

(10) الخدمـ ـة:

إعمالا لخدمة مراقبة الجودة، يجوز مراقبة الاتصالات الهاتفية مع العميل و/أو تسجيلها دون الحاجة للإخطار بذلك أو الإفصاح عن ذلك.

(11) السلطـ ـة:

يقر ويضمن كل شخص من الموقعين أدناه أنه/ أنها يملك/ تملك ما يلزم من سلطات إلزامية على الأصيل الوارد بيانه أدناه.

وأشهادا على ذلك، حرر الأطراف هذا الاتفاق فى التاريخ المدون بصدره أعلاه.

العميل: _____

العنوان: _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _

توقيع: _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _ _

الاسم الطباعى: _ _ _ _ _ _ _ _ _ _ _ _ _

EXHIBIT A
CLIENT AFFILIATES

NOTE: Each Client Affiliate must be listed below in order to receive services under this Agreement. New Affiliates may be added with written notice to *********. All Affiliates listed must currently and at all times during the term of this Agreement be controlled by or under common control with Client, as defined in Section I.2 of the Agreement.

Client Affiliate Name Address

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

11.

12.

13.

14.

اللقب: ----------

التاريخ: ----------

الملحق (A)

الكيانات التابعة للعميل

ملحوظة: يتعين تدوين اسم كل كيان من الكيانات التابعة للعميل فى الكشف الوارد أدناه حتى يمكنه أن يتلقى الخدمات المنصوص عليها فى هذا الاتفاق.

ويجوز إضافة أى كيانات جديدة بموجب إخطار كتابى يرسل إلى ------- . ويتعين أن تكون كافة الكيانات المدونة كيانات تخضع حاليا ودائما لسيطرة العميل أو تخضع هى والعميل لسيطرة مشتركة من الغير خلال مدة هذا الاتفاق وكما هو معرف فى البند (1-2) منه.

اسم الكيان التابع للعميل	العنوان
(1)	
(2)	
(3)	
(4)	
(5)	
(6)	
(7)	
(8)	
(9)	
(10)	
(11)	
(12)	
(13)	
(14)	

EXHIBIT B

This Exhibit contains an Information Services selection list, overviews of the Information Services that may be provided under this Agreement, Additional Terms and Conditions that apply to those Information Services and other Special Terms and Conditions that may affect the provision of Information Services to Client. Client's

الملحق (B)

يضم هذا الملحق قائمة بخدمات المعلومات مع نظرة عامة على كل

authorized representative has placed his or her initials in the appropriate blanks below to indicate which Information Services will be ordered by Client and Client Affiliates. Client and Client Affiliates agree to abide by the Additional Terms and Conditions and Special Terms and Conditions that apply to those Information Services.

INFORMATION SERVICES

NOTE Please initial the Information Service(s) to be provided on the effective date of this Agreement. Additional services may be requested with written notice to *********.

STANDARD INFORMATION SERVICES (p8-11)

XXXXXXXXXXXXXXXXXXXXXXXX

CREDIT SCORE INFORMATION SERVICES (p12 – 13)

XXXXXXXXXXXXXXXXXXXXXXXXXX

PRESCREEN SERVICES (p14-18)

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

EXHIBIT B.I.
STANDARD INFORMATION SERVICES*********

Following are descriptions of core services provided by ********* and additional terms and conditions applicable to those specific Information Services.

(1) ™ ********* and ********* - are the core consumer reports from the ********* consumer credit database, consisting of identification information, credit file inquiries, public record information and credit account trade lines of the subject of the report. Client may access these credit reports on an individual basis or through Joint File AccessSM, which provides simultaneous access to the credit files of both husband and wife with a single inquiry.

(2) ********SM – provides a summary output of the ********* or ********* Plus consumer report when no adverse elements are present in the credit file, and a full consumer report when adverse elements are present.

خدمة من الخدمات المزمع تقديمها بمقتضى هذا الاتفاق وعلى الشروط والأحكام الإضافية التى تسرى على هذه الخدمات، وأيضا على الشروط والأحكام الخاصة التى تحكم عملية تقديم خدمة المعلومات للعميل.

وينبغى على الممثل المفوض للعميل وضع حروفه الاستهلالية فى الفراغات الملائمة أدناه ليشير إلى ما يطلبه العميل والكيانات المنضمة له من خدمات معلومات. وفى هذا الصدد، يوافق كل من العميل والكيانات المنضمة له على الالتزام بالشروط والأحكام الإضافية والشروط والأحكام الخاصة التى تسرى على تلك الخدمات.

خدمة معلومات ــــ

ملحوظة: الرجاء وضع الحروف الاستهلالية على خدمة (خدمات) المعلومات المزمع تقديمها ابتداءا من تاريخ سريان هذا الاتفاق. ويجوز طلب الخدمات الإضافية بموجب إخطار كتابى بهذا الشأن يرسل إلى ـ ـ ـ ـ ـ ـ ـ ـ ـ ـ.

خدمات المعلومات الموحدة (Standard Information Services) (صفحة 20-36)

×××

خدمات ماقبل العرض الإئتمانى (Prescreen Services) (صفحة 42-54)

×××

الملحق (BI)

خدمات المعلومات الموحدة لـ ـ ـ ـ ـ ـ ـ ـ ـ ـ ـ ـ ـ ـ

يرد فيما يلى بيانا بالخدمات الأساسية (core services) التى تقدمها ــــ وكذلك الشروط والأحكام الإضافية السارية عليها.

(1) TM ـ ـ ـ ـ ـ ـ و ـ ـ ـ ـ ـ ـ هى تقارير مستهلك صادرة من قاعدة البيانات الائتمانية للمستهلك الخاصة بـ ـ ـ ـ ـ، وتتكون من معلومات معينة لتحديد الهوية واستعلامات من ملفات ائتمانية ومعلومات من واقع سجلات عامة وحدود التعامل على الحساب الائتمانى موضوع التقارير. ويجوز للعميل الدخول على هذه التقارير الائتمانية بشكل فردى أو من خلال ملف مشترك، يمكن من خلاله الدخول على الملفات الائتمانية بشكل متزامن لكل من الزوج والزوجة باستعلام واحد.

(2) SM ـ ـ ـ ـ ـ ـ: وهى خدمة تقوم بتوفير ملخص

(3) Address Variance Indicator – is an ancillary service to *********, ********* and ------ that provides an indicator to alert customers of the variations between inquiry address(es) and the address(es) appearing on the credit file.

(4) SM _____ - is a service that provides consumer report information consisting of creditors' and inquirers' names, addresses and current phone numbers.

(5)_____® – is a service that automatically uses the Social Security number from an original *********™, ********* ™, tSM or SM inquiry to generate another search using a ™ transaction to return a name, address and Social Security number whenever the credit file inquiry returns a "No Record Found" message.

(6) SM ******** - is a consumer reporting service that provides a flexible, comprehensive, customer-tailored bankruptcy manage-ment tool that delivers bankruptcy information within 72 hours of an initial bankruptcy filing becoming publicly available.

(A) Criteria Required. ********* will match consumer identification information listed in a bankruptcy petition with account identification information maintained in the credit database, to determine if a bankrupt consumer has an account, and will prepare and deliver information regarding the date of a 341 creditors' meeting, the trustee's name, address and phone number and the judge's initials. If this information is not available at the time of the initial transmission of the information, it will be automatically delivered at no additional charge.

(B) FCRA Certification. Client certifies that it will receive and use ---------- reports (1) regarding only accounts owned by Customer (unless Customer elects to receive information on consumers' other credit relationships), or (2) for purposes of review of an account, such as closing an account, monitoring or limiting the increase of a credit line (or other extension of a benefit), or (3) for collection purposes, such as commencing or ceasing collection efforts or attending a 341 creditors' meeting so that Customer may challenge the bankruptcy or reaffirm the debt. Customer understands that ------ reports are consumer reports as defined by the FCRA, and therefore certifies that it will use ------ reports only for the specific permissible purposes above and for no other purpose.

(C) Electronic Delivery Requirement. Client will subscribe to an electronic delivery system acceptable to ********* and agrees that, for at least the term of this Agreement during which the ------- service is to be provided, it shall remain a subscriber of such a system.

بالمخرجات الواردة فى تقرير المستهلك الصادر من ـ ـ ـ ـ ـ أو ـ ـ ـ ـ ـ ـ بلاس، وذلك إذا لم تظهر هناك عناصر مانعة لذلك فى الملف الائتمانى، وقد تقوم هذه الخدمة بتوفير تقرير مستهلك كامل إذا ظهرت هناك عناصر مانعة فى الملف الائتمانى .

(3) **مؤشر اختلاف العنوان**: وهى خدمة استثنائية ل(ـ ـ ـ ـ ـ و ـ ـ ـ ـ و ـ ـ ـ ـ ـ ـ) حيث تقوم بتوفير مؤشر لتنبيه المستهلكين بأى تغييرات فى العنوان (العناوين) محل الاستعلام والعنوان (العناوين) الواردة فى الملف الائتمانى.

(4) SM ـ ـ ـ ـ ـ ـ ـ ـ : هى خدمة يمكن من خلالها توفير معلومات تقرير مستهلك تتكون من أسماء الدائنين والمستعلمين وعناوينهم والأرقام الحالية لهواتفهم.

(5) * ـ ـ ـ ـ ـ ـ ـ ـ ـ ـ : هى خدمة تستخدم آلياً رقم التأمين الاجتماعى من الـ TM ـ ـ ـ ـ ـ ـ ـ الأصلى أو الـ TM tSM ـ ـ ـ ـ أو استعلام الـ SM وذلك لإجراء بحث آخر باستخدام معاملات TM لمعرفة الاسم والعنوان ورقم التأمين الاجتماعى عندما يرد الإستعلام الأول عن الملف الائتمانى برسالة "لا يوجد سجل".

(6) SM ـ ـ ـ ـ ـ ـ ـ ـ : هى خدمة تقرير مستهلك يمكنها توفير أداة إدارة إفلاس مرنة وشاملة وملائمة للمستهلك (Consumer-tailored Bankruptcy management tool) تقوم بتوفير معلومات عن أى إفلاس خلال 72 ساعة من إعلان إجراءات الإفلاس المبدئية على المستوى العام.

(أ) المعايير المطلوبة:

تقوم ـ ـ ـ بمقارنة المعلومات الخاصة بهوية المستهلك المدونة فى عريضة الإفلاس مع بيانات الحساب الواردة فى قاعدة البيانات الائتمانية وذلك لتحديد إذا ما كان للمستهلك المفلس حساب ما، ثم تقوم بإعداد وتسليم معلومات بشأن تاريخ اجتماع 431 دائن، واسم الوصى وعنوانه ورقم هاتفه وكذلك الأحرف الاستهلالية للقاضى وإذا لم تكن هذه المعلومات متاحة فى وقت البث المبدئى للمعلومات، يتم بعد ذلك إرسالها آليا دون رسوم إضافية.

(ب) التصديق الخاص بقانون التقرير الائتمانى الفيدرالى:

يتعهد العميل بأن يتسلم ويستخدم تقارير ـ ـ ـ ـ فقط (1) فى الحسابات التى يملكها المستهلك فقط (ما لم يرغب العميل فى أن يتسلم معلومات بشأن أى علاقات ائتمانية أخرى مع المستهلكين)، أو (2) لأغراض مراجعة الحساب، مثل إغلاق الحساب، أو مراقبة أو تحديد الزيادة فى حد الإئتمان (أو أى تمديد آخر فى مهلة أى مصلحة) أو (3) لأغراض التحصيل، مثل البدء فى أو التوقف عن بذل أى جهود تحصيل و لحضور اجتماع لـ 341 دائن بحيث يمكن للعميل الطعن فى الإفلاس أو تأكيد ثبوت الدين.

وعلى المستهلك أن يكون على دراية بأن تقارير ـ ـ ـ ـ ـ ـ هى تقارير المستهلك الوارد تعريفها فى قانون التقرير الائتمانى الفيدرالى، وبالتالى فعليه أن يتعهد بأن يستخدم تقارير ـ ـ ـ ـ ـ ـ ـ فقط فى الأغراض المحددة المسموح بها أعلاه وليس لأى غرض آخر.

(7) Consumer Telephone Number Service – is an optional feature which allows published consumer telephone numbers to be displayed on the consumer report.

(8) ™********* - is a merged in-file consumer report that enables Client to separate low risk from higher risk applicants at the start of the mortgage loan decision-making process with information merged from one or more credit repositories. Optional risk management tools using ********* risk-scoring models are available with this service.

(8.1) SM ********* – is a service that allows one or more of the items from the report or from the mortgage application to be updated or added to the merged in-file.

(9) SM ******** - is a consumer reporting service that enables the credit grantor to select and evaluate elements from the ********* consumer credit database for use in risk assessment and cross-selling opportunities. The Service includes various credit-related information services provided by ********* to Client by either Voice Response Unit, Direct Access Terminal, System-to-System, or the Internet.

(A) General Terms. Upon mutual agreement of Client and *********, ********* may access information from sources other than *********. ********* will have no liability in any regard for any other source's information, or for any part of the Service that is based on that information. Client will obtain direct service agreements with other information sources entitling Client to receive and use their information as part of the Service, and specifying the prices Client will pay those sources for their information. ********* will bill Client monthly for the Service in accordance with the rates set forth in Exhibit "C." Client will also be subject to a monthly minimum charge for transactions, to billed not less than 45 days from the start date and as set forth in Exhibit "C". This is not a fee to be imposed in addition to Client's monthly billing, rather, if in any month, Client's monthly bill is less than the stated minimum, Client will pay ********* an amount which represents the difference between Client's actual billing and the stated minimum.

(B) Criteria Application Audits. Prior to the Client implementation, ********* will install the Client application into the user acceptance testing region and conduct testing of Client's application specific to Client's specifications. That testing will be conducted using *********'s standard Quality Assurance procedures. During this time, the application will be

(ج) شرط التسليم الالكترونى:

يتعين على العميل الاشتراك فى نظام تسليم إلكترونى يقبله ـــــــ ، وعليه الموافقة على الاستمرار فى الاشتراك فى ذلك النظام على الأقل خلال مدة هذا الاتفاق والتى يتم فيها تقديم خدمة ـــــــــ .

(7) **خدمة إظهار رقم هاتف المستهلك:**

وهى خدمة اختيارية يمكن من خلالها إظهار الأرقام المعلن عنها لهاتف المستهلك فى تقرير المستهلك.

(8) TU ـــــ : وهى تقرير مستهلك يدخل فى الملفات الإتمانية لاستخراج معلومات من مخزن أو أكثر من مخازن البيانات الائتمانية بحيث يمكن للعميل من خلاله الفصل بين مقدمى الطلب المعرضين لمخاطر ائتمانية منخفضة وبين مقدمى الطلب المعرضين لمخاطر ائتمانية عالية عند البدء فى اتخاذ قرار بمنح قرض . كما توفر هذه الخدمة أدوات اختيارية لإدارة المخاطر باستخدام برامج تحديد درجات المخاطر ـــــ .

(1-8) SMـــــ: هى خدمة يمكن من خلالها تحديث عنصر أو أكثر من عناصر التقرير أو طلب التمويل العقارى و إضافتها إلى الملف الإئتمانى.

(9) SMـــــ: هى خدمة إصدار تقرير مستهلك يمكن من خلالها لمانح الائتمان اختيار وتقييم عناصر من قاعدة البيانات الائتمانية للمستهلك الخاصة بـــ لاستخدامها فى تقييم المخاطر وفرص البيع. وتشمل هذه الخدمة مختلف خدمات المعلومات المتعلقة بالائتمان التى يوفرها ـــ للعميل من وحدة الرد الصوتى أو محطة الدخول المباشر أو وحدة النقل من نظام إلى نظام أو الانترنت.

(أ) الشروط العامة:

بمقتضى اتفاق كتابى بين العميل و ـــ ، يجوز لـ ـــ الدخول على المعلومات من مصادر أخرى بخلاف ـــ، على أنه لن يتحمل ـــ أى مسئولية على أى نحو عن أى معلومات واردة من مصدر آخر.

ويجوز للعميل إبرام اتفاقات خدمة مباشرة مع مصادر معلوماتية أخرى يحق له بموجبها استقبال واستخدام ما لديهم من معلومات كجزء من الخدمة، ويتعين تحديد السعر الذى سيسدده العميل لهذه المصادر مقابل ما لديهم من معلومات.

ويقوم ـــ بإصدار فاتورة شهرية للعميل بخدماته طبقا للأسعار المنصوص عليها فى الملحق (C) كما يتعين على العميل تسديد الحد الأدنى الشهرى من الرسوم مقابل هذه المعاملات والتى سيصله بها فواتير خلال ما لا يقل عن 45 يوم من تاريخ بدء الخدمة، كما هو محدد فى الملحق(C) ، ولن يعتبر ذلك رسما مفروضا بالإضافة إلى الفواتير الشهرية على العميل، ولكن إذا ما قل معدل الفاتورة الشهرى للعميل عن الحد الأدنى المنصوص عليه، فيلتزم العميل بأن يسدد لـ ـــ مبلغا يمثل الفرق بين القيمة الفعلية للفاتورة والحد الأدنى المنصوص عليه.

(ب) المراجعة المعيارية للتطبيقات (Criteria

available for Client's review and approval, subject to its own user acceptance testing procedures. After, Client approval is received, the Client's application will be implemented into production. Application Audits for Changes. During the calendar year, Client may make non-programming changes to the application as set forth above. Upon mutual agreement, ********* will conduct additional review, and provide to Client for its review and approval, the ability to perform additional testing following changes made to the application, as appropriate based on the complexity of the change.

:Application Audits)

قبل التنفيذ من جانب العميل، يتعين على ـــ تركيب التطبيق الخاص بالعميل (برنامج شامل لإستقبال البيانات) فى منطقة اختبار وإجراء إختبار على التطبيق يعنى على الأخص بالمواصفات التى يتطلبها العميل. ويتم هذا الاختبار باستخدام الإجراءات القياسية لتأمين الجودة والخاصة بـ ـــ. وخلال هذا الوقت، يجوز إتاحة التطبيق للعميل لمراجعته واعتماده طبقا لما هو سارى لديه من إجراءات اختبارية. وبعد استلام موافقة العميل يتم استحدام التطبيق فى إنتاج المعلومات.

مراجعة التطبيق بغرض التغيير

خلال العام الميلادى، يجوز للعميل إجراء تغييرات غير برمجية فى التطبيق وذلك على النحو المنصوص عليه أعلاه. وبناءا على موافقة كتابية متبادلة، يقوم ـــ بإجراء مراجعة إضافية، وتقديم التطبيق للعميل للمراجعة والاعتماد أيضا، وتتوقف إمكانية إجراء المزيد من الاختبارات بعد إجراء التعديلات فى التطبيق على مدى تعقيد تلك التغييرات.

(C) Set-up Charge. Promptly after execution of this Agreement, ********* will bill Client for a non-refundable set-up charge as set forth on Exhibit "C" for programming of Client's initial decision criteria and for any other custom development. ********* will program additional sets of decision criteria or make programming changes to existing applications upon Client's request at a cost to be determined by the parties prior to programming. The re-programming fees will be based upon Client's business requirements.

(د) رسوم التحميل

بعد تحرير هذا الاتفاق، يقوم ـــ على الفور بإرسال فاتورة للعميل قيمة رسوم التحميل غير المستردة والمنصوص عليها فى الملحق (C) وذلك لبرمجة الأسس المعيارية المبدئية للعميل ولإجراء أى تطويرات معتادة لديه.

ويجوز لـ ـــ أن تقوم ببرمجة مجموعات إضافية من الأنظمة المعيارية أو تجرى تغييرات برمجية للتطبيقات القائمة وذلك بناءا على طلب من العميل وبالتكلفة التى يحددها الأطراف قبل عملية البرمجة. وستتحدد قيمة رسوم إعادة البرمجة على أساس ما لدى العميل من متطلبات عمل.

(10) SM ********** is an identification verification service that uses an applicant's driver's license number to search the ********* nationwide database, and is used in conjunction with the ******SM service to improve Client's ID verification rate. Client will not use this service to determine eligibility for credit, insurance, employment or for any other purpose that permits a consumer report to be ordered.

(10) SM ـــــ: هى خدمة تحقق من الهوية تستخدم رقم رخصة القيادة الخاصة بمقدم الطلب للبحث فى قاعدة البيانات القومية لـ ـــ، كما تستخدم هذه الخدمة مع خدمة SM ـــــ لتطوير معدل التحقق من دقة بيان الهوية. ولا يجوز للعميل استغلال هذه الخدمة لتحديد مدى الجدارة لاستغلال انتمان أو تأمين أو للتعيين فى وظيفة أو لأى غرض آخر يسمح بطلب تقرير المستهلك.

(11) ™ ***** - is a service that uses the social security number provided by Client to search the ********* consumer credit database and deliver consumer identification information, as specified below.

(11) TM ـــــ: هى خدمة تستخدم رقم التأمين الاجتماعى الوارد من العميل للبحث فى قاعدة بيانات المستهلك الخاصة بـ ـــ وتسليم معلومات التعريف بهوية المستهلك، على النحو المحدد أدناه.

(11.1) *******™ - is a consumer report that consists of name, AKA, or former name, current and former addresses, listed telephone number (if available), age, employment, Social Security number and a message pertaining to the Social Security number. Client certifies that it will order a ******** only when it has a permissible purpose to receive a consumer report, as specified in the Agreement.

(11-1) TM ـــــ: هو تقرير مستهلك يتكون من الاسم واسم الشهرة والاسم السابق والعناوين الحالية والسابقة، وما هو مدون من أرقام هاتف (إن وجد)، والسن والوظيفة ورقم التأمين الاجتماعى. وفى هذا الصدد، يتعهد العميل بأن يطلب ـــ فقط عندما يكون لديه غرض من الأغراض المسموح بها لاستلام تقرير مستهلك، كما هو محدد فى هذا الاتفاق.

(11.2) *******™ - is a report that contains only the name, AKA or former name, address, optional listed telephone number, and Social Security number. Client will use ******* reports only to locate or further identify the subject of the report. Client understands that ******** reports will not be ordered or used to determine eligibility for credit, insurance, or any other purpose that permits a consumer report to be furnished, except in connection with the collection of a debt or to verify the identification information of a prospective

(11-2) TM ـــــ: هو تقرير يحوى فقط الاسم واسم الشهرة والاسم السابق والعنوان ورقم الهاتف الاختيارى المدون (optional listed telephone)

employee. Client will notify ********* whenever a ********* report will be used for employment purposes.

number ورقم التأمين الاجتماعى. وعلى العميل أن يستخدم تقارير ـــ فقط لتحديد موقع التقرير الأساسى أو لتحديد موضوعة بشكل أوضح. وعلى العميل أيضا أن يتفهم أن تقارير ـــــ لا يجوز طلبها أو استخدامها لتحديد مدى الصلاحية لإجراء أى ائتمان أو تأمين أو لأى غرض آخر يتم بموجبه تقديم تقرير مستهلك إلا إذا ما استخدمت فيما يتعلق بتحصيل دين أو للتحقق من بيانات هوية شخص من المحتمل مشاركته فى العمل. كما يتعين على العميل إحاطة ـــ، حال استخدام تقرير ـــــ فى أغراض التوظيف.

(12) ********** – is an automated database-matching service, available to subscribing telecommunications, energy and utility companies throughout North America, that compares new-applicant information with delinquent account data contributed by the member companies that is filed and stored on the System. The Service assists in identifying potential financial risks and locating consumers who have delinquent accounts.

(12) ـــ : هى خدمة آلية لمطابقة قواعد البيانات تخدم شركات الاتصالات والطاقة والمرافق فى شمال أمريكا، وهى تجرى لمقارنة ما لدى مقدم الطلب الجديد من معلومات بما هو مدون من بيانات حساب متأخر قامت الشركات الأعضاء فى الخدمة بتوزيعها وأودعتها فى ملف وتم تخزينها على النظام. وتقوم هذه الخدمة بالمعاونة فى تحديد ما هو محتمل من مخاطر ائتمانية وتحديد موقع المستهلكين الذين لديهم حسابات متأخرة.

(A) Reporting of Information. Client agrees to furnish, at least monthly, in a format approved by *********, information regarding Client's accounts, including, at a minimum: current listings of customer service applications, unpaid closed accounts of $25 or more, and updates to unpaid closed accounts reflecting their current status. The current listings will cover the period from the cut-off date of the previously submitted magnetic tape through the present cut-off date.

(أ) **الإخطار بالمعلومات**

يوافق العميل على القيام كل شهر على الأقل وبالشكل الذى يعتمده ـــ بتقديم معلومات بشأن حسابات العميل، بما يشمل على الأقل القوائم الحالية بطلبات الخدمة التى وردت من العميل، والحسابات غير المسددة بقيمة 25 دولار فأكثر وأى تحديثات للحسابات غير المسددة تعكس وضعها المالى الحالى، وعلى أن تغطى هذه القوائم الفترة ابتداءا من تاريخ توقف الشريط المغناطيسى الذى سبق تقديمه وحتى تاريخ التوقف الحالى.

(B) Client Information. All information filed, stored and pro¬cessed through the System is treated as confidential and is provided unique identification codes, which identifies Client and prevents unauthorized access and retrieval. Client's information is fully separable from other ********* customer information and is considered proprietary in nature.

(ب) **بيانات العميل**

كافة البيانات المحفوظة والمخزنة والمدخلة على النظام يتم التعامل معها على أنها بيانات سرية ويوضع عليها شفرات تعريف مميزة للتعرف على العميل كمايتم منع أى محاولات غير مصرح بها للدخول أو لاسترجاع أى بيانات وتكون بيانات العميل منفصلة تماما عن كافة بيانات عملاء ـــــ الأخرى وتعامل غلاى أنها بيانات خاصة.

(C) Client Certification. Client understands that reports are consumer reports and may only be ordered pursuant to Section 1.3 of the Agreement.

(ج) **التصديق الخاص بالعميل**

على العميل أن يتفهم أن هذه التقارير هى تقارير مستهلك ويجوز طلبها فقط وفقا لأحكام البند (1-3) من الاتفاق.

(13) *********SM - is a locate service that searches the ********* consumer credit database and provides a consumer report, consisting of consumer identification information, including employment information, a list of trades with activity within the past 24 months and the date of the last activity, the names and dates of inquiries within the past 12 months, the phone numbers of the trades and inquiries listed, a bankruptcy alert indicator and optional warnings. Client will use Finders Reports only for the collec¬tion of a credit account with the consumer subject of the Finders Report, and will not use them for the extension of credit.

(13) SMـــــ: هى خدمة تحديد موقع تقوم بالبحث فى قاعدة البيانات الائتمانية للمستهلك والخاصة بـ ـــ ، وتقوم بتقديم تقرير مستهلك يتكون من معلومات لتحديد هوية المستهلك، بما فى ذلك المعلومات الوظيفية وقائمة بالأنشطة التجارية التى أجراها خلال الأربعة وعشرين شهرا الماضية وتاريخ آخر نشاط، وكذلك أسماء وتواريخ ما أجراه من استعلامات خلال الاثنى عشر شهرا الماضية، وأرقام الهاتف الخاصة بالأنشطة التجارية والاستعلامات المدونة، ومؤشرا للتحذير من الإفلاس والتحذيرات الاختيارية الأخرى.

(14) *********SM – is a verification service that compares consumer-provided information against

multiple nationwide databases to detect, validate and identify potentially fraudulent information automatically at the point of application. The service continually monitors consumer transactions and may return one or more of 46 flags in response to a transaction when suspected or known fraudulent information is found. These flags are not part of a consumer's credit file and Client will not use them as a basis for determining eligibility for credit, insurance, employment or for any other purpose that permits a consumer report to be ordered.

(15) *********SM - is an identification verification or locate report which uses a consumer's name and last known address to search the ********* consumer credit database and return identification information, as specified below.

(15.1) ******** – is a consumer report consisting of name, AKAs, current and former addresses, employment information, age or date of birth, and Social Security number (only if input by Client).

(15.2) ********** – is a report consisting of only name, AKAs, and current and former address information.

(16) **********SM – is an on-line cross-sell tool for the telecommunications, energy and cable industries, offered as an enhancement to *********bSM, which provides custom or national consumer marketing profile information at the point of sale. Client will not use this service for determination of credit eligibility.

(17) **********SM - is a manually produced consumer report provided to speed the mortgage loan granting process by delivering information on self-employed borrowers that may apply for mortgage loans covering business history, financial background, number of employees, length of time in business, credit history and public record information. The report verifies trade references reporting credit limits, current balances, terms and payment histories.

(18) *********– is a mid-range platform available to telecommunications and utilities clients that allows access to multiple external databases for standard and customized based information solutions. There is a monthly minimum charge for this service.

(19) ********** - is a windows-based software program developed by *********, providing on-line access to multiple external databases for standard and customized information based solutions. ****** provides multiple connectivity capabilities to ********* services. ******** was developed by ********* specifically targeting small- to medium-sized communications, utilities and energy providers, but has been expanded for applications for other industries.

وعلى العميل أن يستخدم تقارير البحث فقط لتجميع بيانات الحساب الائتمانى عن المستهلك موضوع تقرير البحث، وألا يستخدمها لتمديد أجل الائتمان.

(14) SM—: هى خدمة تحقق من صحة بيانات، يمكن من خلالها مقارنة المعلومات الواردة من المستهلك بما هو وارد فى قواعد البيانات القومية المتعددة وذلك لتتبع ما هو محتمل من معلومات احتيالية وضبطها وتحديدها عند تقديم الطلب. كما تقوم هذه الخدمة بإجراء مراقبة على ما يجريه المستهلك من معاملات، وقد تبرز بعلامة أو أكثر من الـ 46 علامة ردا على أى معاملة كانت مصدرا للشك أو ظهر بشأنها معلومات احتيالية. وهذه العلامات ليست جزءا من الملف الائتمانى للمستهلك ولن تستخدم من العميل كأساس لإقرار صلاحية المستهلك للائتمان أو التأمين أو التوظيف أو لأى غرض آخر يتم بموجبه إصدار تقرير مستهلك.

(15) SM—: هو تقرير تحقق أو بحث يستخدم اسم المستهلك وآخر عنوان له للبحث فى قاعدة بيانات المستهلك الخاصة بـ —— والرجوع بمعلومات تحدد هويته كما هو موضح أدناه.

(1-15) —: هو تقرير مستهلك يتكون من الاسم وأسماء الشهرة والعناوين الحالية والسابقة وبيانات وظيفية والعمر وتاريخ الميلاد ورقم التأمين الاجتماعى (فقط إذا كانت المدخلات من العميل).

(2-15) —— : هو تقرير يتكون فقط من الاسم وأسماء الشهرة والعنوان السابق والحالى.

(16) SU ——: هى وسيلة بيع عامة على الانترنت تعنى بصناعة الاتصالات والطاقة والبرق، وهى تعرض كتعزيز لـ b SM—— التى تقدم معلومات عن الخلفية التسويقية للمستهلك على المستوى الشائع أو على المستوى القومى عند البيع. ولا يجوز أن يتخذ العميل هذه الخدمة وسيلة لتقرير الصلاحية الائتمانية.

(17) SM ——: هو تقرير مستهلك يصدر بالبحث اليدوى ويرد بغرض الإسراع من سير عمليات منح القروض العقارية، حيث يقوم باستعراض معلومات عن المقترضين المتقدمين بطلب القروض المضمونة بالرهون، وتغطى هذه المعلومات تاريخ العمل والخلفية المالية وعدد العاملين وطول المدة التى تقضى فى العمل والتاريخ الائتمانى والمعلومات الواردة فى السجلات العامة. فهذا التقرير يتحقق من الدلالات التجارية التى تبين تاريخ الحدود الائتمانية والموازنات الحالية والمهلات والسداد.

(18) —— : هو برنامج مرحلى متوسط المدى (Mid-range) Platform يتوفر لعملاء الاتصالات والمرافق، وهو يسمح بالدخول على العديد من قواعد البيانات الخارجية للوصول إلى حلول (solutions)نموذجية ملائمة تقوم على تلك المعلومات. ويتعين سداد رسوم شهرية بحد أدنى معين لهذه الخدمة.

(19) —— : هو برنامج حاسبى قائم على الوندوز (النوافذ)، قامت —— بإعداده، بحيث يمكن من خلاله الدخول عبر الانترنت على العديد قواعد البيانات الخارجية للوصول إلى حلول قائمة على معلومات نموذجية ملائمة. ويتم من خلال هذا البرنامج

(A) Grant of Right. ********* grants to Client a non exclusive, non transferable, non assignable limited right to use copies of a certain software system and related documentation known as **********SM (which term includes all present and future modifications, enhancements, versions and releases of that software system, which may be provided via PC or Network Server) (the "System"), under the terms of this Agreement. Client's rights under this Agreement are those of a licensed user only. The System will at all times remain the property of *********. ********* may, at its option, enhance the System's functionality, utility or efficiency by producing new versions of the System during the term of this Agreement.

(B) Deliverables. ********* will deliver to Client one (1) copy of the System software and one (1) copy of the user documentation for each licensed workstation. ********* reserves the right to charge Client in accordance with the fees established in Exhibit "C" for any on site installation or training which may be requested by Client.

(C) Use Restrictions and Confidentiality. Client will use the System solely for the purpose of risk assessment and identification of Client's applicants for service. Client will hold all software programs and documentation received from ********* in trust as proprietary or confidential materials. No copying or use of the System is permitted except as expressly set forth in this agreement. Client may not sell, publish, disclose, display, sub-license, reverse-engineer, reverse compile, or otherwise make available, in whole or in part, the System, or any modifications, enhancements of, or derivative products from the System, or allow any third party to take any of the foregoing actions. If ********* reasonably determines that Client is attempting to make use of, license, or convey any part of the System in a manner contrary to the terms of this Agreement, ********* will have, in addition to any other remedies available to it, the right to equitable relief enjoining such action, without the necessity of posting a bond or other security or proving the inadequacy of monetary damages.

(D) Return of Software. Upon termination of this Agreement for any reason, Client will return to ********* all original programs, documentation and similar materials provided by *********. Client will also furnish, upon request, a written statement certifying that through Client's best efforts, and to the best of Client's knowledge, the original and all copies of these materials, including derivatives thereof, have been returned to ********* or have been destroyed.

توفير العديد من إمكانيات التوصيل بـ خدمات ـــــ. وقد أعدت ـــــ هذا البرنامج على وجه الخصوص لخدمة شركات الاتصالات والمرافق والطاقة الصغيرة والمتوسطة الحجم، وإن كان قد توسع ليشمل تطبيقات جديدة لخدمة صناعات أخرى.

(أ) **منح الحق (Grant of Right)**: تمنح ـــــ للعميل حقا محدودا غير قصرى وغير قابل للنقل أو الحوالة باستخدام نسخ من النظام البرمجى الذى يعرف بنظام SMـــــ وما يتصل به من مستندات(النظام) (ويشمل هذا المصطلح النظام وما يطرأ عليه حالا أو مستقبلا من تعديلات أوإضافات أونسخ معدلة أو إصدارات والتى قد تتوفر من خلال الحاسب الآلى الشخصى أو سيرفر الشبكة ، طبقا لشروط هذا الاتفاق). وتتمثل حقوق العميل – بمقتضى الاتفاق – فى الحقوق التى تمنح للمستخدم المرخص له فقط. وسيظل النظام دائما مملوكا لـ ـــــ. بل ويجوز لـ ـــــ - وفقا لمطلق اختيارها – تدعيم فعالية النظام وصلاحيته وكفاءته وذلك بإنتاج نسخ معدلة جديدة للنظام خلال مدة هذا الاتفاق.

(ب) **النسخ المسلمة**: يتعين على ـــــ أن تسلم للعميل نسخة من البرنامج الخاص بالنظام ونسخة من المستندات الإرشادية للمستخدم لكل محطة عمل مرخصة، على أن تحتفظ ـــــ بالحق فى تحميل العميل بالرسوم الواردة فى الملحق (C) مقابل أى عملية تركيب فى الموقع أو عملية تدريب يطلبها العميل.

(ج) **قيود الاستخدام والسرية**

يتعين على العميل استخدام النظام فقط بغرض تقييم المخاطر ولتحديد هوية طالبى الخدمة منه . كما يتعين على العميل وضع كافة برامج الحاسب ومستنداتها التى وردت له من ـــــ فى عهدته بوصفها مواد خاصة وسرية. ولا يسمح بنسخ أو استخدام النظام، إلا فى الحدود المنصوص عليها صراحة فى هذا الاتفاق. ولا يجوز للعميل بيع النظام أو نشره أو الإفصاح عنه أو عرضه على الغير أو إجراء ترخيص باستخدامه من الباطن أو توجيهه هندسيا لأغراض معاكسة للغرض من إعداده، أو ترتيب بنوده بشكل معاكس أو خلاف ذلك من تصرفات وسواء تم ذلك على نحو كلى أو جزئى، ولا يجوز إجراء تلك التصرفات أيضا مع أى تعديلات فى النظام أو تعزيزات به أو بما هو مشتق منه من منتجات، ولا يجوز السماح للغير أيضا باتخاذ أى من التصرفات السالفة الذكر أيضا، وإذا ما وجدت ـــــ أن العميل يحاول استخدام النظام أو ترخيصه للغير أو نقل أى جزء منه على نحو مخالف لشروط الاتفاق، يكون لـ ـــــ الحق فى الحصول على ترضية ملائمة لذلك التصرف بالإضافة لأى تعويضات أخرى لها، وذلك دون الحاجة لاستصدار أى تعهد أو ضمان أو إثبات عدم كفاية التعويضات المالية.

(د) **إعادة البرنامج**:

فور انتهاء هذا الاتفاق لأى سبب كان، يتعين على العميل إعادة كافة البرامج الأصلية لـ ـــــ مع ما

(20) SM ********* - is an ancillary service to *********™, ********* automatically provides creditors' and inquirers' names and current phone numbers on the consumer report.

(21) M ********* – is an ancillary service to *********™, *********™ that provides geographic address information for use by financial institutions in federal audits.

(22) ® ********** - are consumer reports, from the ********* consumer credit database, consisting of limited identification information, credit file inquiries, public record information, credit account trade lines, and employment information.

(A) FCRA Certification. Client will notify ********* whenever a consumer report will be used for employment purposes. Client certifies that, before ordering each consumer report to be used in connection with employment purposes, it will clearly and conspicuously disclose to the subject consumer, in a written document consisting solely of the disclosure, that Client may obtain a consumer report for employment purposes, and will also obtain the consumer's written authorization to obtain or procure a consumer report relating to that consumer. Client further certifies that it will not take adverse action against the consumer based in whole or in part upon the consumer report without first providing to the consumer to whom the consumer report relates a copy of the consumer report and a written description of the consumer's rights as prescribed by the Federal Trade Commission ("FTC") under Section 609(c)(3) of the FCRA, and will also not use any information from the consumer report in violation of any applicable federal or state equal employment opportunity law or regulation. Client acknowledges that it has received from ********* a copy of the written disclosure form prescribed by the FTC.

(23) *********SM – is a consumer reporting service that monitors and reviews the credit activity and condition of certain designated accounts of Client identified to ********* and provides a daily electronic notification based on specific industry code inquiry activity. ******* is an exclusive service for Servicers of primary/1st mortgages and home equity loans developed for use as a client tool in reducing attrition of its best customers.

(A) FCRA Certification. Client certifies that it will request the ******* service only in connection with (i) the review of an account by Client, or (ii) the written consent of its account holder. Subscriber certifies that it will not request the ********* service for any other

يتصل بها من مستندات وما يشابهها من مواد وردت له من ـــــ. ويتعين على العميل أيضا أن يتقدم ببيان كتابى يشهد فيه بأنه بذل كل ما يمكنه من جهود، حتى أعاد أصول ونسخ المواد ومشتقاتها جميعها على حد علمه إلى ـــــ أو أنه قد تخلص منها جميعها.

(20) SM ـــــ: وهى خدمة ملحقه بـ TM ـــــ ، حيث تستعرض آليا أسماء الدائنين والمستعلمين وأرقام هواتفهم الحالية فى تقرير المستهلك.

(21) M ـــــ: هى خدمة ملحقة بـ TM ـــــ، وهى تستعرض بيانات عن العنوان الجغرافى لاستخدامها من قبل المؤسسات المالية خلال المراجعات والفحص.

(22) R ـــــ: هى تقارير مستهلك من قاعدة البيانات الائتمانية لـ ـــــ، وتتكون من معلومات تعريفية محدودة واستعلامات من الملفات الائتمانية ومعلومات من واقع السجلات العامة والحدود التعامل على الحسابات الائتمانية وبيانات وظيفية.

(أ) **التعهد الخاص بقانون التقرير الائتمانى**

يتعين على العميل إحاطة ـــ عند استخدام أى تقرير مستهلك فى أغراض توظيف ويتعهد قبل طلب أى تقرير مستهلك لاستخدامه فى أغراض التوظيف بالإفصاح وبكل وضوح وصراحة للمستهلك موضوع هذا التقرير وعلى نحو كتابى بأنه يجوز له استصدار تقارير مستهلك لأغراض التوظيف، وعليه أيضا استصدار تفويض كتابى من المستهلك لاستصدار أو الحصول على تقرير مستهلك يتعلق بالأخير.

كما يتعهد العميل بألا يتخذ أى إجراء مضاد للمستهلك يتأسس بشكل كلى أو جزئى على تقرير المستهلك دون أن يتقدم أولا للمستهلك محل التقرير بنسخة من ذلك التقرير مع بيان كتابى بحقوق المستهلك التى أصدرتها لجنة التجارة الفيدرالية فى البند 609 (ج) (3) من قانون التقرير الائتمانى، وألا يستخدم أى معلومات من تقرير المستهلك استخداما مخالفا لما هو سارى من قوانين ولوائح تكافؤ فرص العمل الفيدرالية أو الحكومية. كما يقر العميل بأنه قد تسلم من ـــ نسخة من نموذج الإفصاح الكتابى الصادر من قبل لجنة التجارة الفيدرالية.

(23) SM ـــــ: هى خدمة إخبارية عن المستهلك (consumer reporting service) تقوم بمراقبة ومراجعة النشاط الائتمانى ووضع حسابات معينة خاصة بالعميل لديه وتكون معروفة لـ ـــــ، ثم ترسل إخطارا الكترونيا يوميا عن النشاط يكون مشفرا بشفرة خاصة. و ـــ: هى خدمة قصرية على القائمين بعمليات التمويل العقارى من الدرجة الأولى والقروض المنزلية التى تمنح كوسيلة يستخدمها العميل للتقليل من وطأه الضغوط المالية على مستهلكيه المفضلين.

(أ) **التعهد الخاص بقانون التقرير الائتمانى**:

purposes. Client further agrees that it will not take any adverse action in connection with any information received from ********* pursuant to this Agreement. Subscriber will not attempt to determine the identity of any inquiry information provided by *********. Whenever the stated conditions for obtaining the Portfolio Retention service on an individual no longer exist, Client will follow their usual procedures to remove that individual's account from the information provided to *********.

يتعهد العميل بأن يطلب خدمة ـــــ فقط فيما يتعلق بـ (أ) مراجعة ذلك العميل لحساب ما، أو (ب) بالموافقة الكتابية من صاحب الحساب. كما يقر المشترك فى الخدمة بألا يطلب خدمة ـــــ لأى أغراض أخرى. ويوافق العميل على ألا يتخذ أى إجراء مضاد فيما يتعلق بأى معلومات وردت له من ـــــ طبقا لهذا الاتفاق. ولا يجوز للمشترك أن يحاول تحديد هوية أو مصدر أى معلومات استفسر عنها من ـــــ. وفى حالة انتفاء شروط الحصول على خدمة الإبقاء على المحفظة (Portfolio Retention Service) الخاصة بفرد ما، يتعين على العميل إتباع إجراءاتها المعتادة لمسح حساب الفرد من المعلومات المقدمة لـ ـــــ.

(24) *********_ - is a service designed to verify an applicant's identity at the application stage using the Social Security number provided by Client to search the ********* consumer credit database and other requested on-line databases. The service returns, in a single, concise consumer report, a message indicating "match", "no match" or "no record found", along with full name, current and former addresses, age and employer when available, and other names and addresses associated with the applicant's Social Security number. The service offers optional fraud protection features using , and optional follow-up searches via the services. Optional scoring models are also available with this service.

(24) ـــــ : هى خدمة مصممة للتحقق من هوية مقدم الطلب فى مرحلة التقديم وذلك باستخدام رقم التأمين الاجتماعى الذى يقدمه العميل للبحث فى قاعدة البيانات الائتمانية للمستهلك والخاصة بـ ـــــ وفيما يطلبه أيضا من قواعد بيانات أخرى على الانترنت. وتوفر الخدمة تقرير مستهلك فردى موجز يحمل رسالة إما "ملائم" أو "غير ملائم" أو " لا يوجد سجل" مع الاسم الكامل والعناوين الحالية والسابقة والعمر ورب العمل، وإن وجد- الأسماء والعناوين الأخرى المرتبطة برقم التأمين الاجتماعى لمقدم الطلب.

وتعرض الخدمة استخدام وسائل اختيارية للحماية من الاحتيال، ووسائل اختيارية للبحث والمتابعة عبر الخدمات الأخرى. كما يعرض مع هذه الخدمة أيضا نماذج درجات اختيارية (Optional Scoring Models).

(25) *********SM - is an automated location monitoring service providing new address or new inquiry information within 24 hours for use by collectors pursuing "skipped" consumers. From time to time Client will provide information to *********, in a format acceptable to *********, to be used by ********* to monitor certain accounts. Client will only request this service in connection with (1) the review or collection of a credit account with Client, or (2) the collection of an account on behalf of a customer of Client where Client is the collection agent for that customer's account. Client will take all necessary actions to cease receiving the service on an individual when Client no longer satisfies the requirements for ordering the service on that individual.

(25) SM ـــــ: هى خدمة آلية لمراقبة موقع ما ، حيث تستعرض أى عنوان جديد أو أى معلومات جديدة خلال (24) ساعة ليستخدمها جامعى البيانات الباحثين عن أى مستهلكين سقطت بياناتهم (Skipped Consumers) ، حيث يقوم العميل من حين لآخر بتقديم معلومات فى شكل مقبول لـ ـــــ لتستخدمها الأخيرة فى مراقبة حسابات معينة. ويتعين على العميل أن يطلب هذه الخدمة فقط فيما يتعلق بـ (1) مراجعة أو تحصيل حساب ائتمانى مع العميل أو (2) تحصيل حساب نيابة عن مستهلك يقوم العميل بدور وكيل تحصيل لحسابه.

ويتعين على العميل اتخاذ كل ما يلزم من إجراءات لإيقاف هذه الخدمة بالنسبة لفرد معين، عندما يرى العميل أنه لم يعد يفى بالمتطلبات اللازمة لطلب هذه الخدمة بخصوص ذلك الفرد.

(26) Residential Mortgage Credit Report - is a full investigative consumer report that contains information from at least two national credit repositories, the consumer's loan application and results from personal interviews with manually verified name, address and employment history, when available, plus public record, tradeline and inquiry information, and may include a risk-scoring model for use as a tool in projecting future delinquencies and bankruptcies.

(26) **التقرير الائتمانى عن تمويل الوحدات السكنية Residential (Mortgage Credit Report)**: هو تقرير مستهلك بحثى كامل يضم معلومات من مخزنين ائتمانيين (Credit Repositories) و طلب الاقتراض المقدم من المستهلك والنتائج التى وصل إليها التقرير من واقع البحث فى الاسم والعنوان والتاريخ الوظيفى حال توفره و فى السجل العام والوضع التجارى وما تم الاستعلام عنه من بيانات أخرى، وقد يتضمن التقرير أيضا نموذج تحديد درجة المخاطر ليستخدم كأداة لما قد يقع مستقبلا من تأخير فى السداد أو إفلاس.

(27) **********- is an on-line warning system containing information that can be used to detect possible fraudulent applications for credit. Some of the information in the ********* database is provided by credit grantors. If Client orders the ********* service, then Client will furnish to ********* for inclusion in *********'s System any data that Client knows, or

(27) ـــــ: هو نظام تحذيرى آلى يضم معلومات من الممكن استخدامها لتتبع ما يمكن أن يقدم من طلبات غير سليمة للحصول على ائتمان. وحيث يرد بعض من تلك المعلومات فى قاعدة بيانات ـــ من مانحى الائتمان، وعليه فإذا طلب العميل خدمة ـــ، يكون عليه أن يضيف إلى نظام ـــ أى بيانات يعرف أو يشك فى استخدامها فى أى معاملات احتيالية أو محاولات للدخول فى أى معاملات احتيالية مع العميل. ويتعين أن تضم هذه البيانات على وجه العموم لا الحصر أسماء

suspects, to have been used in connection with a fraudulent transaction or attempted fraudulent transaction with Client. That data will include but not be limited to consumer names, aliases, Social Security numbers, addresses (current and former), employment (current and former) and telephone numbers (business and residential). Client will not use an alert or warning message from the in its decision making process for denying credit, but will use the message as an indication that the consumer's application information should be independently verified prior to a credit decision. Client understands that the information supplied by may or may not apply to the consumer who has applied to Client for credit.

المستهلكين وأسمائهم المستعارة وأرقام التأمين الاجتماعى والعناوين (الحالية والسابقة) والعميل (الحالى والسابق) والأرقام الهاتفية (للعمل ومحل الإقامة). ولا يجوز للعميل استخدام أى رسالة تنبيه أو تحذير ـــ بقرار منه لرفض أى ائتمان، ولكن عليه أن يستخدم الرسالة ليشير فقط إلى أن المعلومات الواردة فى طلب المستهلك ينبغى أن يتم التحقق منها على نحو منفصل قبل اتخاذ القرار بمنح الائتمان. وعلى العميل أن يتفهم أن المعلومات الواردة من ـــ قد تنطبق وقد لا تنطبق على المستهلك الذى طلب إجراء الائتمان من العميل.

EXHIBIT B.II. CREDIT SCORE INFORMATION SERVICES

********** may provide various scoring services ("Credit Score Information Services") to Client under this Agreement, in conjunction with various "Standard" Information Services or the Prescreen or Account Review Services. Client will abide by the additional terms and conditions relating to the Credit Score Information Services.

الملحق (BII)

خدمة معلومات الدرجات الائتمانية

يجوز لـ ـــــ تقديم العديد من خدمات الدرجات الائتمانية (خدمة معلومات الدرجات الائتمانية) للعميل بموجب هذا الاتفاق، مع مختلف خدمات المعلومات "الموحدة" أو خدمات ما قبل العرض الإئتمانى أو خدمات مراجعة الحساب الأخرى. ويتعين على العميل الالتزام بالشروط والأحكام الإضافية المتعلقة بخدمة معلومات الدرجات الائتمانية التالية.

A. Additional Terms and Conditions for Credit Score Information Services

1. Disclosure of Scores. Client will hold all information received from ********* in connection with any Credit Score Information Services received from ********* under this Agreement in strict confidence and will not disclose that information ("Scores") to the consumer or to others except as required or permitted by law. Client may provide the principal factors contributing to the Scores to the subject of the report when those principal factors are the basis of Client's adverse action against the subject consumer. Client must describe the principal factors in a manner which complies with Regulation B of the ECOA.

(أ) الشروط والأحكام الإضافية الخاصة بخدمة معلومات الدرجات الائتمانية:

(1) **الإفصاح عن الدرجات**:

يتعين على العميل الحفاظ على السرية التامة لكافة المعلومات الواردة من ـ ـ ـ ـ ـ ـ بخصوص أى خدمة معلومات عن الدرجات الائتمانية تقدمها ـ ـ ـ ـ ـ بموجب هذا الاتفاق، ولا ينبغى له الإفصاح عنها (الدرجات) للمستهلك أو لأى طرف آخر ما لم يتطلب القانون هذا أو يصرح بذلك. على أنه يجوز للعميل إبداء العوامل الأساسية(Principal Factors) التى تساهم فى تحديد الدرجات للمستهلك موضوع التقرير، هذا عندما تكون هذه العوامل الأساسية هى الأساس الذى قد يستند إليه العميل لاتخاذ أى إجراء ضد المستهلك موضوع التقرير. ويتعين على العميل أن يبين تلك العوامل الأساسية للمستهلك على النحو الذى يتماشى مع اللائحة (B) الواردة فى قانون تكافؤ الفرص الائتمانية.

2. ECOA Statements. ********* reasonably believes that, subject to validation by Client on its own records,

(1) the scoring algorithms used in the computation of the Scores are empirically derived from consumer credit

information from *********'s consumer credit reporting database, and are demonstrably and statistically sound methods of rank ordering candidate records from the ********* consumer credit database for the purposes for which the Credit Score Information Services were designed particularly (as stated in Exhibit B for each particular Credit Score Information Service), and each is intended to be an "empirically derived, demonstrably and statistically sound credit scoring system" as defined in Regulation B, with the understanding that the term "empirically derived, demonstrably and statistically sound," is defined only in a general manner by Regulation B, and has not been the subject of any significant interpretation; and

(2) **الإقرارات الخاصة بقانون تكافؤ الفرص الائتمانية**:

بموجب مصادقة العميل على سجلاته الخاصة، تقر ـ ـ ـ ـ ـ ـ ـ ـ بأن:

(1) تكون نظم احتساب الدرجات المستخدمة لتقدير الدرجات الائتمانية مستمدة من المعلومات الائتمانية للمستهلك الصادرة من قاعدة بيانات الإخطار الائتمانى عن المستهلك الخاصة بـ ـ ـ ـ ـ، وأن هذه النظم تبدو من واقع الدليل والإحصاء أنها وسائل تصنيف سليمة وصحيحة تستعلم عن سجلات المرشحين من قاعدة البيانات الائتمانية للمستهلك الخاصة بـ ـ ـ ـ ـ ـ ـ وذلك للأغراض فقط التى من أجلها صممت خدمات معلومات الدرجات الائتمانية (كما هو محدد فى الملحق (B) – خدمة معلومات درجات الائتمان)، وأن كل نظام حساب من المتوقع له أن يكون بمثابة نظام حساب درجات ائتمان صحيح وسليم بالتجربة والدليل والإحصاء كما هو معرف فى اللائحة (B)، مع الأخذ فى الاعتبار أن مفهوم " الإثبات بالتجربة والدليل وبالإحصاء" هو مفهوم يرد تعريفه تعريفا عاما فقط فى اللائحة (B) ولم يخضع هذا التعريف لأى تفسير خاص.

(2) the scoring algorithms comprising the Credit Score Information Services, except as permitted, do not use a "prohibited basis," as such phrase is defined in Regulation B. Client must validate the Credit Score Information Services on its own records. Client will be responsible for meeting its requirements under the ECOA and Regulation B.

(2) ألا تستخدم نظم حساب الدرجات التى تشمل خدمات معلومات الدرجات الائتمانية أى "أسس ممنوعة" مما هو وارد تعريفه فى اللائحة (B) ، باستثناء ما هو مصرح به خلاف ذلك.

ويتعين على العميل المصادقة على خدمة معلومات الدرجات الائتمانية فى سجلاته، وسيتحمل العميل مسئولية استيفاء متطلباتها الوارد بيانها فى قانون تكافؤ الفرص الائتمانية وفى اللائحة (B).

3.Release. ********* does not guarantee the predictive value of the Scores with respect to any individual, and does not intend to characterize any individual as to credit capability. Neither ********* nor its directors, officers, employees, agents, subsidiary and affiliated companies, or any third party contractors, licensors or suppliers of ********* will be liable to Client for any damages, losses, costs or expenses incurred by Client resulting from any failure of a Score to accurately predict the credit worthiness of Client's applicants or customers. In the event the Credit Score Information Services were not correctly applied by ********* to any credit file, *********'s sole responsibility will be to reprocess the credit file through the Credit Score Information Services at no additional charge.

(3) **الإعفاء من المسئولية**:

لا تضمن ـ ـ ـ ـ ـ مدى القيمة التنبؤية (Predictive Value) للدرجات الائتمانية الخاصة بأى فرد، ولا تعتزم استبيان مدى القدرة الائتمانية لهذا الفرد. كما أنها لن تتحمل ـ ـ ـ ـ هى أو أى من مديريها أو مسئوليها أو عامليها أو وكلائها أو فروعها أو شركاتها التابعة أو أى مقاولين أو مرخصين أو موردين لـ ـ ـ ـ ـ المسئولية أمام العميل عن أى أضرار أو خسائر أو تكاليف أو مصروفات يتكبدها العميل نتيجة عن أى إخفاق من جانب الدرجات الائتمانية فى التنبؤ بدقة بالجدارة الائتمانية لأى ممن يتقدمون بطلب للعميل أو لأى من مستهلكيه. وفى حالة عدم تطبيق خدمة معلومات الدرجات الائتمانية بشكل صحيح من جانب ـ ـ ـ ـ على أى ملف ائتمانى، فستنحصر مسئولية ـ ـ ـ ـ ـ ـ فى إعادة التعامل مع الملف الائتمانى من خلال خدمة معلومات الدرجات الائتمانية دون أى تكلفة إضافية.

4.Audit of Models. Client may audit a sample of the Scores and principal factors and compare them to the anonymous underlying credit reports in accordance with *********'s audit procedures. If the Scores and principal reasons are not substantiated by the credit files provided for the audit, ********* will review programming of the model and make corrections as

(4) **فحص النماذج (Audit of Models)**:

يجوز للعميل فحص عينة من الدرجات والعوامل

necessary until the Scores and principal reasons are substantiated by the audit sample credit reports. After that review and approval, Client will be deemed to have accepted the resulting Score and principal factors delivered. It is Client's sole responsibility to validate all scoring models on its own records and performance.

الأساسية (الداعية لإصدار هذه الدرجات) ومقارنتهما بتقارير ائتمانية أساسية مجهلة طبقا لما هو سارى فى ـ ـ ـ ـ ـ من إجراءات فحص ومعاينة. وإذا لم تثبت هذه الدرجات والعوامل الأساسية فعاليتها التقديرية فى الملف الائتمانى، يتعين أن تقوم ـ ـ ـ ـ ـ ـ بمراجعة برمجة النموذج الخاص بها وإجراء ما يلزم من تصحيحات حتى تثبت تلك الدرجات والعوامل الرئيسية فعاليتها فى عينة التقارير الائتمانية الخاضعة للفحص والمراجعة. وبعد المراجعة والاعتماد، سيعتبر وكأن العميل قد قبل ما تسلمه من درجات وعوامل أساسية. وسيتحمل العميل وحده مسئولية التصديق على كافة نماذج الدرجات فى سجلاته الخاصة وعلى أدائها.

B. Description of "Standard" Credit Score Information Services

(ب) **<u>بيان بخدمات معلومات الدرجات الائتمانية (الموحدة)</u>**:

(1) ®**********.– is a credit scoring service that rank-orders and segments accounts according to the likelihood of bankruptcy over a 24-month period, based on information in the ********* consumer credit database and other economic forecast data. Client certifies that it will order this Service only when Client intends to use the information for either of the permissible purposes set forth in Section I.3(b)(i), (ii), (iv) or (v). Client will not order the Service for employment purposes.

(1) R ـ ـ ـ ـ ـ ـ ـ : هى خدمة درجات ائتمانية تقوم بترتيب الطلبات والحسابات طبقا لما هو محتمل من أحداث إفلاس خلال مدة ال 24 شهر التالية، وذلك تأسيسا على معلومات من قاعدة البيانات الائتمانية عن المستهلك ومن واقع البيانات التوقعية الاقتصادية الأخرى.

ويتعهد العميل بأن يطلب هذه الخدمة عندما يعتزم فقط استخدام المعلومات فى أى من الأغراض المصرح بها المنصوص عليها فى البند 1- 3 (ب) (I) و (II) و (IV) أو (V) . ويتعين ألا يطلب العميل هذه الخدمة فى أى أغراض توظيف.

(2) SM ******** - is a credit scoring service based on a model developed by ----------and ********* that ranks consumers in the ********* consumer credit database relative to other consumers in the database with respect to the likelihood of those consumers paying their accounts as agreed. ********* is the authorized agent of ------- for purposes of executing this Agreement for , and for collection of all fees for the service.

(2) SM ـ ـ ـ ـ ـ ـ ـ : هى خدمة درجات ائتمانية تقوم على نموذج معين قامت كل من ـ ـ ـ ـ و ـ ـ ـ ـ ـ بإعداده، وهو يقوم بتصنيف المستهلكين فى قاعدة البيانات الائتمانية للمستهلك الخاصة بـ ـ ـ ـ ـ وذلك فيما يتعلق بمدى احتمالية سداد هؤلاء المستهلكين لما هو متفق عليه معهم من حسابات. وتقوم ـ ـ ـ ـ ـ فى هذا الصدد بدور الوكيل المفوض لـ ـ ـ ـ ـ بغرض تنفيذ الاتفاق من حيث تحصيل كافة رسوم هذه الخدمة.

(3) *********– is a credit scoring model, developed for the energy industry from extensive industry data, which applies customer criteria and advanced scoring techniques to predict the likelihood of a service applicant or existing customer becoming a serious credit risk.

(3) ـ ـ ـ ـ ـ ـ : هو نموذج حساب للدرجات الائتمانية تم إعداده لخدمة صناعة الطاقة ويتكون من بيانات صناعية مكثفة، ويطبق هذا النموذج معايير المستهلك وتقنيات متقدمة لحساب الدرجات الإتمانية للتنبؤ بمدى احتمالية وقوع طالب الخدمة أو المستهلك الحالى تحت طائلة المخاطر الائتمانية الشديدة.

(4)********** - is a point scoring model that measures the likelihood of serious delinquency and bankruptcy over a 12-month period.

(4) ـ ـ ـ ـ ـ ـ ـ : هو نموذج لتحديد الدرجات الائتمانية بالنقاط و يقوم بقياس مدى احتمالية تأخر المستهلك الفعلى فى سداد حسابه أو وقوعه تحت طائلة الإفلاس وذلك خلال مدة 12 شهر.

(5) *********SM - is a credit scoring service for the automobile financing and leasing industries that rank-orders credit files on new or established auto trades based on the likelihood of serious delinquency, charge-off, or bankruptcy over a 24-month period.

(5) SM ـ ـ ـ ـ ـ ـ ـ ـ : هى خدمة لحساب

(6) ********* Risk ScoreSM - is a credit scoring service that ranks consumers in the ********* consumer credit database relative to other consumers in the ********* consumer credit database and segments accounts based on the likelihood of those consumers paying their accounts as agreed and predicts the probability of serious delinquency, charge-off, and bankruptcy over a 24- month period.

(7) **********– is a credit scoring model which predicts the likelihood of a medical care applicant or existing medical care recipient becoming a serious credit risk. The Healthcare Model was built specifically for the healthcare provider industry.

(8) ********* - is a credit scoring model that predicts the likelihood of a service applicant or existing customer becoming a serious credit risk. The model was built for the telecommunications industry.

(9) ********** - is a credit risk assessment scoring service that forecasts the likelihood of a mortgage loan applicant or existing mortgage account becoming delinquent and past-due accounts advancing to foreclosure using industry-specific criteria.

(10) ********** – is a credit scoring model which predicts the likelihood of a service applicant or existing customer becoming a serious credit risk. The model was built specifically for the wireless communications industry.

EXHIBIT B.III. PRESCREEN SERVICES

********* Credit Prescreen Services are a type of consumer reporting Information Service in which a list of consumer names provided by Client will be processed against an ********* database ("List Edit"), or a list or lists may be generated from the ********* consumer credit information database ("Direct Extract") pursuant to custom criteria provided by Client or using ********* pre-programmed prescreen services. ********* will perform Direct Extract services only if Client provides, or if not currently providing, agrees to provide by a date certain specified by *********, its complete account information, as provided in Section II of the Agreement. The following additional terms and conditions apply to the Credit Prescreen Services.

الدرجات الائتمانية خاصة بصناعة تمويل السيارات والتأجير، حيث تقوم بتصنيف طلبات الائتمان الخاصة بمختلف أنواع تجارة السيارات الجديدة والقائمة من حيث مدى احتمالية وقوع تأخير فى السداد أو وقوع إفلاس عبر مدة 24 شهر.

(6) **SM_____ لتصنيف درجات المخاطر**: هى خدمة لتصنيف الدرجات الائتمانية تقوم بتصنيف المستهلكين فى قاعدة البيانات الائتمانية للمستهلك الخاصة بـ _____ وتتعلق بالمستهلكين الواردين فى قاعدة البيانات والقطاعات الائتمانية لـ _____، ويتم التصنيف بناء على مدى احتمالية سداد المستهلكين لحساباتهم المتفق بشأنها، كما تتنبأ هذه الخدمة بمدى احتمالية وقوع تأخير فى السداد أو وقوع إفلاس عبر مدة 24 شهر تالية.

(7) _____: هو نموذج حساب للدرجات الائتمانية يتنبأ باحتمالية وقوع مقدمى طلب الرعاية الطبية ومستقبلى خدمة الرعاية الطبية الحاليين للمخاطر الائتمانية الشديدة وقد تم إعداد نموذج الرعاية الطبية خصيصا لمؤسسات الرعاية الصحية.

(8) _____: هو نموذج حساب للدرجات الائتمانية يتنبأ باحتمالية وقوع مقدم طلب الخدمة أو المستهلك الحالى للمخاطر الائتمانية الشديدة. وقد أعد النموذج خصيصاً لخدمة صناعة الاتصالات.

(9) _____ : هى خدمة تقييم المخاطر الائتمانية بالدرجات تتنبأ باحتمالية تأخر مقدم طلب القرض العقارى أو صاحب حساب القرض فى السداد.

(10) _____ : هو نموذج حساب درجات ائتمانية يتنبأ باحتمالية وقوع مقدم الخدمة أو المستهلك الحالى للمخاطر الائتمانية الشديدة. وقد تم إعداد هذا النموذج خصيصا لخدمة صناعة الاتصالات اللاسلكية.

الملحق (BIII)

خدمات ما قبل العرض الإئتمانى

إن خدمات ما قبل العرض الائتمانى الخاصة بـ _____ هى نوع من أنواع خدمة الإخطار بمعلومات عن المستهلك، حيث تقوم بالبحث فى قائمة أسماء يقدمها العميل عن عدد من المستهلكين ويتم البحث من واقع قاعدة بيانات ____ (مراجعة القائمة)، أو قد تقوم باستخراج قائمة أو

A. Additional Terms and Conditions for Prescreen Services

1. Client Certifications Client certifies that it has a present intention to grant credit to all individuals on any final prescreen list for its prescreen programs, and that each individual on the prescreen list, after all prescreen processing has taken place, will be made a firm offer of credit or insurance (as that term is defined in the FCRA). Provided Client is in compliance with the FCRA, that offer may be conditioned on the consumer continuing to meet the selection or any applicable criteria bearing on creditworthiness or if applicable, being able to furnish any required collateral. Client warrants that at no other time will Client take adverse action, as defined in the ECOA, with respect to any applicant on the basis of any prescreen services. Client agrees that it will use the prescreen services solely in connection with its prescreen program(s).

2. Prescreen Inquiries - ********* will maintain prescreen inquiries on consumer files for 12 months. Client will maintain on file for three (3) years the selection criteria, along with other criteria used to determine creditworthiness, and any collateral requested as a condition of the offer.

3. Verification Reports - Client may request full credit reports after a prescreen program on those consumers who accept Client's offer of credit or insurance. Those back end reports may be used only to verify (1) that the consumer continues to meet the specific criteria used to select the consumer for the offer; or (2) the information in the consumer's application for the credit or insurance, to determine that the consumer meets the specific criteria bearing on credit worthiness or insurability.

4.Authorized Agent - ********* is the authorized agent of ---------- for purposes of executing this Agreement for *********SM and Revenue EvaluatorSM, and for collection of all fees for these services. From time to time, ********* and/or ---------- may update and/or enhance ********* and Revenue Evaluator.

5.Net Prescreen Name Counts - Client agrees that it will submit to ********* net counts on the number of names to which Client made prepared offers of credit in connection with a prescreen program within ninety (90)

قوائم من قاعدة البيانات الائتمانية للمستهلك الخاصة بـ ـ ـ ـ ـ ـ ـ (الاستخراج المباشر) طبقا للمعايير المتعارف عليها لدى العميل أو باستخدام خدمات ما قبل العرض السابقة المبرمجة)-Pre) (programmed Prescreen Services. وتقدم ـ ـ ـ ـ ـ ـ ـ خدمات الاستخراج المباشر فقط، إذا ما قدم العميل – إن لم يكن قد تقدم – أو وافق على تقديم بياناته الحسابية الكاملة، كما هو منصوص عليه فى البند II من الاتفاق. وتسرى الشروط والأحكام التالية على خدمات ما قبل العرض الإئتمانى.

(1) الشروط والأحكام الإضافية السارية على خدمات ما قبل العرض الإئتمانى:

(أ) إقرارات العميل:

يقر العميل بأنه يعتزم منح ائتمان لكافة الأفراد الواردين فى أى قائمة من قوائم ما قبل العرض الائتمانى النهائية (Final Prescreen List) المعروضة فى برامج ما قبل العرض الائتمانى الخاصة به (Prescreen Programs) ، وأن كل فرد من الأفراد الواردين فى القائمة سيعرض عليه بعد إجراء عملية بحث ما قبل العرض(Prescreen Processing) عرضا ائتمانيا أو تأمينيا (كما هو معرف فى قانون التقرير الائتمانى). ويجوز للعميل – بعد التزامه بشروط وأحكام قانون التقرير الائتمانى – أن يشترط فى عرضه أن يستوفى المستهلك معايير الاختيار أو أى معايير سارية تعنى بالجدارة الائتمانية أو بإمكانية تقديم ما هو مطلوب من ضمان، إن كان ذلك ساريا. كما يضمن العميل ألا يتخذ أى إجراء مضاد فى أى حين – كما هو معرف في قانون تكافؤ الفرص الائتمانية – ضد أى مقدم طلب بسبب أى خدمة من خدمات ما قبل العرض الائتمانى. وعليه أن يوافق على أن يستخدم خدمات ما قبل العرض الائتمانى فقط فيما يتعلق ببرامج ما قبل العرض الخاصة به.

(2) **استعلامات ما قبل العرض الائتمانى Prescreen Inquiries**:

يتعين على ـ ـ ـ ـ أن تضع فى ملف المستهلك استعلامات ما قبل العرض الائتمانى وذلك عن مدة اثنى عشر شهرا. وعلى العميل أن يضع فى الملف معايير الاختيار Selection Criteriaعن مدة ثلاث سنوات، مع أى معايير أخرى تستخدم لتحديد الجدارة الائتمانية وأى ضمان يطلب كشرط للعرض.

(3) **تقارير التحقق من الجدارة الائتمانية Verification Reports**:

يجوز للعميل أن يطلب تقارير ائتمانية كاملة -بعد عرض برامجه الإئتمانية- على المستهلكين الذين قبلوا العرض الائتمانى أو التأمينى للعميل. ويجوز استخدام هذه التقارير فقط للتحقق من (1) أن المستهلك يستوفى على الدوام المعايير الخاصة المستخدمة لإختياره للعرض ، (2) و من المعلومات الواردة فى طلب المستهلك للحصول على ائتمان أو تأمين، وذلك لتحديد ما إذا كان المستهلك يستوفى باستمرار المعايير الخاصة بالجدارة الائتمانية وأهليته للتأمين.

(4) **الوكيل المعتمد**:

يكون ـ ـ ـ ـ ـ ـ هو الوكيل المعتمد لـ ـ ـ ـ ـ ـ ـ ـ فى تحرير هذا الاتفاق فيما يتعلق بـ SM ـ ـ ـ ـ ـ ـ ـ ـ ـ ـ

days after the date ********* shipped the list of names to Client or Client's processor.

6. Re-Use of Names - Client may re-use names provided by ********* in a prescreen program solely to make follow up mailings or contacts with the consumers in connection with the same firm offer of credit or insurance originally made to the consumer, and for no other purpose, at the rates agreed to by the parties. Client will provide ********* with a tape of names re-used, each time they are re-used, to post a Promotional Inquiry, unless the re-use is only a follow-up to the original offer. Re-use of names may result in additional charges based on the time frame names are re-used.

7.Third-Party Processors - Client must notify ********* if Client desires to use third party processors in connection with any prescreen program. ********* will cause each third party processor to execute *********'s standard third party agency agreement, or a similar agreement accept¬able in form and sub¬stance to *********, before ********* will provide any lists or information to that third party processor. ********* will not be liable for any actions or inactions of the third party processor in connection with the pre¬screen program.

8. Social Security Numbers - ********* is prohibited by law from providing complete Social Security numbers to Client in connection with a prescreen program. Pursuant to industry practices, ********* will truncate one digit of each Social Security number returned to Client, and Client understands and agrees that those numbers will only be used internally for identification purposes in connection with solicitation respondents. Client will not allow the numbers to show on the mailing face of the offer, nor will Client use them in the solicitation materials.

9. List Monitor Methods - In connection with any credit prescreen program, any list of approved names may contain decoy names. Client will not, and will not permit the third party processor, to remove the decoy names except in the normal course of eliminating names.

10. Minimum Names - Regardless of elimination of prescreen names by any third party processor, Client will pay for a minimum of fifty percent (50%) of the gross prescreen names at the time of shipment by ********* to the processor or to Client. In addition, Client agrees to pay $0.01 per name not used in any prescreen program, subject to a maximum of fifty percent (50%) of the

Revenue Evaluator SM ولتحصيل كافة رسوم هذه الخدمات، ويجوز لـ ـــــــ و/أو ـــــــــــ الفيام بتحديث و/أو تطوير ـــــــــــ و Revenue Evaluator من حين لآخر.

(5) **صافى عدد الأسماء الواردة عند العرض الائتمانى Net Prescreen Name Counts**:

يوافق العميل على أن يقدم لـ ـــــــــ صافى عدد الأسماء التى أعد العميل لها عروض ائتمان وذلك خلال (90) يوم من تاريخ تقديم ـــــــــ قائمة الأسماء للعميل أو لمسئول المعالجة والفحص الخاص بالعميل Client's Processor

(6) **إعادة استخدام الأسماء Re-use of Names:**

يجوز للعميل إعادة استخدام الأسماء الواردة من ـــــــــ فى برنامج ما قبل العرض وذلك فقط لمتابعة المراسلات البريدية أو الاتصالات مع المستهلكين بشأن عروض الائتمان أو التأمين المعدة خصيصاً للمستهلك، مقابل الأسعار المتفق عليها فيما بين الأطراف، وليس لأى غرض آخر. ويتعين على العميل أن يقدم لـ ـــــــ شريطاً بالأسماء المعاد استخدامها عند إعادة الاستخدام بغرض إجراء استعلام دعائى Promotional Inquiry، هذا ما لم تكن إعادة الاستخدام تجرى فقط لمتابعة العرض الأصلى. ويجوز أن ينشأ عن إعادة الاستخدام تحصيل رسوم إضافية تحدد بناءا على المدة الزمنية لإعادة استخدام هذه الأسماء.

(7) **مسئولى المعالجة والفحص الخارجين Third Party Processors**:

يتعين على العميل إخطار ـــــــــ، إذا ما رغب فى التعامل مع مسئول خارجى للمعالجة والفحص فيما يتعلق بأى برنامج من برامج ما قبل العرض ويكون على ـــــــــ أن يلزم هذا المسئول بتحرير اتفاق وكالة نموذجى مع الغير أو ما شابهه من اتفاقات مقبولة من حيث الشكل والفحوى لـ ـــــــ ، قبل تقديم ـــــــ أى قوائم أو معلومات إلى ذاك المسئول. ولن تتحمل ـــــــ المسئولية عما يجريه ذلك المسئول من تصرفات أو عن تقاعسه فى تنفيذ أى تصرفات فيما يتعلق ببرامج ما قبل العرض.

(8) **أرقام التأمين الاجتماعى**:

من الممنوع قانونا تقديم أرقام التأمين الاجتماعى للعميل فيما يتعلق ببرامج ما قبل العرض الائتمانى وطبقا لأعراف الصناعة ـــــــ، يجوز لـ ـــــــــ إزالة رقم عشرى من كل رقم تأمين اجتماعى يرد للعميل، وعلى العميل أن يتفهم بل ويوافق على أن هذه الأرقام تستخدم داخليا فقط لأغراض التعرف على الهوية. ولا يجوز أن يسمح للعميل بإظهار هذه الأرقام فى أى بريد مرسل للعرض أو استخدامها فى أى مواد دعائية.

(9) **وسائل مراقبة القوائم List Monitor Methods**:

فى أى برنامج من برامج ما قبل العرض، يجوز أن تحتوى أى قائمة من قوائم الأسماء المعتمدة أى أسماء استدراجية Decoy Names. ولا يجوز للعميل إزالة أو أن يسمح

names shipped from ********* for each prescreen project.

11. Post Processing Eliminations - In addition to other amounts payable for prescreen projects, Client will pay $0.005 per surviving name, per project, for each of the following post-processing elimination functions performed by *********: Nthing (priority), Special Output Sort, Client Elimination by Special Tape, Archive Elimination, Household Split, Social Security Number Redupe and Social Security Household Drop. Address Standardization is also available at an additional cost of $0.01.

12. Reject Criteria - Client may request that ********* develop and provide to Client's processor a tape of consumers who did not meet Client's prescreen program criteria for the sole purpose of matching those names against the names of those consumers who did qualify, and disqualifying those matching names. Neither Client nor ********* will inform processor that the tape represents consumers who did not meet the criteria. Processor will use the tape to purge names from the qualified list. Processor will not match or overlay the reject tape names from ********* with tapes or names from any other source unless instructed to do so by ********* and Client.

13.Criteria Audits - ********* will provide Client with the opportunity to audit a sample of the credit file on the prescreened list to compare to Client's prescreened criteria, when the prescreening for the agreed-upon geographic sample is completed. If the prescreened list samples do not meet Client's prescribed prescreening criteria, ********* will make programming corrections until the sample meets Client's originally prescribed criteria. After completion and approval of the audit, Client will accept the resulting prescreened list of qualified names produced from the audited criteria programs.

لمسئول المعالجة والفحص بإزالة أى أسماء استدراجيه، إلا فى الإطار العام المعتاد الذى تلغى فيه الأسماء.

(10) **الحد الأدنى للأسماء**:

بغض النظر عما يقوم مسئول المعالجة والفحص بإلغائه من أسماء ما قبل العرض، يلتزم العميل بأن يسدد قيمة الحد الأدنى المقدر بـ (50%) من إجمالى أسماء ما قبل العرض حين إرسالها من ـ ـ ـ ـ ـ ـ إلى مسئول المعالجة والفحص أو إلى العميل. وعلاوة على ذلك، يوافق العميل على سداد 0.01 دولار لكل اسم لم يستخدم فى برنامج ما قبل العرض حتى نسبة (50%) من الأسماء الواردة من ـ ـ ـ ـ ـ لكل مشروع.

(11) **عمليات الإستبعاد التى تجرى بعد الفحص والمعالجة Post Processing Eliminations**:

بالإضافة إلى أى مبالغ أخرى تستوجب السداد مقابل مشروعات ما قبل العرض، يتعين على العميل أن يسدد 0.005 دولار عن كل اسم يبقى فى كل مشروع ليعرض على برامج استبعاد ما بعد الفحص والمعالجة التالية والتى تنفذها ـ ـ ـ ـ ـ ـ ـ :

Nthing (البرنامج صاحب الأولوية) Special Output Sort

Client Elimination by Special Tape, Household Split,

Social Security Number Redupe, Social Security

Houshold Drop

كما يتوفربرنامج المعايير القياسية للعنوان" Address Standardization" مقابل تكاليف إضافة بقيمة 0.01 دولار.

(12) **معايير الرفض**:

يجوز للعميل أن يطلب من ـ ـ ـ ـ ـ ـ أن يقدم لمسئول المعالجة والفحص الخاص بالعميل شريطا بالمستهلكين ممن لم يستوفوا المعايير الواردة فى برنامج ما قبل العرض وذلك بغرض مقارنة هذه الأسماء بالأسماء التى تأهلت بالفعل وإسقاط صلاحية الأسماء المتماثلة. ولا يجوز للعميل أو لـ ـ ـ ـ ـ إخطار مسئول الفحص والمعالجة أن هذا الشريط يمثل الأسماء التى لم تنطبق عليها المعايير، على أنه يجوز لمسئول المعالجة والفحص استخدام الشريط لإزالة الأسماء غير المؤهلة من قائمة المؤهلين. ولا يجوز لمسئول المعالجة والفحص إضافة أو مقارنة الشريط الخاص بالأسماء المرفوضة والوارد من ـ ـ ـ ـ ـ ـ بأى أشرطة أو أسماء واردة من أى مصادر أخرى، ما لم يصدر له تعليمات بالقيام بذلك من ـ ـ ـ ـ ـ ومن العميل.

(13) **المراجعة المعيارية Criteria Audit**:

يتعين على ـ ـ ـ ـ ـ ـ أن يتيح للعميل فرصة مراجعة عينة

14.Cancellation of Program – If Client cancels a prescreen program prior to batch execution of the program, Client will pay ********* its incurred data processing costs plus fifty percent (50%) of the incurred data processing costs. If Client cancels a prescreen program after the batch execution of the program has been completed, Client will pay ********* fifty (50%) of the total price of the canceled program. Client may not cancel a program after ********* has provided the names to Client or its processor.

15. Data Attributes - Client may obtain certain additional items of information regarding consumers as agreed between the parties on a project-by-project basis in connection with Prescreen Services. If Data Attributes are delivered to Client's processor in connection with Credit Prescreening Services, Client agrees not to identify the meaning of the Data Attributes to that processor.

16. Additional Terms for Prescreen Services - The parties acknowledge that they have not addressed in this Agreement all of the terms and conditions that will apply to use of the Prescreen Services. The parties agree that prior to use of any Prescreen Services, the parties will agree on the additional terms and conditions and will record those agreements in writing on a program-by-program basis. Any terms in those subsequent writings that conflict with the terms and conditions of this Agreement will apply only to the specific program for which that writing was made, unless that writing expressly provides that its conflicting terms govern over the conflicting terms in this Agreement. All documents related to Prescreen Services programs must be executed by both parties to be enforceable.

17. Project Minimums - All programs are subject to minimum prices that are set for all services.

B. Description of Custom Prescreen Services

Custom Prescreen Service – is a service where a list of consumer names provided by Client in a format mutually acceptable to Client and *********, will be processed against the ********* database, or a list or lists may be generated from the ********* Credit database.

C. Description of Responsiveness Services

(1) **********® - is a service that rank orders individuals in the ********* consumer credit database with respect to their propensity to use a bank card, or

من الملف الائتمانى للقائمة التى خضعت لفحص ما قبل العرض (الفحص) وذلك لمقارنتها بما يسرى لدى العميل من معايير فحص، على أن يتم ذلك عندما تكتمل عملية الفحص للعينة الجغرافية المتفق بشأنها. وإذا لم تستوف العينات الواردة من القائمة الخاضعة للفحص ما هو لدى العميل من معايير يتعين على ـ ـ ـ ـ ـ ـ ـ ـ إجراء تصحيحات برمجية حتى تستوفى هذه العينة المعايير الخاصة بالعميل.

وبعد إتمام واعتماد المراجعة، يقبل العميل قائمة الأسماء المؤهلة التى خضعت للفحص والتى وردت من البرامج المعيارية المراجعة.

(14) **إلغاء البرنامج**:

إذا ما قام العميل بإلغاء أى برنامج قبل تنفيذه ، يتعين عليه أن يسدد لـ ـ ـ ـ ـ ـ ـ ما تكبده من تكاليف معالجة للبيانات بالإضافة إلى (50%) خمسين بالمائه أخرى من تكاليف المعالجة. وإذا ما ألغى العميل أى برنامج بعد إتمام تنفيذه، يتعين على العميل أن يسدد (50%) من إجمالى سعر البرنامج الملغى. ولا يجوز للعميل إلغاء البرنامج بعد أن يقوم ـ ـ ـ ـ ـ ـ بتوفير الأسماء للعميل أو لمسئول المعالجة والفحص التابع له.

(15) **خصائص البيانات**:

يجوز للعميل الحصول على عناصر معلوماتية إضافية بشأن المستهلكين فيما يتعلق بخدمات ما قبل العرض وفقا لما يتفق بشأنه فيما بين الطرفين وعلى أن يتم ذلك مشروعا بمشروع. وإذا ما تم توفير خصائص البيانات الخاصة بخدمات ما قبل العرض الائتمانى لمسئول المعالجة والفحص التابع للعميل يوافق العميل على تعريف هذه الخصائص إلى ذلك المسئول.

(16) **شروط إضافية على خدمات ما قبل العرض**:

يقر الأطراف أنهم لم يتعاملوا فى هذا الاتفاق مع كافة الشروط والأحكام التى تسرى على استخدام خدمات ما قبل العرض. ويوافق الأطراف على أنه قبل استخدام أى خدمات منها، يتعين إصدار موافقتهم على الشروط والأحكام الإضافية وأن تسجل هذه الموافقات كتابة مشروعا بمشروع. وأي شروط فى هذه المستندات التالية الذكر تتعارض مع شروط وأحكام هذا الاتفاق، تسرى شروط المستندات حينئذ على البرنامج المخصص له هذه المستندات فقط. ويتعين تحرير كافة المستندات المتعلقة ببرامج خدمات ما قبل العرض من قبل الأطراف حتى تكون سارية ونافذة.

(17) **الحد الأدنى لسعر المشروع**:

تخضع كافة البرامج للحد الأدنى للأسعار المحدد لكافة الخدمات.

(ب) بيان خدمات ما قبل العرض المعتادة

carry a balance on a bank card. Client acknowledges that the ********* Bankcard Usage Predictor is not a risk assessment tool, and ********* recommends that the Bankcard Usage Predictor be used in conjunction with appropriate risk assessment tools. Client will not take adverse action, as defined in the ECOA and Regulation B thereunder, with respect to any applicant on the basis of the ********* .

(2) *********® - is a service that rank orders individuals in the ********* consumer credit database with respect to their propensity to use a retail credit card, or carry a balance on a retail credit card account. Client acknowledges that the ********* is not a risk assessment tool, and ********* recommends that the be used in conjunction with appropriate risk assessment tools. Client will not take adverse action, as defined in the ECOA and Regulation B thereunder, with respect to any applicant on the basis of the ********* .

(3) SM********* - is a model developed by ------ and ********* which provides an estimated rank ordering relative to other consumers in the ********* consumer reporting database of the amount of revenue likely to be generated by a consumer in the first twelve (12) months following scoring. Client acknowledges that the ******** is not a risk assessment tool, and ********* recommends that the Revenue Evaluator be used in conjunction with appropriate risk assessment tools.

D. Description of Segmentation Services

(1) SM********r - is an advanced segmentation tool that predicts consumers' estimated net worth using a rank-ordering technique.

(2)*****® Targeting System - is a statistical clustering based segmentation system that segments Client's customers into sixty-four (64) distinct marketing profiles based on credit file characteristics, and demographic and census data and is used to enhance marketing efforts in new account acquisition programs. ********* will provide segment codes rather than Scores for each individual on the prescreen list. ********* reasonably believes that:

(a) the statistical clustering based segmentation system used in the classification of consumers into Segment Codes is based upon demographic data from the ********* Consumer Marketing Database and consumer credit information from the Credit Database and is a statistically sound method of segmenting

خدمة ما قبل العرض المعتادة: هى خدمة يتم فيها تقديم قائمة من أسماء المستهلكين من قبل العميل فى النموذج الذى يقبله كل من العميل و ـ ـ ـ ـ ـ ، ويتم معالجة وفحص هذه القائمة من خلال ما هو وارد فى قاعدة بيانات ـ ـ ـ ـ ـ، أو قد يتم فيها استخراج قائمة من قاعدة البيانات الائتمانية لـ ـ ـ ـ ـ ـ ـ ـ ـ.

(ج) بيان الخدمات المتجاوبة مع العميل Description of Responsiveness Services

(1) * ـ ـ ـ ـ ـ ـ ـ ـ ـ ـ: هى خدمة تقوم بترتيب/ تصنيف طلبات الأفراد فى قاعدة البيانات الائتمانية للمستهلك الخاصة بـ ـ ـ ـ ـ ـ ـ وذلك من حيث مدى ميلهم لاستخدام البطاقة المصرفية أو حمل رصيد فى بطاقة مصرفية، وفى هذا الصدد يقر العميل أن الـ "Bank Card Usage Predictor" الخاص بـ ـ ـ ـ ـ ـ ـ أو "وسيلة التنبؤ بمخاطر استخدام البطاقة المصرفية " الخاصة بـ ـ ـ ـ ـ ـ ـ ليست وسيلة لتقييم حجم المخاطر، وأن العميل لا يتعين عليه اتخاذ أى تصرف مضاد مما هو معرف فى قانون تكافؤ الفرص الائتمانية واللائحة (B) الوارد بيانها أدناه، ضد أى مقدم طلب استنادا على ما ورد له من ـ ـ ـ ـ ـ ـ ـ .

(2) * ـ ـ ـ ـ ـ ـ ـ ـ ـ ـ : هى خدمة تقوم بترتيب/ تصنيف طلبات الأفراد فى قاعدة البيانات الائتمانية للمستهلك والخاصة بـ ـ ـ ـ ـ ـ ـ وذلك من حيث مدى ميلهم لاستخدام البطاقة الائتمانية لمعاملات التجزئة أو حمل رصيد فى حساب بطاقة ائتمانية لمعاملات التجزئة. وفى هذا الصدد يقر العميل أن ـ ـ ـ ـ ـ ليست وسيلة لتقييم المخاطر، ويوصى ـ ـ ـ ـ ـ ـ ـ بأن تستخدم هذه الخدمة بالتعاون مع ما هو ملائم من وسائل تقييم المخاطر. ويتعين على العميل عدم اتخاذ أى إجراء مضاد، مما هو معرف فى قانون تكافؤ الفرص الائتمانية وفى اللائحة (B) الوارد بيانهما أدناه، ضد أى مقدم طلب استنادا على خدمة ـ ـ ـ ـ ـ ـ ـ.

(3) SM ـ ـ ـ ـ ـ ـ ـ ـ ـ : هى نموذج خدمة من إعداد ـ ـ ـ ـ ـ ـ و ـ ـ ـ ـ ـ ـ وهى تضع ترتيب/ تصنيف تقديرى يتعلق بمستهلكين آخرين يرد بيانهم فى قاعدة بيانات الإخطار عن المستهلك الخاصة بـ ـ ـ ـ من حيث مقدار الدخل المحتمل وروده للمستهلك فى أول اثنى عشر شهرا من وضع الدرجات الائتمانية. ويقر العميل أن خدمة ـ ـ ـ ـ ـ ـ هى ليست وسيلة تقييم للمخاطر، ويوصى ـ ـ ـ ـ ـ ـ باستخدام الـ Revenue Evaluator أو مقيم الدخل بالتعاون مع ما هو ملائم من وسائل/ أدوات تقييم المخاطر.

(د) بيان خدمات التصنيف Description of Segmentation Services

(1) SM ـ ـ ـ ـ ـ ـ ـ ـ ـ ـ : هى وسيلة/ أداة تصنيف متقدمة تتنبأ بصافي الأصول التقديرية للمستهلكين " Consumers Estimated net Worth" باستخدام تقنية للترتيب " Rank Ordering Technique"

(2) ـ ـ ـ ـ ـ ـ ـ ـ ـ ـ : هو نظام تقسيم قائم على التجميع الإحصائـى Statistical Clustering Segmentation System يقوم بتقسيم مستهلكى العميل إلى (64) أربعة وستين ملفاً دعائياً تسويقياً مميزاً يقوم فى تصنيفه على ملامح

consumer files from these databases with respect to specific Segment Codes; and

(b) the statistical clustering based segmentation system does not use a “prohibited basis” as that term is defined in Regulation B, except as permitted by Regulation B. Client will be responsible for meeting its requirements under the ECOA. ********* makes no representations with regards to scoring models or criteria provided by Client. Client acknowledges that the service is not a risk prediction tool, and ********* recommends that Client use the service in connection with other risk assessment tools.

(3)**********SM - is a prescreen service that identifies consumers who have recently moved. ********* extracts names from a nationwide new movers database drawn from *********’s credit reporting database, then uses pre-programmed credit criteria to prescreen new mover names.

(4)*********SM – is a statistically derived prescreening process which segments the credit population into varying levels of credit risk and qualifications. The service is provided in connection with prescreen services only unless requested in connection with individual point-of-sale transactions through ********* SM. Client acknowledges that the service is not a risk prediction tool, and ********* recommends that Client use the service in connection with other risk assessment tools.

(5) SM******** - is a prescreen service that delivers prescreened lists of consumer names that meet one of the nine levels of pre-programmed screening criteria, using lists provided by Client or qualified names directly extracted from the Nationwide Readi-Screen database.

(6)SM******** - is a prescreen service that provides a choice of three levels of pre-coded prescreening criteria and can apply more than fifteen pre-programmed data attributes to a list provided by Client or names directly extracted from the ********* credit reporting database.

E. Description of Optional Credit Score Information Services Applied to Prescreen Programs

(1) ®********** – is an analytical and consulting

وسمات الملف الائتمانى وعلى البيانات الديموغرافيه والإحصائية، ويستخدم فى تدعيم الجهود التسويقية فى البرامج المخصصة لاكتساب حسابات جديدة.

"New Account Acquisition Programmers”. وتقوم ـ ـ ـ ـ ـ ـ بتقديم شفرات تصنيف بدلا من الدرجات لكل فرد فى قائمة ما قبل العرض، حيث ترى ـ ـ ـ ـ ـ ـ ـ أن:

(أ) أن نظام التصنيف القائم على التجميع الإحصائى والمستخدم فى تصنيف المستهلكين إلى شفرات تصنيف “Segment Codes” هو نظام يستند على البيانات الديموغرافية الواردة من قاعدة البيانات التسويقية للمستهلك الخاصة بـ ـ ـ ـ ـ ـ ـ ـ ـ ـ وعلى معلومات ائتمانية عن المستهلك ترد من قاعدة البيانات الائتمانية، وأنها وسيلة إحصائية سليمة لتقسيم ملفات المستهلكين إلى شفرات تقسم استنادا على قواعد البيانات المذكورة، و

(ب) أن نظام التجميع القائم على التجميع الإحصائى لا يستند على أى "أسس غير مصرح بها" وهذا المصطلح يرد تعريفه فى اللائحة (B)، إلا إذا صرحت اللائحة (B) بذلك. وفى هذا الصدد، يتحمل العميل استيفاء ما عليه من متطلبات منصوص عليها فى قانون تكافؤ الفرص الائتمانية. ولن يتقدم ـ ـ ـ ـ ـ ـ ـ ـ ـ بأى إقرارات بشأن نماذج الدرجات أو المعايير الواردة من العميل. ويقر العميل بأن الخدمة ليست وسيلة أداة تنبؤ بالمخاطر، وإنما ينصح ـ ـ ـ ـ ـ ـ ـ بأن يستخدم العميل الخدمة مع أى وسائل تقييم مخاطر أخرى.

(3) SM ـ ـ ـ ـ ـ ـ ـ ـ ـ: هى خدمة من خدمات ما قبل العرض الائتمانى تقوم بتحديد المستهلكين الذين تركوا مقارهم مؤخرا، حيث تقوم ـ ـ ـ ـ ـ ـ بإستخراج الأسماء من قاعدة بيانات المنتقلين القومية الجديدة والمتفرعة من قاعدة بيانات الإخطار الائتمانى الخاصة بـ ـ ـ ـ ـ ـ ـ، ثم تقوم هذه الخدمة بإستخدام معايير ائتمان سابقة البرمجة Pre-Programmed Credit Criteria للتعرف على ما أستجد من أسماء منتقلين.

(4) SM ـ ـ ـ ـ ـ ـ ـ : هى عملية بحث سابقة للعرض الائتمانى تنشأ عن عمليات إحصائية وتقوم بتقسيم جمهور المقترضين إلى مستويات مختلفة من حيث المخاطر الائتمانية والمؤهلات الائتمانية. ويتم تقديم هذه الخدمة مع خدمات ما قبل العرض فقط، ما لم تطلب مع Individual Point - of- Sale Transactions معاملات بيعيه لأى فرد من خلال SM ـ ـ ـ ـ ـ ـ ـ وفى هذا الصدد يقر العميل أن هذه الخدمة ليست وسيلة للتنبؤ بالمخاطر الائتمانية، وتنصح ـ ـ ـ ـ ـ ـ بأن يستخدم العميل الخدمة مع أى وسائل تقييم مخاطر أخرى.

(5) SM ـ ـ ـ ـ ـ ـ ـ : هى خدمة بحث سابقة للعرض الائتمانى تقدم قوائم بأسماء العملاء التى تتماشى مع أحد المستويات التسعة لمعايير العرض، وذلك باستخدام قوائم يقدمها العميل، كما يمكنها تقديم الأسماء المؤهلة وتستخرجها مباشرة من قاعدة بيانات Nation wide Reedi - Screen .

(6) SM ـ ـ ـ ـ ـ ـ ـ : هى خدمة بحث سابقة للعرض الائتمانى

solution package for understanding current exposure, predicting future risk and taking steps to combat and manage bankruptcy across the entire account lifecycle and throughout client's portfolio.

(A) ® ********* - is a credit scoring service that rank-orders and segments accounts according to the likelihood of bankruptcy over a 24-month period, based on information in the ********* consumer credit database and other economic forecast data. Client certifies that it will order this Service only when Client intends to use the information for either of the permissible purposes set forth in Section I.3(b)(i), (ii), (iv) or (v). Client will not order the Service for employment purposes.

(B) Alert Lists. The Alert Lists are a combination of the Bankruptcy Navigator Index and the Relationship Exposure values and are produced as a result of a direct extraction from the ********* consumer credit database. The Relationship Exposure Values represent the number of accounts the individual customer has with Client and the aggregated outstanding credit balances across these accounts. An initial Alert List will be produced during the performance of the Benchmark Situation Analysis. In addition, ********* will identify accounts, based on Client's criteria, in monthly Alert Lists.

(C) Financial Risk Assessment and Usage Forecast. This Forecast is prepared in conjunction with Group. The Financial Risk Assessment and Usage Forecast (the "Forecast") applies econometric modeling and statistical time series tests to ********* consumer credit data and databases of economic variables to project credit risk and usage over an eighteen month

EXHIBIT B.IV. ACCOUNT REVIEW SERVICES

Account Review Services utilize the information contained in the ********* consumer credit database to monitor and report the credit-related activity and conditions of a subscriber's customers. The following terms and conditions apply to the Account Review Services provided by *********.

A. Additional Terms and Conditions for Account Review Services

1.Use of Service - Client agrees that it will use the Account Review Services only to determine future credit relationships with its customers and will properly advise its customers of the reasons for any adverse action taken.

تعرض اختيارا من ثلاث مستويات لمعايير ما قبل العرض الائتمانى، ويمكنها تطبيق أكثر من خمسة عشر خاصية بيانات على القائمة الواردة من العميل، كما يمكنها استخراج الأسماء مباشرة من قاعدة بيانات الإخطار الائتمانى لـ .- - - - -

(هـ) بيان بخدمات معلومات الدرجات الائتمانية الاختيارية والمطبقة على برامج ما قبل العرض:

(1) R—— : هى مجموعة من الحلول التحليلية والاستشارية Analytical and Consulting Solution Package والمعدة للتعرف على الوضع الائتمانى الحالى والتنبؤ بالمخاطر المحتملة مستقبلا واتخاذ الخطوات لمكافحة بل والسيطرة على أحداث الإفلاس خلال دورة حياة الحساب الائتمانى جميعها entire account lifecycle وخلال مدة محفظة العميل.

(أ) R—— : هى خدمة درجات ائتمانية تقوم بترتيب/ تصنيف الطلبات وحسابات القطاعات طبقا لمدى احتمالية وقوع إفلاس عبر مدة أربعة وعشرون شهرا تالية، وتقوم هذه الخدمة على المعلومات الواردة فى قاعدة البيانات الائتمانية للمستهلك الخاصة بـ —— وفى أى بيانات توقعية اقتصادية أخرى. وفى هذا الصدد يتعهد العميل بألا يطلب هذه الخدمة إلا عندما يعتزم فقط استخدام المعلومات فى أى من الأغراض المصرح بها فى البند (3-1) (ب) (I) و (II) و (IV) و (V). ولا يجوز للعميل أن يطلب الخدمة لأغراض توظيف.

(ب) **قوائم التنبيه (Alert Lists)**

هى مزيج من فهرس مستكشف الإفـلاس " Bank Raptly Navigator Index"و Relationship Exposure Values" (نوع من قوائم البحث)، ويتم استخراجها مباشرة من قاعدة البيانات الائتمانية للمستهلك الخاصة بـ ——. وتمثل القائمة الأخيرة عددا من الحسابات التى بين المستهلك والعميل وإجمالى الأرصدة الائتمانية المتبقية فى هذه الحسابات. ويتعين استصدار قائمة التنبيه المبدئية Initial Alert list خلال إجراء تحليل الـ Bench Mark Situation (أو المواقف الرئيسية). وعلاوة على ذلك، تقوم —— بتعريف الحسابات بناءا على المعايير الخاصة بالعميل فى قوائم التنبيه الشهرية.

(ج) **تقييم المخاطر المالية والتوقعات**

لقد تم إعداد هذه التوقعات مع شركة Group جروب. وتقوم عملية تقييم المخاطر المالية والتوقعات (التوقعات) بتطبيق نماذج اقتصادية واختبارات زمنية إحصائية على البيانات الائتمانية للمستهلك الخاصة بـ ——، وقواعد بيانات ذات تنوع اقتصادى على المخاطر الائتمانية للمشروع وما هو متوقع خلال العمل فى مدة ثمانية عشر شهر.

(B-IV) الملحق

2. Authorized Agent - ********* is the authorized agent of ---------- for purposes of executing this Agreement for *********, and for collection of all fees for these services. From time to time, ********* and/or ---------- may update and/or enhance *********.

3. Cross-Selling Offers of Credit - Whenever Client intends to use Account Review Services consumer report information to make an unsolicited offer of a product to a consumer, that offer must be a pre-approved firm offer of credit.

4. Cancellation of Program – If Client cancels an Account Review Services program prior to batch execution of the program, Client will pay ********* its incurred data processing costs plus fifty percent (50%) of the incurred data processing costs. If Client cancels an Account Review Services program after the batch execution of the program has been completed, Client will pay ********* fifty (50%) of the total price of the canceled program. Client may not cancel a program after ********* has provided the names to Client or its processor.

5.Data Attributes - Client may obtain certain additional items of information regarding consumers as agreed between the parties on a project-by-project basis in connection with Account Review Services.

6.Additional Terms for Account Review Services - The parties acknowledge that they have not addressed in this Agreement all of the terms and conditions that will apply to use of the Account Review Services. The parties agree that prior to use of any Account Review Services, the parties will agree on the additional terms and conditions and will record those agreements in writing on a program-by-program basis. Any terms in those subsequent writings that conflict with the terms and conditions of this Agreement will apply only to the specific program for which that writing was made, unless that writing expressly provides that its conflicting terms govern over the conflicting terms in this Agreement. All documents related to Account Review Services programs must be executed by both parties to be enforceable.

B. Description of Account Review Services

(1)*********® - is a service that rank orders individuals in the ********* consumer credit database with respect to their propensity to use a bank card, or carry a balance on a bank card. Client acknowledges

تستخدم خدمة مراجعة الحساب تلك المعلومات الواردة فى قاعدة البيانات الإئتمانية للمستهلك الخاصة بـــــــــــ ، وذلك بهدف مراقبة النشاط الإئتمانى وأحوال المستهلكين التابعين للعميل المشترك وإصدار تقارير فى هذا الصدد. وفى هذا الشأن، تسرى الشروط والأحكام التالية على خدمة مراجعة الحساب التى تقدمها ---------.

أ) **الشروط والأحكام الإضافية السارية على خدمة مراجعة الحساب**

(1) استخدام الخدمة

يوافق العميل على أن يستخدم خدمة مراجعة الحساب فقط لتحديد وضع العلاقة الإئتمانية مع المستهلكين فى المستقبل وحتى يمكنه إحاطة المستهلكين بالأسباب التى دعته لاتخاذ أى إجراء مضاد تجاههم.

(2) الوكيل المعتمد

تكون ------ هى الوكيل المعتمد لـــ ------ بغرض تنفيذ أحكام هذا الاتفاق بشأن ------ ولتحصيل كافة رسوم هذه الخدمات. ويجوز لـــــــــ و/أو------- القيام بتحديث و/أو تطوير هذه الخدمة من حين لآخر.

(3) عروض بيع الإئتمان

عندما يعتزم العميل استخدام خدمة مراجعة الحساب والحصول على معلومات من تقرير مستهلك لعرض منتج ما على مستهلك ، يتعين أن يكون هذا العرض عرضاً إئتمانياً رسمياً صدرت بشأنه موافقة مسبقة.

(4) إلغاء البرنامج

إذا قام العميل بإلغاء برنامج خدمة مراجعة الحساب قبل تنفيذه، يتعين عليه أن يسدد لـــ ------- قيمة ما تكبدته من تكاليف معالجة للبيانات، بالإضافة إلى (50%) خمسين فى المائة أخرى من تكاليف المعالجة. وإذا ألغى العميل أى برنامج خدمة مراجعة حساب بعد إتمام تنفيذه، يتعين عليه أن يسدد (50 %) خمسين فى المائة من إجمالى سعر البرنامج الملغى. ولا يجوز للعميل إلغاء البرنامج بعد أن تقوم ------- بتوفير الأسماء للعميل أو لمسئول المعالجة التابع له.

(5) خصائص البيانات

يجوز للعميل الحصول على عناصر معلومات إضافية بشأن المستهلكين وفقاً للاتفاق فيما بين الطرفين فيما يتعلق بخدمات مراجعة الحساب ولكل مشروع على حدة.

(6) شروط إضافية خاصة بخدمات مراجعة الحساب:

يقر الأطراف أنهم لم يتناولوا كافة الشروط والأحكام التى تسرى على استخدام خدمات مراجعة الحساب فى هذا الاتفاق. ويتفق الأطراف على أنه قبل استخدام أى خدمة من خدمات مراجعة الحساب يتعين عليهم الموافقة على الشروط والأحكام الإضافية وأن يضعوا هذه الموافقات فى صورة كتابية لكل برنامج على حدة. وأى شروط فى هذه الاتفاقات اللاحقة تتعارض مع شروط وأحكام هذا الاتفاق، سوف تسرى فقط على البرنامج الذى أبرم

that the ********* Bankcard Usage Predictor is not a risk assessment tool, and ********* recommends that the be used in conjunction with appropriate risk assessment tools. Client will not take adverse action, as defined in the ECOA and Regulation B thereunder, with respect to any applicant on the basis of the ********* Bankcard Usage Predictor.

من أجله الاتفاق اللاحق، ما لم ينص الأخير صراحة على أن شروطه المتعارضة تسرى على الشروط المتعارضة فى هذا الاتفاق. ويتعين تحرير كافة المستندات المتعلقة ببرامج خدمات مراجعة الحساب من قبل الأطراف حتى تكون سارية ونافذة.

(2)**********SM – is a service which reviews the credit related activity and conditions of Client's customers using Client's custom criteria and a computer tape from Client detailing the accounts to be reviewed. Readi-ReviewSM is one type of Client Portfolio Review service involving precoded account management criteria.

ب. بيان خدمة مراجعة الحسابات

(1) **R** ----------: هى خدمة تقوم بتصنيف أصحاب الطلبات فى قاعدة البيانات الإئتمانية للمستهلك الخاصة بـ -------وذلك من حيث رغبتهم فى استخدام البطاقة المصرفية أو ترحيل رصيد على بطاقة مصرفية، وفى هذا الصدد يقر العميل بأن الـــ " Bank Card Usage Predictor " الخاص بـــ ------ ليس وسيلة للتنبؤ بالمخاطر، وتوصى -------- باستخدام هذه الخدمة إلى جانب الوسائل المناسبة لتقييم المخاطر. ولن يتخذ العميل أى تصرف مضاد كما هو معرف فى قانون تكافؤ الفرص الإئتمانية وفى اللائحة (B) الواردة أدناه، ضد أى مقدم طلب استناداً على -------- الخاصة بـ " Bank Card Usage Predictor ".

(3)******® Targeting System - is a statistical clustering based segmentation system that segments Client's customers into sixty-four (64) distinct marketing profiles based on credit file characteristics, and demographic and census data. ********* will provide segment codes rather than Scores for each individual in Client's account review program. ********* reasonably believes that (a) the statistical clustering based segmentation system used in the classification of consumers into Segment Codes is based upon demographic data from the ********* Consumer Marketing Database and consumer credit information from the Credit Database and is a statistically sound method of segmenting consumer files from these databases with respect to specific Segment Codes; and

(2) **SM** ----------: هى خدمة يتم من خلالها مراجعة النشاط والوضع الإئتمانى لمستهلكى العميل بإستخدام المعايير السارية لدى العميل ومن خلال قرص حاسب آلى ممغنط يرد من العميل يحتوى على الحسابات المطلوب مراجعتها. و Readi Review SM : هى خدمة من خدمات مراجعة محفظة العميل تتميز بما لديها من معايير إدارة الحسابات المكودة.

(b) the statistical clustering based segmentation system does not use a "prohibited basis" as that term is defined in Regulation B, but only as permitted by Regulation B. Client will be responsible for meeting its requirements under the ECOA. For the ---------- Targeting System, Client agrees that the Segment Codes are proprietary to ********* and will not be used as a reason for adverse action or disclosed to the consumer, except as required by law or approved in writing by *********.

3- ---------- نظام وضع الأهداف: هو نظام تقسيم قائم على التجميع الإحصائى Statistical Clustering Segmentation System يقوم بتقسيم مستهلكى العميل إلى (64) أربعة وستين ملفاً دعائياً تسويقياً مميزاً وفقاً لملامح ملف الإئتمان والبيانات الديموغرافية والخاصة بالتعداد. وتقوم -------- بإعطاء أكواد للشرائح بدلاً من الدرجات لكل فرد فى برنامج مراجعة حساب العميل. وبناء عليه ترى ---------:

(4)**********SM - is a service which monitors the monthly credit related activity and conditions of Client's customers using predefined criteria that can be refined with custom criteria.

أ. يعتمد نظام التصنيف القائم على التجميع الإحصائى والمستخدم فى تصنيف المستهلكين إلى شرائح مكودة " Segment Codes" على البيانات الديموغرافية الواردة فى قاعدة البيانات التسويقية للمستهلك الخاصة بـــ-------- وعلى معلومات ائتمانية عن المستهلك من واقع قاعدة البيانات الإئتمانية، وهى وسيلة إحصائية سليمة لتقسيم ملفات المستهلكين إلى شرائح تقسم استناداً على قواعد البيانات المذكورة بناء على أكواد محددة للشرائح.

(5)**********® - is a service that rank orders individuals in the ********* consumer credit database with respect to their propensity to use a retail credit card, or carry a balance on a retail credit card account. Client acknowledges that the ********* is not a risk assessment tool, and ********* recommends that the ******** be used in conjunction with appropriate risk assessment tools. Client will not take adverse action, as defined in the ECOA and Regulation B thereunder, with respect to any applicant on the basis of the ********* Retail Card Usage Predictor.

ب. أن نظام التصنيف القائم على التجميع الإحصائى لا يستخدم أى "أسس غير مصرح بها" (وهذا المصطلح يرد تعريفه فى اللائحة (B)، ويستخدم ما هو مصرح به فى اللائحة(B) فقط. وفى هذا الصدد، يتحمل العميل مسؤولية استيفاء ما عليه من متطلبات منصوص عليها فى قانون تكافؤ الفرص الإئتمانية.ويوافق

(4) **SM**---------- هى خدمة يتم من خلالها مراقبة النشاط والوضع الإئتمانى لمستهلكى العميل بإستخدام معايير سابقة التعريف ويمكن تحديثها بأى معايير سارية لدى العميل.

(6) ----------SM – is a service that processes a tape of Client's existing portfolios and returns consumer identification information with a ---------- warning code, when applicable. Client agrees to furnish data which is believed to have been or which could be used for fraudulent purposes for as long as Client receives this service.

(7) **********M – is a service which reviews Client's selected accounts on a quarterly or semi-annual basis to provide a risk score history for use in detecting trends in both improving and declining creditworthiness.

C. Description of Optional Credit Score Information Services Applied to Account Review Services

(1) *********SM - is a credit scoring service based on a model developed by ---------- and ********* that ranks consumers in the ********* consumer credit database with respect to the likelihood of those consumers paying their accounts as agreed. Client acknowledges that ----------, its officers, directors, employees, agents, sister or affiliated companies or any third party contractors or suppliers of ---------- are not responsible for any loss of profits, special, indirect, consequential or exemplary damages, costs or expenses in connection with the use or performance of *********. ---------- warrants that the scoring algorithms used in the computation of the ********* Scores were empirically derived from *********'s credit data and are a demonstrably and statistically sound method of rank ordering candidate records from the ********* database with respect to credit risk. ---------- further warrants that the scoring algorithms used in the computation of ********* Scores do not include any characteristic which is a "prohibited basis" as that term is defined in the ECOA and Regulation B as promulgated thereunder.

(2) Custom Scorecard - is a credit scoring service that is developed exclusively for a specific customer's own use.

(3) Energy Risk Assessment ModelSM - is a credit scoring model, developed for the energy industry from extensive industry data, which applies customer criteria and advanced scoring techniques to predict the likelihood of a service applicant or existing customer becoming a serious credit risk.

(4) Enhanced Delinquency Alert SystemSM ("EDAS") - is a point scoring model that measures the likelihood of serious delinquency and bankruptcy over a 12-month period.

(5) *---------- : هى خدمة يتم من خلالها تصنيف طلبات الأفراد فى قاعدة البيانات الإئتمانية للمستهلك الخاصة بـ ------- ---- وذلك من حيث رغبتهم فى استخدام البطاقة المصرفية أو ترحيل رصيد على حساب البطاقة الائتمانية لمعاملات التجزئة، وفى هذا الصدد يقر العميل بأن الـ---------- ليست وسيلة لتقييم حجم المخاطر. وتوصى ------ بأن تستخدم هذه الخدمة بجانب الوسائل المناسبة لتقييم المخاطر. ولن يتخذ العميل أى تصرف مضاد كما هو معرف فى قانون تكافؤ الفرص الائتمانية واللائحة (B) الواردة أدناه، ضد أى مقدم طلب استناداً على Retail Card Usage Predictor الخاص بـ --------.

(6) **SM**: هى خدمة تقوم بمعالجة محتويات قرص بما لدى العميل من محافظ ثم ترد ببيانات تعريف لهوية المستهلك مع شفرات تحذيرية خاصة بـ ------، إن كان ذلك سارياً. وفى هذا الصدد، يوافق العميل على أن يقوم خلال تلقيه لهذه الخدمة بتقديم أى بيانات يرى أنها تستخدم أو قد تستخدم فى أغراض إحتيالية.

(7) **M**: هى خدمة تقوم بمراجعة حسابات ينتقيها العميل بنظام ربع ونصف سنوى بغرض استعراض تاريخ هذه الحسابات من حيث المخاطر الائتمانية، وتستخدم هذه الخدمة لتتبع مدى تطور أو تدهور الجدارة الائتمانية لهذه الحسابات.

ج. بيان بخدمات معلومات الدرجات الائتمانية الإختيارية والمطبقة على خدمات مراجعة الحساب

1. SM: هى خدمة درجات إئتمانية تقوم على نموذج معين قامت كل من ------- و------ بإعداده، وهو يقوم بتصنيف المستهلكين فى قاعدة البيانات الإئتمانية للمستهلك الخاصة بـ-------- وذلك فيما يتعلق بمدى إحتمالية سداد هؤلاء المستهلكين لما هو متفق عليه معهم من حسابات. وفى هذا الصدد يقر العميل بأن ---------- وكل من مسؤوليها ومديريها وعامليها ووكلائها والشركات الشقيقة والمنضمة لها أو أى من الغير من المقاولين أو الموردين لها لن يتحمل أى منهم المسئولية عن أية خسائر فى الأرباح أو أى تعويضات خاصة مباشرة أو غير مباشرة أو تبعية أو معنوية أو أى تكاليف أو مصروفات أخرى تتعلق باستخدام **SM** أو بتنفيذه. وتضمن ------- أن نظم احتساب الدرجات الإئتمانية المستخدمة فى حساب درجات **SM** هى نظم مستمدة من قاعدة البيانات الإئتمانية وأنها تبدو من واقع الدليل والإحصاء وسائل تصنيف سليمة وصحيحة تستعلم عن سجلات المرشحين من قاعدة بيانات ----- ---- فيما يتعلق بالمخاطر الإئتمانية التى قد تلحق بهم. كما تقر - ---- أيضاً بأن نظم الاحتساب المستخدمة لحساب درجات **SM** لا تستخدم أى " أسس حساب غير مسموح بها" كما هو معرف فى قانون تكافؤ الفرص الإئتمانية وفى اللائحة (B) المنصوص عليها أدناه.

2- بطاقة الدرجات الإئتمانية للمستهلك

هى خدمة حساب درجات إئتمانية تم إعدادها خصيصاً للإستخدام من قبل مستهلكين معينين.

(5) ********* SM – is a credit scoring service for the automobile financing and leasing industries that rank-orders credit files on new or established auto trades based on the likelihood of serious delinquency, charge-off, or bankruptcy, over a 24-month period.

(6) ********* Consumer Marketing Database - Client may request Information Services in which a list of consumer names provided by Client will be processed against this database consisting of different demographic information.

(7) ********* Recovery Index - is a credit scoring service that rank-orders consumers according to the likelihood of paying back any amount on a charged-off account.

(8) ********* Recovery Score - Late StageSM - is a credit scoring service that rank-orders charged-off accounts based on the likelihood of a consumer paying back 50% or more of the amount charged-off within a 12-month period.

(9) ********* Risk ScoreSM - is a credit scoring service that ranks consumers in the ********* consumer credit database relative to other consumers in the database with respect to the likelihood of those consumers paying their accounts as agreed, and predicts the probability of serious delinquency, charge-off, and bankruptcy over a 24-month period.

(10) ********* Risk ScoreSM Credit Union - is a credit scoring service, designed specifically for credit union customers using credit files containing only credit union accounts, that rank-orders consumers according to the likelihood of becoming a serious credit risk.

(11) **********SM - is a credit scoring service, designed specifically for customers in the Healthcare Industry, that rank-orders consumers according to the likelihood of becoming a serious credit risk.

(12) *********SM - is a credit scoring service that can apply 15 pre-programmed screening criteria, including "nested" options, to Client's specific portfolio review requirements.

(13) ******** - is a credit scoring service that predicts the likelihood of a service applicant or existing customer becoming a serious credit risk. The model was built for the telecommunications industry.

2. نموذج تقييم المخاطر الإئتمانية فى مجال الطاقة

هو نموذج حساب للدرجات الإئتمانية تم إعداده لخدمة صناعة الطاقة، وهو يتكون من بيانات شاملة عن الصناعة، ويطبق هذا النموذج معايير المستهلك وتقنيات متقدمة لحساب الدرجات الإئتمانية للتنبؤ بمدى إحتمالية تعرض طالب الخدمة أو المستهلك الحالى لمخاطر ائتمانية شديدة.

3. النظام المتقدم للتنبيه بالتأخير فى السداد

هو نموذج حساب للدرجات الإئتمانية بالنقاط، يقيس مدى إحتمالية وقوع تأخير فعلى فى سداد أى مستحقات أو إحتمالية وقوع إفلاس خلال مدة الإثنى عشر شهراً التالية.

4. SM: هى خدمة لتحديد الدرجات الإئتمانية تخدم نشاط تمويل وتأجير السيارات، وهى تقوم بتصنيف وترتيب الملفات الإئتمانية الخاصة بالتعاملات الجديدة والقائمة، ويتم التصنيف من حيث مدى إحتمالية وقوع تأخير شديد فى السداد أو إعسار أو إفلاس خلال مدة الأربعة وعشرين شهراً التالية.

5. قاعدة البيانات التسويقية للمستهلك الخاصة بـ--------:

يجوز للعميل أن يطلب خدمة معلومات يقوم فيها بتقديم قائمة بأسماء المستهلكين لديه، حيث يتم فحص هذه القائمة من واقع قاعدة البيانات الكائنة بالخدمة والتى تتكون من معلومات ديموغرافية عديدة.

6. فهرس الحسابات المدينة الخاص بـ--------

هى خدمة تحديد درجات إئتمانية يقوم بترتيب وتصنيف المستهلكين طبقاً لاحتمالية استرداد أى مبالغ مدينة فى حساب معسر.

7. الدرجات الإئتمانية للحسابات المدينة الخاصة بـ------- /المرحلة المتأخرة

هى خدمة تحديد درجات إئتمانية تقوم بتصنيف الحسابات المعسرة بناءً على مدى إحتمالية سداد المستهلك لنسبة 50 % أو أكثر من قيمة الحساب المعسر خلال 12 شهراً.

8. خدمة حساب درجات المخاطر الخاصة بـ---------

هى خدمة حساب للدرجات الإئتمانية تقوم بتصنيف المستهلكين فى قاعدة البيانات الإئتمانية للمستهلك الخاصة بـ-------- ومقارنتهم بمستهلكين آخرين فى قاعدة البيانات من حيث مدى إحتمالية سداد المستهلكين لما هو عليهم من حسابات متفق عليها، كما تتنبأ هذه الخدمة بإحتمالية وقوع تأخير فعلى شديد أو إعسار أو إفلاس خلال مدة أربعة وعشرين شهراً.

9. خدمة حساب درجات المخاطر الخاصة بـ-------- - /إتحاد الإئتمان

هى خدمة لحساب الدرجات الإئتمانية مصممة خصيصاً للمستهلكين المنضمين لإتحاد الإئتمان ، وهى تستخدم ملفات إئتمانية تشمل حسابات إتحاد الإئتمان فقط، وتقوم بتصنيف وترتيب المستهلكين وفقاً لمدى إحتمالية تعرض أى منهم للمخاطر الإئتمانية الشديدة.

10. SM: هى خدمة تحديد درجات إئتمانية

(14) *******SM - is a credit risk assessment scoring service that forecasts the likelihood of a mortgage loan applicant or existing mortgage account becoming delinquent and past-due accounts advancing to foreclosure using industry-specific criteria.

(15) **********lSM ("Wireless Model") – is a credit scoring model which predicts the likelihood of a service applicant or existing customer becoming a serious credit risk. The model was built specifically for the wireless communications industry.

EXHIBIT B.V. SPECIAL TERMS AND CONDITIONS

1. Trans-border Information. Client may from time to time request Information Services on consumers having credit histories accumulated outside of the United States. If that information is available under the terms of this Agreement, ********* may facilitate Client's access of that information through an ********* affiliated company, or an affiliated joint venture or partnership (the "International Supplier"). Client's receipt and use of that information will be subject to all the terms of this Agreement (excluding Section I.3 and Section II) and this Agreement will be deemed to be a separate agreement between Client and the applicable International Supplier directly, with ********* having entered into that agreement with Client on behalf of the International Supplier. Client further recognizes that ********* will merely facilitate access to the information, and ********* will not be responsible for the information or services received by Client from the International Supplier or for any damages, whether direct, consequential, incidental, indirect, exemplary or special, arising from that information or those services. In addition, Client acknowledges that the receipt and use of that information may be governed by various laws and regulations of the country, state or province in which the consumer resides or from which the information originates, and Client will comply with those applicable laws and regulations regarding Client's receipt and use of the information. Client certifies that either

(i) Client will not request Information Services regarding residents of Canada, or
(ii) Client has received and read the attached Provincial Legislative Overview for International Customers of *********'s "North American Link" generally describing some additional requirements of various Canadian provinces regarding the request and use of credit reporting information on residents of those provinces; Client understands and agrees that the Provincial Legislative Overview is provided as a courtesy, does not constitute legal advice and, by its

مصممة خصيصاً لمستهلكى نشاط الرعاية الصحية، وهى تقوم بتصنيف وترتيب المستهلكين وفقاً لمدى إحتمالية تعرض أى منهم لمخاطر ائتمانية شديدة.

.11 **SM** **:** هى خدمة تحديد درجات إئتمانية تقوم بتطبيق خمسة عشر (15) معياراً من معايير الفحص التى سبق برمجتها، بما فى ذلك الخيارات "المتداخلة"، على متطلبات المراجعة الخاصة بمحفظة العميل.

.12 _____ **:** هى خدمة لتحديد الدرجات الائتمانية، تتنبأ بمدى إحتمالية وقوع مقدم طلب الخدمة أو المستهلك الحالى لأى مخاطر إئتمانية شديدة. وقد تم إعداد نموذج هذه الخدمة لصالح صناعة الإتصالات.

.13 **SM** **:** هى خدمة إعطاء درجات لتقييم المخاطر الائتمانية، وهى تتنبأ بمدى إحتمالية تأخر مقدمى طلب التمويل العقارى فى السداد أو التأخر فى سداد حسابات التمويل الحالية، وذلك كتمهيد للتنفيذ على العقار، وتستخدم هذه الخدمة معايير خاصة بهذا النشاط.

.14 **ISM** **(نموذج الاتصالات اللاسلكية):** وهو نموذج لتحديد الدرجات الإئتمانية يتنبأ بمدى إحتمالية تعرض مقدم طلب الخدمة أو المستهلك للمخاطر الإئتمانية الشديدة. وقد تم إعداد هذا النموذج خصيصاً لنشاط الاتصالات اللاسلكية.

الملحق B.V
شروط وأحكام خاصة

معلومات من خارج الحدود الإقليمية

يجوز للعميل أن يطلب- من حين لآخر- خدمة معلومات عن مستهلكين لديهم تاريخ إئتمانى خارج حدود الولايات المتحدة الأمريكية. وإذا كانت هذه المعلومات متاحة وفقاً لشروط هذا الاتفاق، فيجوز لـ ------ --- حينئذ تسهيل اطلاع العميل على هذه المعلومات من خلال أى شركة تابعة لها أو أى شركة مشتركة معها (المورد الدولى)، على أن يكون استلام العميل لهذه المعلومات واستخدامه لها خاضعاً لكافة شروط وأحكام هذا الاتفاق (باستثناء البند الفرعى (1-3) والبند II من الإتفاق)، وسيعتبر هذا الاتفاق بمثابة اتفاق آخر منفصل بين العميل والمورد الدولى مباشرة. وفى هذا الصدد يقر العميل أن --------- ستقوم فقط بتسهيل عملية الدخول على هذه المعلومات وأنها لن تتحمل المسئولية عن تلك المعلومات أو الخدمات التى وردت للعميل من المورد الدولى المذكور، بل لن تتحمل أيضاً قيمة ما ينشأ عن ذلك من أضرار مباشرة أو تبعية أو عرضية أو غير مباشرة أو معنوية أو خلاف ذلك. وعلاوة على ذلك، يقر العميل بأن استلام المعلومات واستخدامها قد يخضع أيضاً لمختلف القوانين واللوائح السارية فى البلد أو الدولة أو المقاطعة التى يقيم بها المستهلك أو التى نشأت فيها تلك المعلومات، وأن على العميل الإلتزام بهذه القوانين واللوائح فيما يتعلق باستلامه واستخدامه لهذه المعلومات. كما يتعهد العميل

nature, is only a summary of some pertinent requirements imposed by applicable provincial laws; and Client accepts full responsibility for obtaining competent, independent legal advice regarding all applicable provincial laws.

2. California Retail Seller Compliance. Provisions of the California Consumer Credit Reporting Agencies Act, as amended effective July 1, 1998, will impact the provision of consumer reports to Client under the following circumstances:

(a) if Client is a "retail seller" (defined in part by California law as "a person engaged in the business of selling goods or services to retail buyers") and is selling to a "retail buyer" (defined as "a person who buys goods or obtains services from a retail seller in a retail installment sale and not principally for the purpose of resale") and a consumer about whom Client is inquiring is applying (b) in person and (c) for credit. Under the foregoing circumstances, *********, before delivering a consumer report to Client, must match at least three items of a consumer's identification within the file maintained by ********* with the information provided to ********* by Client in connection with the in-person credit transaction. Compliance with this law further includes Client's inspection of the photo identification of each consumer who applies for in-person credit, mailing extensions of credit to consumers responding to a mail solicitation at specified addresses, taking special actions regarding a consumer's presentment of a police report regarding fraud, and acknowledging consumer demands for reinvestigations within certain time frames.

If Client designated in Section 3 of the Agreement that it is a "retail seller", Client certifies that it will instruct its employees and agents to inspect a photo identification of the consumer at the time an application is submitted in person. If Client is not currently, but subsequently becomes a "retail seller", Client agrees to provide written notice to ********* prior to ordering credit reports in connection with an in-person credit transaction, and agrees to comply with the requirements of the California law as outlined in this Section, and with the specific certifications set forth herein.

Client certifies that, as a "retail seller", it will either (a) acquire a new customer number for use in processing consumer report inquiries that result from in-person credit applications covered by California law, with the understanding that all inquiries using this new customer number will require that Client supply at least three items of identifying information from the applicant; or (b) contact Client's ********* sales representative to ensure that Client's existing number is properly coded for these transactions.

3. Additional Terms and Conditions Applicable to ------ Scores. The following additional terms and

(أ) إما ألا يطلب خدمة معلومات عن أى من مواطنى كندا أو

(ب) أن يقر بأنه قد تسلم واطلع على موجز البيان التشريعى الإقليمى المرفق للعملاء الدوليين المنضمين " لرابطة شمال أمريكا " " North American Link " التابعة لـ -----، وهو بيان ينص عموماً على بعض المتطلبات الإضافية السارية على مختلف المقاطعات الكندية ويعنى بوسيلة تقديم الطلب وكيفية استخدام المعلومات الواردة بشأن المواطنين المقيمين فى هذه المقاطعات، وعلى العميل أن يتفهم بل ويوافق على أن موجز البيان التشريعى الإقليمى قد يرد للعلم فقط وأنه لا يمثل إخطاراً قانونياً وأنه أيضاً- بطبيعته- مجرد ملخص لبعض المتطلبات والشروط التى تفرضها القوانين الإقليمية السارية، كما يقبل العميل أن يتحمل المسئولية كاملة فى حالة استصدار أى إخطار قانونى رسمى من جانبه بشأن تلك القوانين الإقليمية السارية.

<u>الإلتزام بقوانين البيع بالتجزئة بولاية كاليفورنيا</u>

تسرى أحكام قانون أجهزة الإخطار الائتمانى عن المستهلك بولاية كاليفورنيا والمعدلة فى 1 يوليو 1998 على مسألة تقديم تقرير المستهلك للعميل، وذلك فى الأحوال الآتية:

أ. إذا كان العميل "تاجر تجزئة" (ذلك المعرف بشكل جزئى فى قانون كاليفورنيا على أنه "شخص يدخل فى أعمال بيع بضائع وتقديم خدمات لمشترى تجزئة ") ، ويقوم بالبيع " لمشترى التجزئة " (ذلك المعرف أيضاً بأنه شخص يقوم بشراء بضائع أو الحصول على خدمات من بائع التجزئة الكائن فى مؤسسة بيع بالتجزئة وذلك لأغراض لا تتمثل بالضرورة فى "إعادة البيع") وكان المستهلك الذى يستعلم عنه العميل يتقدم بالطلب أ) بشخصه ب) وبغرض الائتمان. وفى هذه الأحوال ، يتعين على-------- وقبل تقديم تقرير المستهلك للعميل مطابقة ثلاثة على الأقل من عناصر استبيان هوية المستهلك الواردة بملفه لدى ------- - بالمعلومات الواردة لـ --------- من العميل فيما يتعلق بالمعاملة الائتمانية التى سيجريها المستهلك بشخصه In-Person Credit Transaction. كما ينص القانون أيضاً على التزام العميل بفحص صورة تحقيق هوية كل مستهلك يطلب إئتماناً بشخصه، وأن يرسل بالبريد التمديدات الإئتمانية للمستهلكين المتجاوبين مع عمليات الترويج الائتمانى البريدى على عناوين معينة، وأن يتخذ ما يلزم من إجراءات بشأن ما قد يتقدم به المستهلك من بلاغات للشرطة بشأن أى أحداث إحتيال، وأن يقبل ما قد يتطلبه المستهلك من إعادة تحقيق بهذا الصدد خلال أطر زمنية محددة.

وإذا كان العميل هو ذلك المحدد فى البند (3) من الاتفاق على أنه "تاجر تجزئة" ، فيتعين عليه حينئذ أن يتعهد بأن يدلى بتعليماته لعامليه ووكلائه بفحص صورة تعيين هوية المستهلك عند تقديم الطلب بشخصه. وإذا كان العميل لا يعمل حالياً كتاجر تجزئة ولكنه أصبح تاجر تجزئة فيما بعد، فحينئذ يوافق العميل على تقديم إخطار كتابى إلى--------قبل طلب تقارير الإئتمان المتعلقة بمعاملة الائتمان الشخصية، ويوافق أيضاً على الإلتزام بكافة متطلبات قانون كاليفورنيا الواردة فى هذا البند وبالتعهدات الخاصة المنصوص عليها به.

ويتعهد العميل - بوصفه " تاجر تجزئة " – بأن يقوم إما أ) بإستصدار رقم مستهلك جديد ليستخدم فى التعامل مع استعلامات تقرير المستهلك الناشئة عن طلبات الإئتمان الشخصية طبقاً لقانون

conditions apply to any Scores jointly provided by ********* and ---------- & Co. ("----------").

(a)Agent. ********* is the authorized agent of ---------- for purposes of executing this Agreement as it pertains to the Scores and for collection of all fees and charges arising thereunder with respect to the Scores.

(b)Confidentiality. Client will hold all Scores received from ********* under this Agreement in strict confidence and will not disclose any Scores to the consumer or to others except as required or permitted by law. Client may provide the principal factors contributing to the Scores to the subject of the report when those principal factors are the basis of Client's adverse action against the subject consumer. Client must describe the principal factors in a manner which complies with Regulation B of the ECOA.
Further, Client acknowledges that the Scores and factors are proprietary and that, except for

(a) disclosure to the subject consumer if Client has taken adverse action against such consumer based in whole or in part on the consumer report with which the Scores were delivered or

(b) as required by law, Client will not provide the Scores to any other party without *********'s and ----------'s prior written consent.

(c)Limited Liability. The combined liability of ********* and ---------- arising any particular Score provided by ********* and ---------- shall be limited to the aggregate amount of money received by ********* from Client with respect to that particular Score during the preceding twelve (12) months prior to the date of the event that gave rise to the cause of action.

(d)Adverse Action. Client shall not use Scores as the basis for an "Adverse Action" as defined by the Equal Credit Opportunity Action or Regulation B, unless score factor codes have been delivered to Client along with the Scores.

EXHIBIT C
PRICING AGREEMENT

This Pricing Agreement ("Exhibit C") is entered into between ********* Credit Information Services, Inc. and Client. All capitalized terms used but not defined in this Pricing Agreement and the attached schedules are defined as in the Agreement. Client agrees to abide by the additional terms and conditions of this Exhibit and the attached schedules.

كاليفورنيا ، مع الأخذ فى الاعتبار أن كافة الاستعلامات التى تجرى باستخدام رقم المستهلك الجديد سوف تتطلب أن يتقدم العميل على الأقل بثلاثة عناصر من معلومات تعيين الهوية الواردة فى الطلب ؛ أو ب) بالاتصال بمندوب مبيعات---------- العميل للتأكد من أن الرقم الحالى للعميل مشفر على النحو المطلوب لهذه المعاملات.

(1) شروط وأحكام إضافية تسرى على الدرجات الإئتمانية الخاصة بـ -----. تسرى الشروط والأحكام الإضافية التالية على أى درجات إئتمانية تقدمها كل من------ و-------- وشركاه (" ---------")**:**

أ. الوكيل: تكون -------- هى الوكيل المعتمد لـ ----- --- بغرض تنفيذ هذا الاتفاق فيما يتعلق بخدمة الدرجات الإئتمانية وتحصيل كافة الرسوم والمصروفات الناشئة عنها.

ب. السرية : يلتزم العميل بأن يحافظ على السرية التامة لكافة الدرجات الائتمانية الواردة من----------طبقاً لأحكام هذا الاتفاق ، وألا يفصح عنها لأى مستهلك أو للغير ما لم يصرح القانون أو يقضى بذلك، على أنه يجوز للعميل الإفصاح عن العوامل الأساسية المساهمة فى تكوين الدرجات الائتمانية للمستهلك موضوع التقرير الإئتمانى إذا كانت تلك العوامل تمثل الأساس الذى استند إليه العميل فى اتخاذ أى إجراء مضاد ضد المستهلك موضوع التقرير. وفى هذا الصدد، يتعين على العميل إيضاح العوامل الأساسية المذكورة على نحو يتمشى واللائحة (B) من قانون تكافؤ الفرص الائتمانية.

كما يقر العميل أيضاً بأن الدرجات الائتمانية والعوامل الأساسية المذكورة هى ملكية خاصة وأنه

(أ) بإستثناء ما يتعين الإفصاح عنه للمستهلك موضوع التقرير الإئتمانى حال قيام العميل بإتخاذ إجراء مضاد فى غير صالح المستهلك، يعتمد بشكل كلى أو جزئى على ماورد فى تقرير المستهلك الذى يضم معه الدرجات الإئتمانية أو

(ب) باستثناء ما يتطلب القانون الإفصاح عنه فى هذا الصدد، فلا يجوز للعميل تقديم الدرجات الائتمانية لأى طرف آخر دون موافقة كتابية مسبقة من-------- و------ -.

ج. حدود المسئولية
تقتصر المسئولية المشتركة لكل من---------و--------- الناشئة عن أى درجات إئتمانية تقدمها--------و--------- ---على إجمالى القيمة النقدية التى حصل عليها --------- مقابل هذا النوع من الدرجات خلال الإثنى عشر (12) شهراً السالفة لتاريخ الحدث المسبب لهذا الإجراء.

د. الإجراء المضاد
يلتزم العميل بعدم استخدام الدرجات الائتمانية كأساس لاتخاذ " الإجراء المضاد " الوارد تعريفه فى قانون تكافؤ

A. Standard Pricing standard pricing shall apply to

All services ordered by Client pursuant to this Agreement.

The following Services:

B. Non-Standard Pricing: The term of this Pricing Agreement will begin on and will expire on or on the date the Agreement terminates if that occurs prior to this expiration date.

(Non-Standard pricing by service(s) is/are listed below or listed in attached document)

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Pricing Agreement as of the date first written above.

CLIENT: _____
ADDRESS:
_____
Signed by: _____
Printed Name: _____
Title: _____
_____
Date: _____

EXHIBIT D

VERMONT FAIR CREDIT REPORTING CONTRACT CERTIFICATION

The undersigned, "Customer"), acknowledges that it subscribes to receive various information services from ********* Credit Information Services, Inc. ("*********") in accordance with the Vermont Fair Credit Reporting Statute, 9 V.S.A. § 2480e (1999), as amended (the "VFCRA") and the Federal Fair Credit Reporting Act, 15, U.S.C. 1681 et. Seq., as amended (the "FCRA") and its other state law counterparts. In connection with Customer's continued use of ********* information services in relation to Vermont consumers, Customer hereby certifies as follows:

Vermont Certification. Customer certifies that it will comply with applicable provisions under Vermont law. In particular, Customer certifies that it will order information services relating to Vermont residents, that are credit reports as defined by the VFCRA, only after

الفرص الإئتمانية أو فى اللائحة(B)، ما لم ترد للعميل أكواد خاصة بعوامل الدرجات مع بيان الدرجات الإئتمانية.

الملحق (C)

اتفاق تسعير

تحرر هذا الاتفاق (الملحق (C)) وابرم بين كل من:

-شركة خدمات المعلومات الائتمانية و

-العميل.

كافة المصطلحات المدونة بخط بارز والمستخدمة فى هذا الاتفاق دون أن يرد تعريفها به أو بالملاحق المرفقة يرد تعريفها فى الاتفاق الرئيسى. ويوافق العميل على الالتزام بالشروط والأحكام الإضافية الواردة فى هذا الملحق (الاتفاق) ومرفقاته.

(أ) **السعر الموحد:** يسرى السعر الموحد لـ ـــ على:

- كافة الخدمات التى يطلبها العميل طبقا لهذا الاتفاق.
- الخدمات التالية:----------

يسرى هذا الاتفاق (اتفاق التسعير) ابتداءا من ـــ وينتهى فى ـــ أو فى التاريخ الذى ينتهى فيه الاتفاق الرئيسى، إن حدث ذلك قبل تاريخ انتهاء هذا الاتفاق.

(ب) **السعر غير الموحد**

(يرد فيما يلى أو فى المستند المرفق السعر غير الموحد لعدد من الخدمات)

_____
_____
_____
_____

وإشهادا على ذلك حرر الأطراف هذا الاتفاق من خلال ممثليهم المعتمدين وذلك فى اليوم والتاريخ المدونين بصدره أعلاه.

العميل:

العنوان:

توقيع

الاسم المطبوع:

اللقب:

التاريخ:

الملحق (D)

إقرار فيرمونت للتعاقد بشأن الإخطار الائتمانى

يقر الموقع أدناه ـــ "العميل" بأنه قد اشترك لاستقبال عدد من خدمات المعلومات من شركة خدمات المعلومات الائتمانية ـــ (ـــ) وذلك بمقتضى قانون فرمونت المعدل للإخطار الائتمانى

توقيع:

الاسم المطبوع:

اللقب:

التاريخ:

Customer has received prior consumer consent in accordance with VFCRA § 2480e and applicable Vermont Rules. Customer further certifies that the attached copy of VFCRA § 2480e applicable Vermont Rules were received from *********.

Customer:

Signed By:

_____

Printed Name and Title:

Account Number:

Date:

_____

Please also include the following information:

Compliance Officer or Person Responsible for Credit Reporting Compliance

Name:

Title:

Mailing Address:

E-Mail Address:

Phone: Fax:

Vermont Fair Credit Reporting Statute, 9 V.S.A. § 2480e (1999)

§ 2480e. Consumer consent

(a) A person shall not obtain the credit report of a consumer unless:

(1) the report is obtained in response to the order of a court having jurisdiction to issue such an order; or

(2) the person has secured the consent of the consumer, and the report is used for the purpose consented to by the consumer.

(b) Credit reporting agencies shall adopt reasonable procedures to assure maximum possible compliance with subsection (a) of this section.

(c) Nothing in this section shall be construed to affect:

(1) the ability of a person who has secured the consent of the consumer pursuant to subdivision (a)(2) of this section to include in his or her request to the consumer permission to also obtain credit reports, in connection with the same transaction or extension of credit, for the purpose of reviewing the account, increasing the credit line on the account, for the purpose of taking collection action on the account, or for other legitimate purposes associated with the account; and

برقم 9 VSA و 2480 E (1999) (قانون فرمونت) وطبقا لقانون الإخطار الائتمانى الفيدرالى المعدل برقم 15 USC/1681، والقوانين النظيرة لهما بالدولة

وفيما يتعلق بالاستخدام المستمر لخدمة معلومات ـــ بالنسبة لمستهلكى فيرمونت، يقر المستهلك بموجب هذا المحرر بما يلى:

تعهد فيرمونت: يتعهد المستهلك بأن يلتزم بالأحكام السارية المنصوص عليها فى قانون فيرمونت. كما يتعهد – على وجه الخصوص – بأن يطلب خدمة المعلومات المتعلقة بساكنى فيرمونت ممن يرد تعريف تقاريرهم الائتمانية فى قانون فيرمونت، فقد بعد استلام العميل موافقة مسبقة من المستهلك طبقا لقانون فيرمونت رقم 2480 e وقواعد فيرمونت السارية. كما يقر العميل أيضا باستلامه النسخة المرفقة من قانون فيرمونت وقواعد فيرمونت من ـــ.

العميل: ـــــــ

توقيع: ـــــــ

الاسم الطباعى واللقب: ـــــــ

رقم الحساب: ـــــــ

التاريخ: ـــــــ

نرجو أيضا إضافة المعلومات التالية:

الموظف الملتزم أو الشخص المسئول عن الالتزام بالإخطار الائتمانى

الاسم: ـــــــ

اللقب: ـــــــ

العنوان البريدى: ـــــــ

عنوان البريد الالكترونى: ـــــــ

رقم الهاتف: ـــ الفاكس: ـــ

قانون فيرمونت للإخطار الائتمانى

9 VSA و 2480 E (1999)

2480 E موافقة العميل

(أ) لا يجوز لأى شخص الحصول على تقرير ائتمانى عن مستهلك ما لم:

(1) يكن الحصول على هذا التقرير استجابة لأمر محكمة مختصة بإصدار ذلك الأمر، أو

(2) يكن هذا الشخص قد حصل على موافقة المستهلك أو يكن التقرير مستخدما فى غرض وافق عليه المستهلك.

(2) the use of credit information for the purpose of prescreening, as defined and permitted from time to time by the Federal Trade Commission.

VERMONT RULES * CURRENT THROUGH JUNE 1999 ***
AGENCY 06. OFFICE OF THE ATTORNEY GENERAL
SUB-AGENCY 031. CONSUMER PROTECTION DIVISION
CHAPTER 012. Consumer Fraud--Fair Credit Reporting
RULE CF 112 FAIR CREDIT REPORTING
CVR 06-031-012, CF 112.03 (1999)
CF 112.03 CONSUMER CONSENT**

(a) A person required to obtain consumer consent pursuant to 9 V.S.A. §§ 2480e and 2480g shall obtain said consent in writing if the consumer has made a written application or written request for credit, insurance, employment, housing or governmental benefit. If the consumer has applied for or requested credit, insurance, employment, housing or governmental benefit in a manner other than in writing, then the person required to obtain consumer consent pursuant to 9 V.S.A. §§ 2480e and 2480g shall obtain said consent in writing or in the same manner in which the consumer made the application or request. The terms of this rule apply whether the consumer or the person required to obtain consumer consent initiates the transaction.

(b) Consumer consent required pursuant to 9 V.S.A. §§ 2480e and 2480g shall be deemed to have been obtained in writing if, after a clear and adequate written disclosure of the circumstances under which a credit report or credit reports may be obtained and the purposes for which the credit report or credit reports may be obtained, the consumer indicates his or her consent by providing his or her signature.

(c) The fact that a clear and adequate written consent form is signed by the consumer after the consumer's credit report has been obtained pursuant to some other form of consent shall not affect the validity of the earlier consent.

(ب) يتعين أن تتخذ وكالات التقرير الائتمانى ما هو ملائم من إجراءات للتأكد من الالتزام التام بأحكام البند الفرعى (أ) فى هذا البند.

(ج) لم يرد فى هذا البند أى حكم يمكن تفسيره على أنه يؤثر على:

(1) قدرة أى شخص يود استصدار موافقة المستهلك طبقا للبند الفرعى (أ) (2) من هذا البند على أن يورد فى طلبه للمستهلك التماسا بالحصول أيضا على تقارير ائتمانية فيما يتعلق بذات المعاملة أو أن يطلب تمديدا فى مهلة الائتمان بغرض مراجعة الحساب أو أن يطلب زيادة الحد الائتمانى فى حساب المستهلك بغرض اتخاذ إجراء تحصيل من الحساب أو لأى غرض مشروع آخر يتصل بالحساب، و

(2) استخدام المعلومات الائتمانية بغرض اتخاذ إجراءات ما قبل العرض الائتمانى (Prescreening)، كما هو معرف وكما هو مصرح به من حين لآخر من قبل لجنة التجارة الفيدرالية.

قواعد فيرمونت السارية حتى يونيو 1999

القسم السادس، مكتب النائب العام

القسم الفرعى رقم 31 قطاع حماية المستهلك

الفصل 12 00 الاحتيال 00 قانون الإخطار الائتمانى

الحكم رقم CF 112 الإخطار الائتمانى

CVR06 -031 – 012 ر CF 112.03 (1999)

موافقة المستهلك CF 112.03

(أ) على الجهة التى يطلب منها استصدار موافقة من المستهلك وفقا لأحكام البنود رقم VSA4 و 2480 e و 2480 g من القانون أن تحصل على هذه الموافقة كتابة، عندما يتقدم لها المستهلك بطلب كتابى أو التماس كتابى بإجراء الائتمان أو التأمين أو التوظيف أو الإسكان أو أى ميزة حكومية. وإذا ما تقدم المستهلك بطلب أو التماس بإجراء ائتمان أو تأمين أو توظيف أو إسكان أو أى ميزة حكومية أخرى على نحو غير كتابى، يتعين على تلك الجهة المطلوب منها استصدار موافقة المستهلك وفقا لأحكام البنود VSA 4 و 2480 e و 2480 g من القانون أن تحصل على هذه الموافقة كتابة أو بنفس الوسيلة التى قدم بها المستهلك طلبه أو التماسه. وتسرى هذه الأحكام سواء بدأ المستهلك أو الجهة المطلوب منها موافقة المستهلك أو المعاملة أم لا.

(ب) تعتبر موافقة المستهلك المطلوبة بمقتضى أحكام البنود أرقـ ـام VSA 4 و 2480 e و 2480 g وكأنها قد صدرت كتابة، إذا ما أشر المستهلك بالموافقة ومهر توقيعه بعد أن أفصح له بكل وضوح وعلى نحو كتابى كافى بالظروف التى تدعو لاستصدار التقرير الائتمانى أو التقارير الائتمانية والأغراض التى بموجبها صدر التقرير الائتمانى أو التقارير الائتمانية.

(ج) إذا تم توقيع نموذج موافقة كتابية واضحة وكافية من قبل المستهلك بعد الحصول على التقرير الائتمانى عنه بموجب نموذج موافقة آخر، فإن النموذج الأول لن يؤثر صدوره على سريان ونفاذ الموافقة السالفة.

CREDIT BUREAU OF EGYPT
AGREEMENT FOR SERVICE

شركة الاستعلام الأئتمانى المصرية CREDIT BUREAU OF EGYPT

إتفاق تقديم خدمة AGREEMENT FOR SERVICE

This Agreement ("Agreement") is dated and is effective this __ day of _____, 20__ and is made between The Credit Bureau of Egypt (Credit Bureau) and _____ ("Client") so that Client and its branch offices listed on Exhibit A may acquire credit reporting services (the "Information Services") from Credit Bureau.. Accordingly Credit Bureau and Client agree as follows:

تم هذا الاتفاق وأصبح سارياً في يوم ..... الموافق / / 2005
وتم توقيعه بين شركة الاستعلام الائتمانى المصرية [شركة الاستعلام] و..... ["العميل"] بحيث أن العميل ومكاتبه الفرعية المدرجة في المستند القانونى أ
يجوز له الحصول على خدمات استعلام إئتمانية [خدمات المعلومات] من شركة الاستعلام. وطبقاً لذلك تتفق شركة الاستعلام والعميل على ما يلى: -

I. GENERAL AGREEMENT

1. Scope of Agreement. This Agreement consists of the general terms set forth in the body of this Agreement, Exhibit A ("Client Branch Offices"), Exhibit B ("Information Services") and Exhibit C ("Pricing"). If there is a conflict between the general terms and conditions and any Exhibit, the provisions of the Exhibit will govern and control. This

COMMENTARY

The agreement calls for "Information Services" in the event the Credit Bureau offers services in addition to credit reports, such as account reviews, prescreening, or fraud services.

إتفاق عام

1- نطاق الإتفاق: يتكون هذا الاتفاق من الشروط العامة المنصوص عليها في نص هذا الاتفاق والمستند القانونى(أ) ["فروع مكاتب العميل"]، والمستند القانونى (ب) ["خدمات المعلومات"] والمستند القانونى (جـ) ["الأسعار"]. وإذا كان هناك تعارض بين الشروط العامة وأى مستند قانونى، فإن شروط المستند القانونى هي التى يحتكم بها وتطبق. وينطبق هذا الاتفاق على كل نوع من أنواع المعلومات أو برامج الكمبيوتر أو الخدمات التى تقدمها شركة الاستعلام للعميل، حتى إذا كانت نوعية الخدمة أو المعلومات المقدمة غير منصوص عليها بالتحديد في هذا الاتفاق أو لا

Agreement applies to every kind of information, software or service provided by Credit Bureau to Client, even if a given type of service or information is not specifically referred to in this Agreement or is not currently provided by Credit Bureau, unless the service is furnished pursuant to a separate written agreement with Client, executed and effective after the effective date of this Agreement, and containing an "entire agreement" or "merger" clause. This Agreement specifically supersedes and replaces any agreement between the parties that predate this Agreement and that relates to any of the Information Services named in Exhibit B, even if the prior agreement contains an "entire agreement" or "merger" clause, and any such agreements are terminated.

2. Users. Credit Bureau will provide its Information

Banks, lessors, and merchants may have more than one location where credit reports are needed.

The individual's consent was not one of the permissible purposes cited in the credit reporting law, but is one that would make sense. The legal citation for the law should also be added.

I also clarified that the "connection with" means the consumer

تقدمها في الوقت الراهن شركة الاستعلام،إلا إذا تحددت هذه الخدمة طبقاً لاتفاق منفصل مكتوب مع العميل، بحيث ينفذ ويصبح سارياً بعد التاريخ الفعلى لهذا الاتفاق، ويضم اتفاق كامل أو مواد "مدمجة" في الاتفاق الأصلى ويحل محل أى اتفاق بين أطرافه في تاريخ سابق ويرتبط بأى من خدمات المعلومات المنصوص عليها في المستند القانونى (ب) حتى ولو كان الاتفاق السابق يضم "اتفاق كامل" أو مواد "مدرجة"، ويتم استبعاد أى اتفاقات أخرى مماثلة.

Services, as available, to Client and Client Branch Offices during the term of this Agreement. References throughout this Agreement to "Client" will apply as well to any Client Branch Offices that are listed in Exhibit A attached hereto using the Information Services, as appropriate.

must initiate the transaction rather than the user.

2- **المستخدمون :** تقدم شركة الاستعلام خدماتها المعلوماتية، المتاحة ، إلى العميل وفروع مكاتبه خلال فترة سريان هذا الاتفاق. والإشارة في هذا الاتفاق إلى " العميل" تنطبق على أي فرع من فروع مكاتب العميل المدرجة في المستند القانونى (أ) الملحق بهذا الاتفاق باستخدام خدمات معلومات، كلما كان ذلك مناسباً.

البنوك والمؤجرون والتجار يجوز أن يكون لهم أكثر من موقع حينما تكون هناك حاجة إلى تقارير ائتمانية.

3. Credit Reporting Law Certifications. Client certifies that it will order Information Services that are credit reports, as defined by the Egyptian Credit Reporting Law (citation) (the "ECRL") only when Client intends to use the credit report: (a) in accordance with the ECRL, and (b) for one of the following ECRL permissible purposes: (i) in connection with providing, increasing, renewing, or amending the terms of any form of credit involving the subject of the report; (ii) in connection with the accepting a guarantor or guarantee in any form

The user is restricted from re-disclosing the information. However, there is an exception for the subject of the report if the report results in adverse action.

3-**شهادات الخاصة بقانون تقارير الإئتمان :** يشهد العميل إنه سيطلب خدمات معلومات في شكل تقارير إئتمانية، طبقاً لما هو محدد في قانون التقارير الإئتمانية المصرية [تنويه] وذلك حينما يعتزم العميل استخدام تقرير الإئتمان : [أ] فيما يتفق وقانون التقارير الإئتمانية المصرى، [ب] لأي من الأغراض التالية المصرح بها المنصوص عليها في قانون التقارير الإئتمانية المصرى:

الموافقة الشخصية لا تعتبر أحد الأغراض المسموح بها المنصوص عليها في قانون التقارير الإئتمانية، ولكنها تعتبر أحد الموافقات المعقولة. ويجب أيضًا إضافة الإستشهاد القانونى بالقانون وقد أوضحت أيضًا أن "فيما يتعلق بـ" تعنى أن المستهلك يجب أن يشرع في

involving the subject of the report; (iii) in connection with a lease contract involving the subject of the report; (iv) in connection with the subject of the report seeking employment or occupying leadership position; (v) in connection with providing the subject of the report insurance services; or (vi) in connection with the written instructions of the subject of the credit report. Client will order a credit report for one of the foregoing purposes when the subject of the report has made an application for the benefit listed or has an existing business relationship with the Client or has provided specific consent and for no other purpose.

Audits are an important element to assure the confidentiality and proper use of the information.

Consent should not be a requirement to permits clients to furnish information since then consumers may not consent leaving holes in the database. Generally, contributors of data are also users. It is hard to imagine a contributor

4. Access. Client will be responsible for providing and installing all hardware and software at its facilities necessary to access the Information Services. Credit Bureau will provide

عملية التبادل وليس المستخدم.

[1] فيما يتعلق بتقديم أو زيادة أو تجديد أو تعديل الشروط الخاصة بأى شكل من أشكال الائتمان المتضمنة في موضوع التقارير. [2] فيما يتعلق بقبول ضامن أو ضمان بأى شكل من الأشكال يضم موضوع التقرير.[3] فيما يتعلق بعقد التأجير الذي يتضمن موضوع التقرير.[4] فيما يتعلق بموضوع التقرير من أجل تعيين أو شغل منصب قيادى, [5] فيما يتعلق بموضوع تقديم خدمات تأمين التقرير.[6] فيما يتعلق بالتعليمات المكتوبة الخاصة بموضوع تقرير الإئتمان. ويطلب العميل الحصول على تقرير إئتمان لأي من الأغراض السابق الإشارة إليها وذلك حينما يرتبط موضوع التقرير بفائدة من الفوائد المدرجة أو يرتبط بعلاقة عمل قائمة بالعميل أو قدم موافقة محددة وليس لأي غرض آخر

reasonable consultation to Client to assist in defining those hardware and software needs.

5. License of Information. Credit Bureau grants a non-exclusive license to Client and each Client Branch Office identified in Exhibit A to use the information provided through the Information Services only as described in this Agreement. Client and each Client Branch Office may reproduce or store the information obtained from Credit Bureau solely for each of their respective own uses in accordance with this Agreement, and will hold all information licensed under this Agreement in strict confidence and will not reproduce, reveal or make it accessible in whole or in part, in any manner whatsoever, to any other persons unless required by law, provided, however, that Client may discuss

of data that has no need for it and is not a user. There may, however, be users that do not contribute data, such also landlords or insurance companies. This paragraph accommodates both.

Contributors must commit to accuracy.

Contributors also must commit to help resolve consumer disputes of the accuracy in a short period of time. US law permits the credit bureau to take 30 days—but that means that the data contributor must respond in a shorter period of time.

4- الوصول إلى المعلومات: يكون العميل مسئولا عن توفير وإعداد جميع المكونات التركيبية والبرامجية في منشآته اللازمة لوصوله إلى خدمات المعلومات. وتقدم شركة الاستعلام الاستشارات اللازمة المعقولة للعميل لمساعدته على تحديد احتياجاته من المكونات التركيبية والبرامجية.

5-الترخيص بالمعلومات: لا تقدم شركة الاستعلام ترخيص شامل للعميل وكل مكتب من المكاتب الفرعية التابعة له المنصوص عليها في المستند القانوني (أ) لإستخدام المعلومات المقدمة من خلال خدمات المعلومات طبقاً لما هو منصوص عليه فقط في هذا الاتفاق. ويجوز للعميل وكل مكتب من المكاتب الفرعية التابعة له إعادة طباعة أو تخزين المعلومات التى يحصل عليها من شركة الاستعلام لكى يستخدمها كل منهم

يحظر على المستخدم إعادة الكشف عن المعلومات. ومع ذلك هناك إستثناء بالنسبة للشخص موضوع التقرير إذا كان التقرير يترتب عليه مطالبة الغير فيما هو موضوع التنفيذ.

information in a credit report with the subject of the report when Client has taken adverse action against the subject based on the credit report. Client will refer the consumer to Credit Bureau whenever the consumer disputes information in a credit report disclosed by Client.

Prices may very based on the type of report or the purpose for which it is used. The reports may have different information based on the purpose.

6. Compliance with Laws. Client will comply with the provisions of the ECRL, and all applicable regulations and interpretations promulgated by the Central Bank of Egypt, including, without limitation, any provisions requiring adverse action notification to the consumer.

7.Audits. Credit Bureau may, 1
upon reasonable notice. In addition, Credit Bureau may conduct audits by mail that may require Client to provide documentation regarding permissible purposes for particular credit reports

I do not know to what extent bankruptcy is

لأغراضه الخاصة بما يتفق و هذا الاتفاق، ويحتفظ بكل المعلومات المرخص بها بموجب هذا الاتفاق في سرية تامة وأن يمتنع عن إعادة طباعة أو الإفصاح أو تسهيل الحصول على هذه المعلومات كلها أو جزء منها ، بأي شكل من الأشكال ، لأى شخص آخر بخلاف الأشخاص الذين ينص عليهم القانون، ويشترط مع ذلك أن يناقش العميل تلك المعلومات الواردة في تقرير الائتمان مع الشخص موضوع التقرير حينما يقوم العميل بمطالبة الغير فيما هو موضوع التنفيذ إستنادًا إلى تقرير الإئتمان. ويحيل العميل المستهلك إلى شركة الاستعلام حينما ينازع المستهلك في المعلومات الواردة في تقرير الإئتمان الذي قدمه العميل.

6- الانصياع للقانون : يلتزم العميل بنصوص قانون التقارير الإئتمانية المصرى، وجميع

ordered by Client.

II. REPORTING OF CREDIT ACCOUNT INFORMATION

Client agrees to provide its credit account information to Credit Bureau or other information it has related to its transactions with consumers (such as employment, guarantee, lease or insurance transactions) to the extent available. Client will obtain the consent of consumers to provide this information to Credit Bureau to the extent required by ECRL or the Central Bank of Egypt regulations, but need not obtain consent if not required by law. Client will prepare and deliver to Credit Bureau, each month and at Client's expense, its most current credit account or other information (the "Information"), in a mutually agreeable form and medium, on consumers that have credit accounts or one of the other listed

relevant under Egyptian law.

اللوائح المطبقة والنشرات التفسيرية التى يصدرها البنك المركزى المصرى، بما في ذلك، وبدون أى تحديد، أى نصوص تستلزم إبلاغ المستهلك بمطالبة الغير فيما هو موضوع التنفيذ .

7-التدقيق والمراجعة: يجوز لشركة الاستعلام، من وقت لآخر إجراء عمليات مراجعة وتدقيق عديدة لممارسات العميل وإجراءاته لتحديد مدى انصياعه والتزامه بهذا الإتفاق . ويتعين على العميل أن يتعاون في اجراء كل هذه العمليات من عمليات المراجعة والتدقيق. ويجوز لشركة الاستعلام اجراء عمليات مراجعة وتدقيق في موقع مكاتب العميل أثناء ساعات العمل المعتادة وتقديم ملاحظات معقولة. وبالإضافة إلى ذلك يجوز لشركة الاستعلام اجراء عمليات مراجعة وتدقيق عن طريق البريد الأمر الذى قد يلزم العميل بتقديم مستندات تتعلق بالأغراض المسموح بها الخاصة بتقاريرإئتمان معينه يطلبها العميل.

المراجعة والتدقيق تعتبر عنصر مهم لضمان السرية والاستخدام الأمثل للمعلومات.

relationships with Client. At its expense, Credit Bureau will incorporate the Information into Credit Bureau's computerized credit reporting system, and will promptly return the media to Client. Information so incorporated will cease to be the property of Client and will become the property of Credit Bureau. Client will notify Credit Bureau immediately upon learning that information supplied is inaccurate or misleading. Client will provide Credit Bureau with any corrections or additional information necessary to make the Information supplied complete and accurate and will implement procedures to avoid re-reporting information that is inaccurate. Client may be liable under law if Information furnished is false or furnished with malice or willful intent to injure the consumer or with conscious indifference to potential inaccuracies.

The Credit Bureau is merely an intermediary for the information. It cannot guarantee its accuracy.

لا يجب أن تكون الموافقة شرط مسبق للسماح للعملاء بتقديم معلومات لأن المستهليكين قد لا يوافقون على ذلك مما يؤدى إلى وجود فجوات وثغرات في قاعدة البيانات . وبوجه عام فإن المساهمين في البيانات يعتبرون أيضاً مستخدمين. ومن الصعب أن نتخيل أن هناك مساهم في البيانات لا يحتاج إليها وغير مستخدم لها. ومع ذلك قد يكون هناك مستخدمين لا يساهمون بتقديم بيانات مثل ملاك الأراضي أو شركات التأمين. وهذه الفقرة تتكيف مع كلاهما. يجب أن يلتزم المساهمون بالدقة.

2- الإبلاغ عن معلومات حسابات الإئتمان:

يوافق العميل على تقديم معلومات خاصة بحساب ائتمانه لشركة الاستعلام أو اية معلومات أخرى ترتبط بمعاملاته التجارية من المستهلكين [مثل التوظيف أو الضمانات أو التأجير أو تأمين المبادلات التجارية] إلى المدى المتاح. ويحصل العميل على موافقة المستهلكين لتقديم هذه المعلومات لشركة الاستعلام طبقاً للحدود المسموح بها بموجب قانون التقارير الإئتمانية المصرى، أو البنك المركزى المصرى، ولكنه لا يحتاج إلى الحصول على موافقة إذا لم ينص القانون على ذلك ويقوم العميل بإعداد وتقديم حساباته الإئتمانية الحالية أو أية معلومات أخرى [المعلومات] كل شهر وعلى نفقته الخاصة لشركة الاستعلام ، بشكل ووسيلة يتفق عليها الطرفان والخاصة بالمستهلكين الذين لديهم حسابات إئتمانية أو أحد العلاقات الأخرى المنصوص عليها مع العميل. وتقوم شركة الاستعلام على نفقتها الخاصة بإدراج المعلومات داخل نظام تقارير الإئتمان الكمبيوترى الخاص بها، وتقوم على الفور بإعادة الوسيط المادى. للعميل وهذه المعلومات التى تم إدراجها لا تصبح ملكية خاصة للعميل وتصبح ملكية لشركة الاستعلام. ويقوم العميل بإبلاغ شركة الاستعلام على الفور لدى علمه

Client also agrees to investigate information it had previously reported to Credit Bureau when requested by Credit Bureau to do so, base on a consumer's dispute of the information or otherwise, and will complete its reinvestigation and report the corrected information or notify Credit Bureau that no changes to the information are required, within 20 days of its receipt of the request for investigation.

Client hereby certifies that information furnished to Credit Bureau will be accurate to the best of its knowledge and ability, and that it has a legal right to furnish such information under the laws of Egypt and the regulations issued by the Central Bank of Egypt, and that any information furnished will be pursuant to the consent of the individual or not consent is required.

However, in using its best efforts to assure accuracy, the Credit Bureau needs to impose obligations on the data furnisher and user. They have control over the data they furnish and use and need to be held to a strict standard.

This clause is typical in US contracts.

بأن المعلومات التى قدمها غير دقيقة أو مضللة. ويقوم العميل بتزويد شركة الاستعلام بأية تصحيحات أو معلومات إضافية لازمه لتجنب إعادة تقديم المعلومات غير الدقيقة. ويجوز أن يصبح العميل مسئول قانوناً إذا كانت المعلومات المقدمة زائفة أو قدمت بغرض إلحاق الأذى أو القصد العمدى للإضرار بالمستهلك أو عدم المبالاة المقصودة بعدم الدقة المحتملة لهذه المعلومات.

III. PRICING

Client will pay Credit Bureau for the Information Services pursuant to the terms of of this Agreement and Exhibits B and C. If not specifically stated in Exhibit C, the price for a service will be Credit Bureau's standard price for that service as set forth by Credit Bureau from time to time. The prices in Exhibit C are effective for the term stated in Exhibit C, and are (a) not renewable unless otherwise provided in Exhibit C, and (b) subject to modification by Credit Bureau on the one year anniversary of this Agreement and subsequently at intervals of no less than one year, upon thirty (30) days prior written notice of any price changes. Unless otherwise specified, Client will pay for all Information Services no later than ten (10) days after receipt of Credit Bureau's invoice. Interest will accrue daily on all amounts not timely paid at

يوافق العميل أيضاً على التحقق من المعلومات التى سبق وقدمها لشركة الاستعلام حينما تطلب منه ذلك ، وذلك إستنادًا إلى مجادلة العميل في المعلومات أو يقوم خلافاً لذلك باستكمال التحقق والإبلاغ عن المعلومات الصحيحة أو إبلاغ شركة الاستعلام بعدم الحاجة إلى اجراء أى تغيرات في المعلومات ، في غضون عشرين يوماً من استلامه طلب اجراء التحقيق .

يجب أن يلتزم المساهمون أيضاً بالمساعدة على حل خلافات المستهلك الخاصة بالدقة في غضون فترة زمنية قصيرة. وينص القانون الأمريكى على منح شركة الاستعلام فترة 30 يوماً. ولكن ذلك يعنى أن مقدمي البيانات يجب أن يردوا خلال فترة زمنية أقصر.

يتعهد العميل بموجب هذا الاتفاق بأن المعلومات المقدمة لشركة الاستعلام ستكون دقيقة وفقاً لأفضل معلوماته وقدراته وإنه يجوز له قانوناً أن يزوده بهذه المعلومات طبقاً للقوانين واللوائح المصرية التى يصدرها البنك المركزى، وأن أية معلومات يتم تقديمها ستكون مطابقة لموافقة الفرد أو عدم موافقته تكون مطلوبة.

Some smaller users may access information via a

the rate of 1.5% per month. The prices/fees are exclusive of any excise, use or similar taxes. It is Client's sole responsibility to pay those taxes, and Credit Bureau may separately invoice them.

IV. TERM AND TERMINATION

1. Termination. This Agreement will terminate (a) upon written agreement of the parties; (b) in the event that Credit Bureau or Client ceases to conduct business in a normal course, becomes insolvent, makes a general assignment for the benefit of creditors, suffers or permits the appointment of a receiver for its business or assets, or avails itself of, or becomes subject to, any proceeding under the Bankruptcy Law (citation) or any similar insolvency or bankruptcy statutes, and either party gives the other written termination notice following that event; or (c) as

computer terminal or personal computer. They need to be informed of the legal restrictions on the improper use of the information and trained about its proper use, as well as the need to keep the information confidential and protect the security of the system.

قد تختلف الأسعار حسب نوع التقرير أو الأغراض التى يستخدم فيها. والتقارير قد تضم معلومات مختلفة حسب الغرض منها.

3- التسعير:

يدفع العميل لشركة الاستعلام ثمن خدمات المعلومات طبقاً لشروط هذا الاتفاق والمستند القانونى (ب) و (جـ). وإذا لم ينص على ذلك تحديدًا في المستند (جـ)، فإن سعر أية خدمة يكون هو السعر المتعارف عليه في شركة الاستعلام لهذه الخدمة كما تحدده الشركة من وقت لآخر. وتكون الأسعار المنصوص عليها في المستند (جـ) سارية ومعمول بها طوال الفترة المنصوص عليها في هذا المستند، وهى [أ] غير قابله للتجديد ما لم ينص المستند (جـ) على خلاف ذلك ، [ب] تخضع للتعديل من قبل شركة الاستعلام في نهاية مدة سنة واحدة من هذا الاتفاق ومن ثم على فترات زمنية لا تقل عن سنه، خلال ثلاثين يوماً سابقة لكتابة مذكرة إجراء أية تعديلات في الأسعار. ومالم ينص على خلاف ذلك ، يتعين على العميل دفع ثمن كل خدمات المعلومات في غضون مدة لا تتجاوز عشرة أيام من استلام فاتورة شركة الاستعلام ويتم دفع فائدة يومية على الفواتير التى لا تسدد في حينها بنسبة 1.5% شهرياً. والأسعار/ المصاريف لا تتضمن أية ضرائب أو استخدامات مماثلة . فالعميل وحدة

هو المسئول عن دفع هذه الضرائب، ويجوز لشركة الاستعلام تحصيلها بفاتورة منفصلة.

4- فترة الاتفاق ونهايته:

1-انتهاء الاتفاق: ينتهى هذا الاتفاق (أ) بموافقة كتابية من أطرافه الموقعة، (ب) في حالة توقف شركة الاستعلام أو العميل عن اجراء أعمال في الاتجاه المعتاد، أو حلها أو القيام بمهمة عامة لمصلحة الدائنين، أو معاقبتها أو السماح بتعيين سنديك لأعمالها أو أصولها، أو الاستفادة من أو الخضوع لأية دعوى من دعاوى قانون الافلاس (تنويه) أو أية نظم ولوائح مماثلة لعدم الوفاء أو الإفلاس،

لا أعلم إلى أى مدى العلاقة بالإفلاس طبقا للقانون المصرى.

otherwise provided in this Agreement. In addition, if either party materially breaches this Agreement, the non-breaching party may terminate this Agreement after providing written notice of the breach to the breaching party with thirty (30) days opportunity to cure. Credit Bureau may, in its own discretion, suspend services during any cure period. Either party, by written notice to the other party, may immediately terminate this Agreement or suspend any Information Service or Services if based on a reasonable belief that the other party has violated the ECRL, or any other applicable law or regulation issued by the Central Bank of Egypt.

2. Force Majeure. Notwithstanc reasonable judgment, Credit Bureau may either (a) cease to provide the affected services within, or pertaining to persons residing within,

The Credit Bureau needs to know who the user is and have a right to restrict use if there is a change in the user's ownership.

the affected jurisdiction, or (b) establish new prices which will apply to the affected services when provided or delivered within, or pertaining to persons residing within, the affected jurisdiction, which prices will be reasonably calculated to cover the costs incurred by Credit Bureau in complying with the applicable laws or regulations and will become effective on the date specified in such notice unless Client objects in writing, in which case Credit Bureau may exercise its rights under clause (a) above. Credit Bureau will attempt to provide written notice of its actions as far in advance of the effective date as is reasonably possible under the circumstances.

The notice and mail procedures may be different in Egypt.

وعلى أى طرف من الطرفين أن يقدم مذكرة مكتوبة لإنها الاتفاق للطرف الآخر عقب هذا الحدث ، أو (ج) مالم ينص هذا الاتفاق على خلاف ذلك . وبالإضافة إلى ذلك ، إذا انتهك أى من الطرفين هذا الاتفاق انتهاكا ماديًا، يجوز للطرف الذى لم ينتهك الاتفاق المطالبة بإنهائه بعد تقديم مذكرة مكتوبة حول هذا الانتهاك للطرف المنتهك مع منحه ثلاثين يوماً لإصلاح الانتهاك. ويجوز لشركة الاستعلام من تلقاء نفسها تعليق الخدمات خلال فترة إصلاح الإنتهاك. ويجوز لأى من الطرفين بموجب مذكرة مكتوبة تقدم للطرف الآخر إنهاء هذا الاتفاق على الفور أو تعليق أى خدمات معلومات أو خدمات أخرى إستناداً إلى مبرر معقول بأن الطرف الآخر قد إنتهك قانون التقارير الإئتمانية المصرى أو أى قانون أو لائحة آخرى مطبقة صادرة عن البنك المركزى المصري.

3. Survival. The obligations of Sections V, VI and all other indemnification, defense and hold harmless obligations will survive the termination of this

Agreement.

V. WARRANTY, INDEMNIFICATION AND LIMITATION OF LIABILITY

1. Client and Credit Bureau recognize that every business decision involving credit represents an assumption of risk and that neither party, in furnishing Information or the Information Services to the other, underwrites or assumes the other's risk in any manner. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, OR ANY AMENDMENT, NEITHER PARTY GUARANTEES OR WARRANTS THE CORRECTNESS, COMPLETENESS, CURRENTNESS, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE INFORMATION OR SERVICES PROVIDED TO

If there are provincial laws that may apply, they need to be referenced.

This provision is required by US law to make sure the parties are not agents of each other.

2- القوة القاهرة: على الرغم من أي شئ يتعارض مع ما جاء في هذا الاتفاق، إذا كان التقديم المستمر لكل خدمات المعلومات أو جزء منها أصبح مستحيلاً أو غير عملى أو غير مفهوم بسبب تغير القوانين أو اللوائح المطبقة، كما تحددها شركة الاستعلام وفقاً لتقديرها المعقول، فإنه يجوز لها اما [أ] التوقف عن تقديم الخدمات التى تأثرت بالسلطة القضائية، أو المتصلة بالأشخاص الخاضعين لها، أو [ب] تحديد أسعار جديدة تطبق على الخدمات التى تأثرت عند توفيرها أو تقديمها في سياق السلطة القضائية أو المتصلة بالأشخاص القائمة عليها، وأيا كانت الأسعار فسوف سيتم حسابها بشكل معقول لكى تغطى التكاليف التى تتحملها شركة الاستعلام عند تطبيقها للقوانين أو اللوائح وتصبح معمولاً بها بدءاً من التاريخ المحدد في مثل هذه المذكرة إلا إذا اعترض العميل على ذلك كتابة، وفي أى الأحوال يجوز لشركة الاستعلام ممارسة حقها طبقاً للمادة [أ]

THE OTHER. NEITHER PARTY, NOR ANY OF ITS DIRECTORS, OFFICERS, AGENTS, EMPLOYEES, CONTRACTORS, LICENSORS, AFFILIATED COMPANIES OR AFFILIATED CREDIT BUREAUS (“AFFILIATED PERSONS AND ENTITIES”) WILL BE LIABLE TO THE OTHER FOR ANY LOSS OR INJURY ARISING OUT OF, OR CAUSED IN WHOLE OR IN PART BY, THEIR ACTS OR OMISSIONS, EVEN IF NEGLIGENT, IN PROCURING, COMPILING, COLLECTING, INTERPRETING, PROCESSING, REPORTING OR TRANSMITTING ANY INFORMATION, OR THE INFORMATION SERVICES. Client recognizes that accessing the consumer credit database with additional or different identification information on a consumer, or at a different time from a prior request for information, may result in file content different from that on

السابقة. وتقدم الشركة مذكرة مكتوبة تتعلق بأعمالها مقدماً حول سريان التاريخ بقدر المستطاع حسب الظروف.

3- بقاء الاتفاق واستمراره: الالتزامات المنصوص عليها في القسمين الخامس والسادس وكل أشكال التعويض الأخرى والتعهدات الخاصة بالدفاع والتأمين ضد الضرر تعمل على بقاء وعدم انتهاء هذا

the date of the original access. CLIENT WILL INDEMNIFY AND HOLD HARMLESS CREDIT BUREAU AND ITS AFFILIATED PERSONS AND ENTITIES FROM AND AGAINST ANY DIRECT AND ACTUAL LOSS, COST, LIABILITY AND EXPENSE (INCLUDING REASONABLE ATTORNEY FEES) RESULTING FROM CLIENT'S BREACH OF SECTIONS I.3., I.5, I.6, OR ARTICLE II OF THIS AGREEMENT.

2. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS AGREEMENT, INCLUDING ANY AND ALL FUTURE AMENDMENTS, NEITHER PARTY, NOR ANY OF ITS AFFILIATED PERSONS AND ENTITIES, WILL BE RESPONSIBLE FOR CONSEQUENTIAL, INCIDENTAL, INDIRECT, EXEMPLARY OR SPECIAL DAMAGES, INCLUDING LOST

الاتفاق.

5- الضمانات والتعويض وتحديد المسئولية:
1- يدرك العميل وشركة الاستعلام أن كل قرار من قرارات الأعمال ينطوى على إئتمان يمثل إفتراض وجود خطر وأن أيا من الطرفين وهو يقدم معلومات أو خدمات معلومات للطرف الآخر، لا يوافق على أو لا يفترض إلحاق ضرر بالطرف الآخر بأي شكل من الأشكال. وبإستثناء ما لم ينص على ذلك صراحة في هذا الاتفاق ، أو أى تعديل يطرأ عليه ، لا يضمن أى من الطرفين أو يكفل سلامة أو كمال أو حداثة أو ملائمة أو رواج المعلومات أو الخدمات المقدمة لغرض معين للطرف الآخر ، أو أيٍ من مديريه أو موظفيه أو عملائه أو مقاوليه أو الحائزين على ترخيص من تابعيه أو الشركات التابعة له أو شركات الاستعلام المنبثقة عنه [الأشخاص والشركات التابعة] يكون مسئولاً أما م الطرف الآخر عن أى خسارة أو ضرر ينجم عن الطرف الآخر أو يتسبب فيه كلياً أو جزئياً، ويكون ناتج عن تصرفاتهم أو سهوهم، حتى وإن كان ناتج عن الإهمال في إعداد أو تجهز أو جمع أو تفسير أو معالجة أو إعداد أو نقل أى معلومات أو خدمات المعلومات. ويدرك العميل أن الوصول إلى قاعدة بيانات إئتمان المستهلك باستخدام معلومات تعريف مع ذلك تحتاج شركة الاستعلام، باستخدام كل ما بوسعها لضمان الدقة، إلى فرض الإلتزامات الخاصة بتأسيس البيانات والمستخدم. وهى تتحكم في البيانات التى يقدمونها ويستخدمونها والتى تحتفظ بها بمعايير صارمة.

PROFITS.

VI. CONFIDENTIALITY

Client agrees to hold in confidence all credit report information received through the Information Services provided by Credit Bureau, except as provided in Section I.5. Each party acknowledges that all other materials and information disclosed to the other party ("Recipient") in connection with the performance of this Agreement, including the terms of this Agreement and the pricing contained in Exhibit C, consist of confidential and proprietary data. Each Recipient will hold those materials and that information in strict confidence, and will restrict its use of those materials and that information to the purposes anticipated in this Agreement. If the law or legal process requires Recipient to disclose confidential and proprietary data, Recipient

إضافية أومختلفة بشأن المستهلك ، أو في فترة زمنية مختلفة عن طلب سابق للمعلومات قد يؤدى إلى اختلاف محتوى الملف عن تاريخ الوصول الاصلى للمعلومات ويتعهد العميل بتعويض والحفاظ على سلامة شركة الاستعلام والأشخاص والكيانات التابعة لها ضد أى خسارة مباشرة وفعليه ومن تحمل أية تكاليف أو مسئولية أو نفقات [بما في ذلك اتعاب المحاماة المعقولة] الناجمة عن خرق العميل للأقسام 1-3، أو 1-5 - أو 1-6 أو المادة الثانية من هذا الاتفاق.

will notify the disclosing party of the request. Thereafter the disclosing party may seek a protective order or waive the confidentiality requirements of this Agreement, provided that Recipient may only disclose the minimum amount of information necessary to comply with the requirement. Recipient will not be obligated to hold confidential any information from the disclosing party which (a) is or becomes publicly known, (b) is received from any person or entity who, to the best of Recipient’s knowledge, has no duty of confidentiality to the disclosing party, (c) was already known to Recipient prior to the disclosure, and that knowledge was evidenced in writing prior to the date of the other party's disclosure, or (d) is developed by the Recipient without using any of the disclosing party's information. Each party will indemnify, defend and hold

هذه الفقرة تقليدية في العقود الأمريكية

2- مع ذلك إن أي شيء مناقض لما هو وارد في هذا الاتفاق ، بما في ذلك أي من التعديلات المستقبلية أو كلها، لا يكون أى من الطرفين ولا أى من الأشخاص والكيانات التابعة له مسئولاً عن الأضرار العرضيه غير المباشرة

harmless the other from and against any direct and actual loss, cost, liability and expense (including reasonable attorneys' fees) resulting from the indemnifying party's breach of this Section VI.

VII. DATA SECURITY

This Section VII applies if Client will access any Information Services via personal computer or direct access terminals (in either case, a "DAT"). Client will: (a) restrict access to each DAT to those employees who have been trained by Credit Bureau personnel and/or Client's previously trained personnel, (b) inform all trained DAT operators and other employees of Client's ECRL and other obligations with respect to the access and use of credit reports, (c) ensure that neither trained operators nor

التحذيرية أو الخاصة المترتبة على ذلك ، بما في ذلك الأرباح المفتقدة.

6- السرية :

يوافق العميل على الحفاظ على سرية كل معلومات تقرير الائتمان التى يتلقاها من خلال خدمات المعلومات التى تقدمها شركة الاستعلام، باستثناء ما هو منصوص عليه في القسم (1-5) . ويقر كل طرف بأن كل المواد والمعلومات الأخرى التى يتم الكشف عنها للطرف الآخر ["المتلقى"]المتصلة بسريان هذا الاتفاق، بما في ذلك الشروط الواردة في المستند القانونى (جـ) وعمليات التسعير المتضمنة فيه ، تتكون من بيانات سرية ومملوكة ملكية خاصة . ويحتفظ كل متلقى بهذه المواد والمعلومات في سرية مطلقة، ويقر باستخدامه لهذه المواد والمعلومات في الفترات المنصوص عليها في هذا الاتفاق. وإذا كان القانون أو العملية القانونية تتطالب المتلقى بالإفصاح عن معلومات سرية ومملوكه، يتعين عليه إبلاغ الطرف الذي سيتم الكشف عنه ويجوز للطرف الذي يكشف عن

other employees will obtain credit reports for personal reasons or provide them to any third party, and (d) take all necessary measures to prevent unauthorized use of the DAT by any persons other than the trained operators for permissible purposes. Those measures will include limiting knowledge of the Client number(s), access codes, and telephone access number(s) Credit Bureau provides, and any DAT user passwords Client may use, to trained DAT operators and other employees with a need to know, changing the user passwords on the DAT at least every one-hundred eighty (180) days, or sooner if an employee trained to operate the DAT is no longer responsible for accessing credit reports, or if Client suspects an unauthorized person has learned the password, and using all security features in the

المعلومات بعد ذلك البحث عن أمر للحماية أو التنازل عن شروط السرية الواردة في هذا الاتفاق بشرط أن يكشف المتلقى عن أدنى حد ممكن من المعلومات اللازمة للإلتزام بهذا الطلب. والمتلقى لايكون ملزما بحجب أية معلومات سرية عن الطرف الكاشف للمعلومات (أ) تكون أو تصبح معروفة للكافة (ب) يتم الحصول عليها من أى شخص أو هيئة تكون، حسب أفضل المعلومات المتاحة للمتلقى، غير ملزمة بالحفاظ على السرية بالنسبة للطرف الكاشف، (ج) كانت معروفة بالفعال للمتلقى قبل الكشف، وأن هذه المعرفة كانت مثبتة كتابة قبل تاريخ كشف الطرف الآخر لها، أو (د) تم إعدادها بواسطة المتلقى بدون استخدام أي من معلومات الطرف الكاشف. ويقوم كل طرف بتعويض وحماية والحفاظ على سلامة الطرف الآخر من التعرض لأية خسارة مباشرة وفعلية ومن تحمل التكاليف والمسئولية القانونية والنفقات (بما في ذلك أتعاب المحاماة المعقولة) الناجمة عن خرق الطرف مقدم التعويض لهذا القسم السادس من الاتفاق.

software and hardware Client uses to access Credit Bureau's system. Client will immediately notify Credit Bureau if Client suspects or knows of unauthorized access to Credit Bureau's system. Client will not ship hardware or software between Client's locations or to third parties without deleting all Credit Bureau Client number(s), access codes, telephone access number(s) and Client user passwords. Client will inform trained DAT users and other employees with a need to know that unauthorized access to credit reports may subject them to civil and criminal liability under the ECRL punishable by fines and imprisonment. Credit Bureau may suspend or terminate DAT service to Client at any time Credit Bureau reasonably believes that Client has violated this Section. IF CREDIT BUREAU LEASES THE DAT

7- أمن البيانات

يطبق هذا القسم السابع إذا توصل العميل إلى يجوز لبعض صغار المستخدمين الوصول إلى المعلومات عن

أية خدمات معلوماتية عن طريق جهاز كمبيوتر شخصى أو أجهزة الاتصال الطرفية المباشرة . يقوم العميل : بقصر الوصول لكل جهاز اتصال طرفى مباشر على العاملين الذين تم تدريبهم من قبل شركة الاستعلام و/ أو العاملين الذين سبق وأن قام العميل بتدريبهم، (ب) إبلاغ كل مشغلى أجهزة الاتصال الطرفية المباشرة المدربين وسائر العاملين التابعين للعميل الخاضعين لقانون التقارير الانتمائية المصرى والالتزامات الأخرى الخاصة بالوصول إلى تقارير الائتمان المصرى والالتزامات الأخرى الخاصة بالوصول إلى تقارير الائتمان واستخدامها ، (ج) ضمان أن كلا من المشغلين المدربين والعاملين الآخرين لن يحصلوا على تقارير إئتمان لأغراض شخصية أو تقديمها للغير، (د) إتخاذ كل التدابير اللازمة لمنع الاستخدام غير المرخص به لأجهزة الاتصال الطرفيه المباشرة من قبل أشخاص آخرين بخلاف المشغلين المدربين لأغراض مسموح بها. وتشمل هذه التدابير تحديد معرفة عدد (أعداد) العملاء، وشفرات الوصول للمعلومات، وأرقام تليفونات الوصول للمعلومات التى توفرها شركة الاستعلام وأى كلمات دخول للمستخدم للدخول على أجهزة الاتصال الطرفية المباشرة قد يستخدمها العميل، لمشغلى أجهزة الاتصال الطرفيه المدربين وسائر العاملين الآخرين الذين طريق جهاز كمبيوتر طرفى أو شخصى ، ويجب إبلاغهم بالقيود القانونية المفروضة على الاستخدام غير المناسب للمعلومات والتدريب على استخدامها بشكل مناسب، بالإضافة إلى ضرورة الحفاظ على سرية المعلومات وحماية أمن النظام .

TO CLIENT, CREDIT BUREAU MAKES NO WARRANTIES WHATSOEVER IN CONNECTION WITH THE PERFORMANCE OF THE DAT, AND CREDIT BUREAU WILL NOT BE RESPONSIBLE FOR TRANSMISSION DISTORTION, INTERRUPTIONS OR FAILURES OF THE DAT OR ANY INFORMATION SERVICE. CLIENT WILL INDEMNIFY, DEFEND AND HOLD CREDIT BUREAU HARMLESS FROM AND AGAINST ANY DIRECT AND ACTUAL LOSS, COST, LIABILITY AND EXPENSE (INCLUDING REASONABLE ATTORNEY FEES) RESULTING FROM CLIENT'S FAILURE TO ABIDE BY, OR ITS EMPLOYEES' OR AGENTS' VIOLATION OF, THIS SECTION VII.

VIII. MISCELLANEOUS

1. Assignment. Neither party may assign its rights or obligations under this Agreement without the written consent of the other party. Any transaction or series of transactions including, without limitation, any merger, consolidation, or other reorganization of Client, or any issuance, sale, transfer or redemption of any capital stock of Client, or interests in Client that results in a change of control of Client, will be deemed to be an assignment of this Agreement. Following an assignment, Credit Bureau may terminate this Agreement upon written notice to Client.

2. Consent to Breach Not Waived. Neither party will, by the lapse of time, and without giving written notice, be deemed to have waived

يحتاجون إلى معرفتها وتغيير كلمات الدخول السرية التى يستعملها المستخدم للدخول على أجهزة الاتصال الطرفية المباشرة مرة واحدة على الأقل كل مائة وثمانين يوم (180) أو قبل ذلك إذا لم يعد أحد العاملين المدربين على تشغيل أجهزة الاتصال الطرفية مسئولاً عن الوصول إلى تقارير الائتمان، أو إذا شك العميل في معرفة شخص غير مرخص له بكلمة الدخول ويستخدم كل الخصائص الأمنية المتاحة في المكونات البرامجية والتركيبية التى يستخدمها العميل للوصول إلى نظام شركة الاستعلام . يقوم العميل على الفور بإبلاغ شركة الاستعلام إذا شك العميل أو علم بحدوث دخول غير مرخص به على نظام شركة الاستعلام. ولا يجوز للعميل أن ينقل مكونات تركيبية أو برامج بين مواقع العميل أو الغير بدون حذف وإلغاء كل أرقام الاتصال التليفونى وكلمات مرور العميل المستخدم. ويتعين على العميل إبلاغ مستخدمى أجهزة الاتصال الطرفية المباشرة المدربين وسائر العاملين بضرورة معرفة أن الوصول غير المرخص به لتقارير الائتمان قد يعرضهم للمسئولية المدنية والجنائية بموجب قانون التقارير الائتمانية المصري. الذي يعاقب بالغرامة والسجن. ويجوز لشركة الاستعلام تعليق أو إنهاء تقديم خدمة الاتصال الطرفي المباشر إلى عميل في أي وقت ترى فيه الشركة لأسباب وجيهه أن العميل قد انتهك هذا

any of its rights under this Agreement. No waiver of a breach of this Agreement will constitute a waiver of any prior or subsequent breach of this Agreement.

3. Notices. Notices must be in writing, must be delivered according to clause (a) or (b) below, and must be delivered to the address set forth on the signature page of this Agreement, or to such other address as a party may designate by notice in accordance with this provision. All notices under this Agreement will be deemed given on the date of delivery (a) by a nationally recognized overnight courier, or (b) by certified mail, return receipt requested. Notice to Client will be sufficient notice to all Client Branch Offices.

4.Force Majeure. Neither party
God, fires, electrical failure, major computer hardware or software failures, equipment

القسم. وإذا كانت شركة الاستعلام تؤجر الاتصال الطرفي المباشر لعميل، فإن الشركة لا تقدم أية ضمانات من أي نوع فيما يتعلق بأداء هذا الاتصال الطرفي، ولا تكون الشركة مسئولة عن تشويش وتشوية عملية النقل أو اضطراب أو فشل الاتصال الطرفي أو أية خدمة من الخدمات المعلوماتية. ويتعين على العميل تعويض وحماية شركة الاستعلام والحفاظ على سلامتها من أية خسارة مباشرة وفعلية وتحمل التكاليف والمسئولية والنفقات (بما في ذلك أتعاب المحاماة المعقولة) الناجمة عن اخفاق العميل هو والعاملين لديه أو وكلائه في الالتزام بهذا القسم السابع وانتهاكه.

delivery delays, acts of third parties, or delays or interruptions in performance beyond its reasonable control.

5. Entire Agreement: Amendment. This Agreement constitutes the entire agreement of the parties with respect to the subject matter contained herein and may not be amended except by a written agreement that acknowledges modification of this Agreement, and that is signed by an authorized representative of Client and of Credit Bureau, or as otherwise expressly provided in this Agreement. This Agreement will not be more strongly construed against either party, regardless of who is more responsible for its preparation.

6. Severability. If any part of this Agreement is found to be illegal or unenforceable, then that part

8 - أمور أخرى متنوعة:

1- التنازل: لا يجوز لأي من طرفي هذا العقد يجب أن تعلم شركة الاستعلام

will be curtailed only to the extent necessary to make it, and the remainder of the Agreement, legal and enforceable.

7. Applicable Law. This Agreement will be governed solely by the internal laws of the (province, federal?), without regard to principles of conflicts of law.

8. Independent Contractor. Nothing in this Agreement creates a joint venture, partnership, principal-agent or mutual agency relationship between the parties. No party has any right or power under this Agreement to create any obligation, expressed or implied, on behalf of the other party.

9. Headings. The titles or captions used in this Agreement are for convenience only and will not

التنازل عن حقوقه أو التزاماته الواردة في هذا الاتفاق بدون موافقة كتابية من الطرف الآخر. وآية صفقة أو سلسلة من الصفقات، بدون تحديد، بما في ذلك أي عملية دمج أو ضم أو أية عملية من عمليات إعادة التنظيم الأخرى الخاصة بالعميل، أو أي عملية تأمين أو بيع أو نقل أو استرداد أي من رأس مال شركة العميل، يعتبر تنازل عن هذا الاتفاق، وبعد هذا التنازل يجوز لشركة الاستعلام إنهاء هذا الاتفاق بموجب مذكرة كتابية للعميل.

هوية المستخدم ويحق لها منع الاستخدام إذا حدث تغيير في ملكية المستخدم.

2- الموافقة على الإخلال لايتم التنازل عنها:
لا يعتبر أي طرف من طرفي الاتفاق، بمرور الوقت، وبدون تقديم مذكرة كتابية، متنازلاً عن أي من حقوقه الواردة في هذا الاتفاق. ولا يعتبر أي تنازل عن أي خرق لهذا الاتفاق تنازلاً عن أي خرق سابق أو لاحق لهذا الاتفاق.

be used to construe or interpret any provision hereof.

10. Service. To maintain quality service, telephone communications with Client may be monitored and/or recorded without further notice or disclosure.

11. Authority. Each person signing below represents and warrants that he or she has the necessary authority to bind the principal set forth below.

3- المذكرات: المذكرات يجب أن تكون كتابية، ويجب أن تسلم طبقًا للمادتين (أ) أو (ب) التاليتين ويجب أن تسلم على العنوان المحدد في صفحة التوقيع من هذا الاتفاق، أو لأي عنوان آخر يحدده أحد الأطراف بموجب مذكرة كتابية طبقًا لهذا الشرط. وكل المذكرات التي تتم بموجب هذا الاتفاق تعتبر مسلمة في تاريخ التسليم(أ) بواسطة رسول ناقل معترف به وطنيًا، أو (ب) بواسطة البريد، مع المطالبة بإيصال الرجوع. والمذكرة المرسلة للعميل تعتبر مذكرة مرسلة لكل مكاتبه الفرعية.

قد تكون التدابير الخاصة بالمذكرات والبريد مختلفة في مصر

4- القوة القاهرة: لا يكون أي من الطرفين مسئولاً أمام الطرف الآخر عن أي تأخير أو اضطراب في الأداء بالنسبة لأي التزام من الالتزامات المشار إليها في هذا الاتفاق والتي تنتج عن أوامر حكومية طارئة، أو إجراء حكومي أو قضائي، أو لوائح طارئة، أو أعمال

تخريب أو شغب أو إضرابات أو خلافات عمالية، أو حدث من أحداث القضاء والقدر أو نشوب حريق أو عطل كهربائي أو عطل رئيسي في المكونات التركيبية والبرامجية لأجهزة الكمبيوتر أو تأخير تسليم المعدات أو تصرفات الغير أو تأخير أو اضطراب في الأداء خارج عن سلطته المعقولة.

5- الاتفاق الكلي: التعديل: يمثل هذا الإتفاق الإتفاق الكلي لأطرافه بالنسبة لموضوع هذا الاتفاق ولا يجوز تعديله إلا بإتفاق كتابي يقر وينص على تعديل هذا الاتفاق، وموقع عليه من قبل ممثل مفوض للعميل وشركة الاستعلام، أو حسبما هو منصوص عليه صراحة في هذا الاتفاق. ولا يجوز تفسير هذا الاتفاق ضد أي من طرفية بدرجة شديدة، بعض النظر عن الطرف المسئول عن إعداده.

6- التجزيىء والفصل: إذا تبين أن أي جزء من هذا الانفاق غير قانوني أو غير قابل للنفاذ، فسوف يتم عندئذ تقليص هذا الجزء وحده بالقدر اللازم لجعله هو وبقية الاتفاق، قانونيًا وقابلاً للنفاذ.

7- القانون المطبق: يحكم هذا الاتفاق القوانين الداخلية (الإقليمية أم ، الفيدرالية؟) وحدها دون سواها، بدون أي اعتبار لتنازع القوانين.

8- المتعاقد المستقل: لا يوجد في هذا الاتفاق ما يشير إلى إنشاء مشروع مالي مشترك و شراكة أو وكيل رئيسي أو علاقة وكالة متبادلة بين الأطراف. ولا يتمتع أي طرف من أطراف هذا الاتفاق بحق أو سلطة إنشاء أي التزام، صريح أو ضمني، نيابة عن الطرف الآخر بموجب هذا الاتفاق.

9- العناوين: العناوين أو التعليقات المستخدمة في هذا الاتفاق لدواعي التوضيح فقط ولا تستخدم لتأويل أو تفسير أية فقرة من الفقرات الواردة في هذا الاتفاق.

إذا كان هناك قوانين اقليمية يمكن تطبيقها، فيجب الإشارة إليها.

10- الخدمة: للحفاظ على جودة الخدمة، يجوز مراقبة و/ أو تسجيل الاتصالات التليفونية مع العميل بدون تقديم مذكرة أو الكشف عن ذلك.

ينص القانون الأمريكي على هذا الشرط لضمان أن الأطراف ليسوا وكلاء لبعضهم البعض

11- السلطة: كل شخص من الأشخاص الموقعين فيما يلي يمثل ويضمن أنه هو أو هي يتمتع بالسلطة اللازمة للالتزام بالقانون الوارد في هذا الاتفاق.

بموجب هذا، وقع الأطراف على هذا الاتفاق في ذات التاريخ المدون أعلاه

شركة الاستعلام المصرية

العميل

العنوان

توقيع:

الاسم:

الصفة:
التاريخ:

توقيع:

الاسم:

الصفة:
التاريخ:

Attachment 19: (a) Service Agreement (short form) (b) Service form short form

SERVICE AGREEMENT

In order to obtain CONFIDENTIAL credit information, the undersigned (hereinafter referred to as "SUBSCRIBER") requests The Credit Bureau of Egypt, (hereinafter referred to as "Credit Bureau") for the use of its services in furnishing credit reports under terms and conditions outlined below, and in consideration of the mutual benefits, SUBSCRIBER and Credit Bureau enter into the following agreement.

A. THE SUBSCRIBER AGREES:

1 To comply with all provisions of the Egyptian Credit Reporting Law (ECRL) (cite).

2 Subscriber is a _____ and has a permissible purpose for obtaining credit reports, as defined by Section ___ of the ECRL The Subscriber certifies their permissible purpose as:

☐ in connection with providing, increasing, renewing, or amending the terms of any form of credit involving the subject of the report;

☐ in connection with the accepting a guarantor or guarantee in any form involving the subject of the report;

☐ in connection with a lease contract involving the subject of the report;

☐ in connection with the subject of the report seeking employment or occupying leadership position;

☐ in connection with providing the subject of the report insurance services; or

☐ in connection with the written instructions of the subject of the credit report.

3 That it will request credit reports pursuant to procedures prescribed by Credit Bureau from time to time only for the permissible purpose certified above, and will use the reports obtained for no other purpose.

4 Acknowledges and warrants that as applicable: (a) it shall abide by and accept responsibility for accessing, processing and using the above referenced Reports in accordance with the ECRL as well as all other applicable laws and regulations governing access to the Reports; (b) it shall obtain a proper release and authorization from each subject if required by law or regulation prior to requesting a Report on that applicant; and (c) compliance and keeping up to date with such requirements and laws is the responsibility of the Subscriber. In order to comply with the ECRL, Subscriber understands that they must maintain a log on credit report information, with transaction details, for a minimum of three (3) years. Subscriber agrees that it will secure credit reports on individuals solely for its use in credit, collection, underwriting or employment transactions between itself and the

individual to whom information relates and/or for such other “permissible purposes” related to a business transaction as defined above and that it will neither request nor use any such information for any other purpose. Subscriber further agrees to take all reasonable precautions to ensure that the Reports information on individuals will be held in strict confidence, disclosed only to those of its employees whose duties reasonably relate to the legitimate business purpose for which the information was requested and not disclosed to any other person in whole or in part unless required by valid subpoena or court order. Subscriber shall refer consumer questions or comments regarding the Reports to Credit Bureau, providing Credit Bureau’s name, address and telephone number to any consumer that is the subject of the disputed Report.

5 ECRL PROVIDES THAT ANY PERSON WHO KNOWINGLY AND WILLFULLY OBTAINS INFORMATION ON A CONSUMER FROM A CREDIT REPORTING AGENCY UNDER FALSE PRETENSES SHALL BE FINED OR IMPRISONED FOR NOT MORE THAN _____YEARS, OR BOTH.

6 That it shall use Reports only for a one-time use, and to hold the report in strict confidence, and not to disclose it to any third parties; provided, however, that Subscriber may, but is not required to, disclose the report to the subject of the report only in connection with an adverse action based on the report.

7 And acknowledges that any and all credit reports obtained from Credit Bureau shall not, for any reason, be altered or modified at any time. Possible inaccuracies should be made known to Credit Bureau, at which time Credit Bureau will re-investigate and return corrected copy if warranted.

8 To abide by the following security requirements:

- Subscriber’s code and password must be protected and should only be known by supervisory personnel. Under no circumstances should unauthorized persons have knowledge of this information. Subscriber code and password should not be posted in any manner within Subscriber’s offices.

- Subscriber’s code and password are not to be released by telephone to any unknown callers.

- Any system access software or hardware you use, whether developed by Subscriber or purchased from a vendor, must have Subscriber number and password ‘hidden’ or embedded so that the code and/or password is known only to supervisory personnel.

- Subscriber further agrees that it is its responsibility to notify Credit Bureau if there is a change to a user’s status or if a user’s employment is terminated.

9 To pay Credit Bureau upon receipt of statement for the service rendered during the previous 30-day period according to the current rate schedule in effect. All payments shall be due ten (10) days after receipt of the invoice. Past due amounts shall accrue interest at the rate of 1.5% per month. If collection efforts are required, Subscriber shall pay all costs of collection including attorney's fees.

10 I hereby give Credit Bureau permission to access my personal credit report for the purpose of establishing me as personal guarantor for Subscriber. I agree to personally guarantee payment for any billing generated that remains outstanding/owed to Credit Bureau by Subscriber. The Personal Guarantor is as follows:

NAME Identification Number

ADDRESS

SIGNATURE _____

TITLE _____ DATE _____

B. Credit Bureau AGREES:

1. To provide Subscriber a credit reporting service on individuals. Credit Bureau reserves the right to change the schedule of services and charges, from time to time.

Formatted: Bullets and Numbering

2. To make available other credit services as may be deemed by Credit Bureau to be beneficial to Subscriber and which are complementary to the normal Credit Bureau function.

C. IT IS MUTUALLY AGREED:

1 Credit Bureau shall use good faith in attempting to obtain information from sources deemed reliable, but does not guarantee the accuracy of information reported, and in no event shall Credit Bureau be held liable in any manner whatsoever for any loss or injury to Subscriber resulting from the obtaining or furnishing of such information; and further that Subscriber agrees to hold Credit Bureau harmless and indemnify it from any and all claims, losses, and damages arising out of alleged liability or failure of the Subscriber to keep and perform any of its obligations described herein

2 This Agreement shall remain in force and effect for one year from the date hereof, and thereafter, from year to year, on the same basis as set forth herein except that either party may cancel this Agreement at any time upon notice at least 10 days prior to the end of the current monthly payment period.

3 It is further agreed, however, that with just cause, such as delinquency or violation of the terms of the contract or a legal requirement, Credit Bureau may, upon its election, discontinue serving Subscriber and cancel this Agreement immediately.

4 The parties hereto agree that this instrument is the full and complete Agreement between them regarding the furnishing of credit information, and is not to be altered, varied, or enlarged upon by any verbal promises, statements, or representations not expressed herein. This Agreement shall not be binding on either party until accepted by Credit Bureau.

Whereas, the parties hereto, intending to be legally bound, have caused this Agreement to be executed by their duly authorized representatives as of the last date and year written below. The parties hereto agree that a facsimile transmission of this fully executed Agreement shall constitute an original and legally binding document.

CLIENT:	Credit Bureau of Egypt
ADDRESS:	ADDRESS:

Signed by:

Printed Name:

Signed by:

Printed Name:

SERVICE AGREEMENT

In order to obtain CONFIDENTIAL credit information, the undersigned (hereinafter referred to as “SUBSCRIBER”) requests ******, (hereinafter referred to as “******”) for the use of its services, and its ability to access consumer reports from one or more consumer credit reporting agencies, under terms and conditions outlined below, and in consideration of the mutual benefits, SUBSCRIBER and ****** enter into the following agreement.

A- **THE SUBSCRIBER AGREES:**

1. To comply with all provisions of the Fair Credit Reporting Act (15 USC 1691 et seq.).
2. Subscriber is a _____and has a permissible purpose for obtaining consumer reports, as defined by Section 604 of the Federal Fair Credit Reporting Act (15 USC 1681b) as amended by the Consumer Credit Reporting Reform Act of 1996, hereinafter called “FCRA.” The subscriber certifies their permissible purpose as:

☐In connection with a credit transaction involving the consumer on whom the information is to be furnished and involving the extension of credit to, or review or collection of an account of the consumer; or

☐In connection with the underwriting of insurance involving the consumer or review of existing policy holders for insurance underwriting purposes, or in connection with an insurance claim where written permission of the consumer has been obtained; or

اتفاق تقديم خدمة

من أجل الحصول على معلومات ائتمان سرية، يطلب الموقع على هذا الاتفاق (المشار اليه فيما يلى باعتباره المشترك) من ..... (المشار إليه هنا باعتباره ".....") استغلال خدماته، وقدرته على الوصول إلى تقارير المستهلكين عن طريق وكالة أو أكثر من وكالات إعداد تقارير ائتمان المستهلكين، وفقا للشروط المحددة فيما يلى، ومع الوضع في الحسبان الفائدة المتبادلة، اتفق المشترك " و "....." على الاتفاق التالى:-

أ- يوافق المشترك :

1- على الالتزام بكل مواد قانون تقارير الائتمان الأمنية (القانون المدنى الأمريكى رقم 15، المادة 1691 وما يليها).

2- المشترك عبارة عن ..... ويتمتع بحق الحصول على تقارير عن المستهلكين، وفقاً لما حدده الفصل 604 من قانون تقارير الائتمان الفيدرالية الأمنية (القانون المدنى الأمريكى رقم 15، المادة 1681 ب) المعدل بقانون تعديل تقارير ائتمان المستهلك لسنة 1996 المشار إليه فيما يلي "بقانون تقارير الائتمان الأمينة" ويشهد المشترك بأن أغراضه المصرح بها هي:

- بالنسبة لصفقة ائتمان يشارك فيها المستهلك الذي يتم إعداد معلومات عنه وتنطوى على مد نطاق الائتمان لحساب من حسابات المستهلك أو مراجعة هذا الحساب أو جمعه أو .
- بالنسبة لضمان التأمين الذي يضم العميل أو مراجعة سياسة حملة وثائق التأمين الراهنة لأغراض الضمان، او بالنسبة لدعوى تأمين بعد الحصول على تصريح مكتوب من المستهلك، أو.
- بالنسبة لمراجعة طلب مستأجر يشارك فيه المستهلك، أو

☐In connection with a tenant screen application involving the consumer; or

☐In accordance with the written instructions of the consumer; or

☐For a legitimate business need in connection with a business transaction that is initiated by the consumer; or

☐As a potential investor, servicer or current insurer in connection with a valuation of, or assessment of, the credit or prepayment risks.

☐For Employment Purposes only when it is considering the individual inquired upon for employment, promotion, reassignment or retention as an employee, and for no other purpose. (See Attached Compliance Certification Form)

3. Subscriber certifies that it will request consumer reports pursuant to procedures prescribed by Reseller from time to time only for the permissible purpose certified above, and will use the reports obtained for no other purpose.

4. Subscriber agrees, acknowledges and warrants that as applicable: (a) it shall abide by and accept responsibility for accessing, processing and using the above referenced Reports in accordance with the Fair Credit Reporting Act (FCRA) as amended by the Fair and Accurate Credit Transactions Act of 2003 (FACT Act), the Gramm-Leach-Bliley Act of 1999 (GLB Act), the Driver Privacy Protection Act (DPPA), the laws of the applicable state issuing Motor Vehicle Records (MVRs), and with the requirements of the credit bureaus and database providers providing access to the Reports, as well as all other applicable local, state and federal laws governing access to the Reports; (b) it shall obtain a proper release and authorization from each job applicant and credit application from each credit applicant prior to requesting a Report on that applicant; and (c) compliance and keeping up to date with such

- طبقا للتعليمات المكتوبة الصادرة من المستهلك، أو.
- للحاجة لأعمال مشروعة ترتبط بصفقة من صفقات الأعمال التي قام بها المستهلك، أو
- كمستثمر محتمل أو مقدم خدمة أو مؤمن حالى بالنسبة لتقييم أو تقدير الائتمان ومخاطر السداد،
- لأغراض التوظيف فقط عند النظر في الشخص المطلوب توظيفه أو ترقيته أو إعادة تعينه أو استبقاءه كموظف وليس لأي غرض آخر (انظر نموذج شهادة الالتزام المرفقة).

3- يشهد المشترك بأنه سيطلب من المستهلك تقارير طبقاً للتدابير المنصوص عليها من قبل البائع من وقت لآخر وذلك للأغراض المسموح بها فقط المشار إليها آنفا، وألا يستخدم التقارير التى يحصل عليها لأى غرض آخر.

4- يوافق المشترك ويقر ويضمن طبقا لمقتضى الحال: (أ) الإلتزام وقبول مسئولية الوصول الى التقارير المشار إليها آنفاً وتجهيزها واستخدامها طبقاً لقانون تقارير الائتمان الأمينة المعدل بقانون صفقات الائتمان الأمينة والدقيقة لسنة 2003 وقانون جرام ليتش بليلى Gramm Leach Bliley لسنة 1999، وقانون حماية خصوصية السائق، وقوانين الدولة المطبقة الخاصة بإصدار سجلات السيارات، وبما يتفق وشروط مكاتب الائتمان ومقدمى خدمات قواعد البيانات الي تتيح الوصول إلى التقارير، بالإضافة إلى القوانين الأخرى المحلية والفيدرالية والوطنية المطبقة التى تنظم الوصول إلى التقارير، (ب) ويحق له الحصول على إذن بالنشر وترخيص مناسب من كل طالب وظيفة وطلب ائتمان من كل متقدم للحصول على ائتمان قبل طلب الحصول على تقرير عن طالب هذه الوظيفة، (جـ) الإلتزام

requirements and laws is the responsibility of the Subscriber. In order to comply with the FCRA, Subscriber understands that they must maintain a log on consumer report information, with transaction details, for a minimum of three (3) years. Subscriber agrees that it will secure consumer reports on individuals solely for its use in credit, collection, underwriting or employment transactions between itself and the individual to whom information refers and/or for such other "permissible purposes" related to a business transaction as defined by the FCRA and that it will neither request nor use any such information for any other purpose. Subscriber further agrees to take all reasonable precautions to ensure that the Reports and consumer report information on individuals will be held in strict confidence, disclosed only to those of its employees whose duties reasonably relate to the legitimate business purpose for which the information was requested and not disclosed to any other person in whole or in part unless required by valid subpoena or court order. Subscriber shall refer consumer questions or comments regarding the Reports to ******, providing ****** name, address and telephone number to any consumer that is the subject of the disputed Report.

5. FAIR CREDIT REPORTING ACT PROVIDES THAT ANY

بهذه الشروط والقوانين وتحديثها يكون مسئولية المشترك. ومن أجل الإلتزام بقانون تقارير الائتمان الأمنية، يتفهم المشترك بأنه يجب أن يحتفظ بسجل أداء خاص بتقرير معلومات عن المستهلك مع بيان مفصل بالصفقات، لمدة ثلاث (3) سنوات على الأقل، ويوافق المشترك على ضمان سلامة تقارير المستهلك الخاصة بالأفراد لاستخدامها فقط فى صفقات الائتمان أو جمع المعلومات أو الضمان أو التوظيف بينه وبين الشخص الذى تشير إليه المعلومات و/أو من أجل "الأغراض المسموح بها" المتصلة بصفقة أعمال طبقاً لنص قانون تقارير الائتمان الأمينة وإنه لن يطلب أو يستخدم أى من هذه المعلومات لأي غرض آخر. ويوافق المشترك أيضاً على اتخاذ كافة الاحتياطات المعقولة لضمان أن التقارير وتقرير معلومات المستهلك الخاصة بالأفراد ستوضع في مكان آمن تماما ولايتم الكشف عنها إلا لموظفيه الذين ترتبط واجباتهم بشكل معقول بأغراض العمل القانونى الشرعي الذي طلبت المعلومات من أجله وعدم الكشف عنها لأي شخص آخر كليا أو جزئيا ما لم يتم طلبها بموجب مذكرة إحضار صحيحة أو بأمر من المحكمة. ويتعين على المشترك الرجوع إلى المستهلك بشأن الأسئلة أو التعليقات الخاصة بالتقارير الخاصة بـ ..... وتقديم اسم ..... وعنوانه ورقم تليفونه لأي مستهلك يكون موضوعا لتقرير متنازع عليه.

5- ينص قانون تقارير الائتمان الأمينة على أن أي شخص يحصل عن يقين وعمد على معلومات خاصة بمستهلك من إحدى الوكالات التي تعد تقارير المستهلكين بحجج زائفة يعاقب بدفع غرامة وفقا لنص المادة 18 من القانون المدنى الأمريكى أو بالسجن لمدة لا تزيد عن سنتين أو بكلتا العقوبتين.

PERSON WHO KNOWINGLY AND WILLFULLY OBTAINS INFORMATION ON A CONSUMER FROM A CONSUMER REPORTING AGENCY UNDER FALSE PRETENSES SHALL BE FINED UNDER TITLE 18, UNITED STATES CODE, OR IMPRISONED FOR NOT MORE THAN TWO YEARS, OR BOTH.

6. Subscriber agrees that it shall use Consumer Report only for a one-time use, and to hold the report in strict confidence, and not to disclose it to any third parties; provided, however, that Subscriber may, but is not required to, disclose the report to the subject of the report only in connection with an adverse action based on the report.

7. SUBSCRIBER acknowledges and agrees that any and all credit reports, mortgage reports, other factual reports or trade information obtained from or through ****** shall not, for any reason, be altered or modified at any time. Possible inaccuracies should be made known to ******, at which time ****** will re-investigate and return corrected copy if warranted.

8. SUBSCRIBER agrees to abide by the following security requirements:
   - SUBSCRIBER's code and password must be protected and should only be known by supervisory personnel. Under no circumstances should unauthorized persons have knowledge of this information. Your subscriber code and password should not be posted in any manner within your company.
   - SUBSCRIBER's code and

6- يتعهد المشترك بأن يستخدم تقرير المستهلك لمدة واحدة فقط، وأن يحتفظ بالتقرير في مكان آمن تماما وعدم الكشف عنه للغير، ويجوز مع ذلك للمشترك الكشف عن التقرير، ولكن بدون إجبار، للشخص موضوع التقرير فيما يتعلق فقط بمطالبة الغير فيما هو موضوع التنفيذ الذي يعتمد على التقرير.

7- يقر المشترك ويتعهد بأن أى من وكافة تقارير الائتمان أو تقارير الرهن أو تقارير واقعية أخرى، أو معلومات تجارية يتم الحصول عليها من أو عن طريق ..... لن يتم، لأي سبب من الأسباب تبديلها أو تعديلها في أي وقت. ويجب إبلاغ..... بحالات عدم الدقة المحتملة في أي وقت يقوم فيه..... بإعادة التحقق من صحة البيانات وإعادة النسخة المصححة إذا كان مرخصاً له بذلك.

8- يتعهد المشترك بالإلتزام بالشروط الأمنية الآتية:

- يجب أن تكون شفرة المشترك وكلمة المرور التي يستخدمهما محميتان وأن تكونا معلومة للعاملين الذين يتولون مهام إشرافية فقط، ولا يجوز تحت أى ظرف من الظروف أن يطلع على هذه المعلومات الأشخاص غير المرخص لهم بذلك. ولا يجوز أبداً نشر شفرة المشترك أو كلمة مروره داخل الشركة.
- لا يجوز نقل شفرة المشترك أو كلمة مروره عبر التليفون لأي متصل غير معروف له.
- أي نظام تستخدمه من نظم الوصول إلى المعلومات من خلال المكونات البرامجية أو التركيبية، سواء تم إعداده

بواسطة شركتك أو تم شراؤه من بائع، يجب أن يحمل رقم المشترك وأن تكون كلمة المرور "مخفية" أو مطمرة بحيث تكون الشفرة أو كلمة المرور معروفة للعاملين ذوي المناصب الإشرافية فقط.

- يتعهد المشترك أيضًا إنه يتحمل مسئولية إبلاغ..... إذا حدث أي تغيير في وضع المستخدم أو إذا تم انهاء عمل أحد موظفى المستخدم.

9- أن يدفع ----------عند استلام بيان الخدمات المقدمة خلال فترة الثلاثين يوما السابقة طبقا للجدول الحالي والساري للرسوم . وتكون كل المبالغ مستحقة الدفع بعد عشرة أيام من استلام الفاتورة. وسوف تحمل أي مبالغ يتم التأخر في سدادها بفائدة نسبتها 1,5%. وفي حالة الحاجة إلى القيام بجهود تحصيل فإن المشترك يلتزم بدفع كل تكلفة التحصيل وتشمل تكاليف المحامي.

10- أتعهد أنا الموقع أدناه بمنح ..... تصريح لسحب ملف ائتماني الشخصي بغرض منحى وضع الضامن للمشترك مع ..... وأتعهد شخصياً بضمان سداد أية فواتير تنشأ غير مدفوعة / مملوكة لـ ..... بواسطة المشترك.

الضامنون الشخصيون هم:

الأسم :.....

SS: # .....

العنوان : .....

الصفة: .....

التاريخ:.....

التوقيع:.....

ب- يتعهد .....:

password are not to be released by telephone to any unknown callers.

- Any system access software or hardware you use, whether developed by your company or purchased from a vendor, must have your subscriber number and password 'hidden' or embedded so that the code and/or password is known only to supervisory personnel.

- SUBSCRIBER further agrees that it is their responsibility to notify ****** if there is a change to a user's status or if a user's employment is terminated.

9. To pay ****** upon receipt of statement for the service rendered during the previous 30-day period according to the current rate schedule in effect. All payments shall be due ten (10) days after receipt of the invoice. Past due amounts shall accrue interest at the rate of 1.5% per month. If collection efforts are required, SUBSCRIBER shall pay all costs of collection including attorney's fees.

10. I hereby give ****** permission to pull my personal credit file for the purpose of establishing me as personal guarantor for SUBSCRIBER with ******. I agree to personally guarantee payment for any billing generated that remains outstanding/owed to ****** by SUBSCRIBER. The Personal Guarantor is as follows:

Personal Guarantor is as follows:

NAME

SS#

ADDRESS

SIGNATURE

TITLE _____

DATE _____

B- AGREES:

1. To provide SUBSCRIBER a credit reporting service on individuals. ****** reserves the right to change the schedule of services and charges, from time to time.

2. To make available other credit services as may be deemed by ****** to be beneficial to SUBSCRIBER and which are complementary to the normal ****** function.

C- IT IS MUTUALLY AGREED:

1. ****** shall use good faith in attempting to obtain information from sources deemed reliable, but does not guarantee the accuracy of information reported, and in no event shall ****** be held liable in any manner whatsoever for any loss or injury to SUBSCRIBER resulting from the obtaining or furnishing of such information; and further that SUBSCRIBER agrees to hold ****** harmless and indemnify it from any and all claims, losses, and damages arising out of alleged liability or failure of the SUBSCRIBER to keep and perform any of its obligations described herein

2. This Agreement shall remain in force and effect for one year from the date hereof, and thereafter, from year to year, on the same basis as set forth

1- بتزويد المشترك بخدمة إعداد تقارير ائتمانية عن الأفراد. ويحتفظ ..... بحق تغيير مواعيد تقديم الخدمات والمصاريف من وقت لآخر.
2- توفير خدمات الائتمان الأخرى التى يعتبرها ..... ذات فائدة للمشترك والتى تكمل وظيفة ..... المعتادة.

جـ - إتفق الطرفان على:

1- يلتزم..... بحسن النية والأمانة في الحصول على المعلومات من مصادرها الموثوق بها، ولكنه لا يضمن دقة المعلومات المقدمة، ولا يعتبر .... بأى حال من الأحوال مسئولاً بأى شكل من الأشكال عن أية خسارة أو ضرر يلحق بالمشترك من جراء الحصول على هذه المعلومات أو تجهيزها، ويتعهد المشترك أيضاً بالحفاظ على سلامة ..... وتعويضه عن أية دعوى وكافة الدعاوى أو الخسائر أو الأضرار الناشئة عن المسئولية المزعومة للمشترك أو اخفاقه في الحفاظ وأداء أي من إلتزاماته المنصوص عليها في هذا الاتفاق.
2- يظل هذا الاتفاق نافذاً وساريًا لمدة عام واحد بدءاً من تاريخ توقيعه، ويتم تجديده سنوياً بعد ذلك بنفس القواعد المشار إليها هنا إلا إذا قام أى طرف من الطرفين بالغاء هذا الاتفاق في أي وقت بتقديم مذكرة قبل عشرة أيام على الأقل سابقة لنهاية فترة السداد الشهرى الحالى.
3- على أية حال، تم الاتفاق أيضاً على أنه لسبب من الأسباب ، مثل التقصير في تنفيذ بنود هذا العقد أو إنتهاكها أو استناداً إلى شرط قانونى، يجوز لـ .....، بإرادته الحرة ، عدم الاستمرار في تقديم خدماته للمشترك وإلغاء هذا الاتفاق على الفور.
4- يتعهد الأطراف الموقعين على هذا

herein except that either party may cancel this Agreement at any time upon notice at least 10 days prior to the end of the current monthly payment period.

3. It is further agreed, however, that with just cause, such as delinquency or violation of the terms of the contract or a legal requirement, ****** may, upon its election, discontinue serving SUBSCRIBER and cancel this Agreement immediately.

4. The parties hereto agree that this instrument is the full and complete Agreement between them regarding the furnishing of credit information, and is not to be altered, varied, or enlarged upon by any verbal promises, statements, or representations not expressed herein. This Agreement shall not be binding on either party until accepted by ******.

Whereas, the parties hereto, intending to be legally bound, have caused this Agreement to be executed by their duly authorized representatives as of the last date and year written below. The parties hereto agree that a facsimile transmission of this fully executed Agreement shall constitute an original and legally binding document.

_____
(SUBSCRIBER)

By_____

By_____

الاتفاق بأن هذا الاتفاق هو الاتفاق الكامل والمكتمل بينهم بخصوص تجهيز معلومات ائتمانية، ولا يجوز تبديله أو تغييره أو توسيع نطاقه بأية تعهدات شفاهية أو بيانات أو عروض غير منصوص عليها في هذا الاتفاق. ولا يكون هذا الاتفاق ملزمًا لأى من أطرافه إلا بعد قبول .....له.
حيث أن، الأطراف الموقعة على هذا الاتفاق، أعربت عن رغبتها في إقامة رابطة قانونية، اتفقوا على تنفيذ هذا العقد من خلال ممثليهم المفوضين بدءًا من التاريخ الأخير والسنة المحددان فيما يلى: ويتعهد الطرفان الموقعان على هذا الاتفاق بأن نقل صورة بالفاكسميل من هذا الاتفاق الكامل تغنى عن الأصل وتعتبر وثيقة ملزمة قانوناً.

(المشترك)
توقيع : ....
التوقيع: .....
الصفة : .....
الصفة: .....
التاريخ:.....
التاريخ: .....
العنوان: .....
المدينة: .....
رقم التليفون: .....
الفاكس .....
البريد الإلكتروني: .....

Title_____
____
Title_____
____

Date_____
____
Date_____
____

Address:
_____
_____

City/State/Zip:
_____
_____Phone:
_____
_____

_____

Attachment 20: (a) Prescribed notice of Furnisher responsibilities (b) and of User resp.

Appendix B to Part 601

Prescribed Notice of Furnisher Responsibilities

This appendix prescribes the content of the required notice.

NOTICES TO FURNISHERS OF INFORMATION:
OBLIGATIONS OF FURNISHERS UNDER THE FCRA

The federal Fair Credit Reporting Act (FCRA), as amended, imposes responsibilities on all persons who furnish information to consumer reporting agencies (CRAs). These responsibilities are found in Section 623 of the FCRA. State law may impose additional requirements. All furnishers of information to CRAs should become familiar with the law and may want to consult with their counsel to ensure that they are in compliance. The FCRA, 15 U.S.C. 1681-1681u, is set forth in full at the Federal Trade Commission's Internet web site (*http://www.ftc.gov*). Section 623 imposes the following duties:

General Prohibition on Reporting Inaccurate Information:

The FCRA prohibits information furnishers from providing information to a consumer reporting agency (CRA) that they know (or consciously avoid knowing) is inaccurate. However, the furnisher is not subject to this general prohibition if it clearly and conspicuously specifies an address to which consumers may write to notify the furnisher that certain information is inaccurate. *Sections 623(a)(1)(A) and (a)(1)(C)*

Duty to Correct and Update Information:

If at any time a person who regularly and in the ordinary course of business furnishes information to one or more CRAs determines that the information provided is not complete or accurate, the furnisher must provide complete and accurate information to the CRA. In addition, the furnisher must notify all CRAs that received the information of any corrections, and must thereafter report only the complete and accurate information. *Section 623(a)(2)*

Duties After Notice of Dispute from Consumer:

If a consumer notifies a furnisher, at an address specified by the furnisher for such notices, that specific information is inaccurate, and the information is in fact inaccurate, the furnisher must thereafter report the correct information to CRAs. *Section 623(a)(1)(B)*

If a consumer notifies a furnisher that the consumer disputes the completeness or accuracy of any information reported by the furnisher, the furnisher may not subsequently report that information to a CRA without providing notice of the dispute. *Section 623(a)(3)*

Duties After Notice of Dispute from Consumer Reporting Agency:

If a CRA notifies a furnisher that a consumer disputes the completeness or accuracy of information provided by the furnisher, the furnisher has a duty to follow certain procedures. The furnisher must:

Conduct an investigation and review all relevant information provided by the CRA, including information given to the CRA by the consumer. *Sections 623(b)(1)(A) and (b)(1)(B)*

Report the results to the CRA, and, if the investigation establishes that the information was, in fact, incomplete or inaccurate, report the results to all CRAs to which the furnisher provided the information that compile and maintain files on a nationwide basis. *Sections 623(b)(1)(C) and (b)(1)(D)*

Complete the above within 30 days from the date the CRA receives the dispute (or 45 days, if the consumer later provides relevant additional information to the CRA). *Section 623(b)(2)*

Duty to Report Voluntary Closing of Credit Accounts:

If a consumer voluntarily closes a credit account, any person who regularly and in the ordinary course of business furnishes information to one or more CRAs must report this fact when it provides information to CRAs for the time period in which the account was closed. *Section 623(a)(4)*

Duty to Report Dates of Delinquencies:

If a furnisher reports information concerning a delinquent account placed for collection, charged to profit or loss, or subject to any similar action, the furnisher must, within 90 days after reporting the information, provide the CRA with the month and the year of the commencement of the delinquency that immediately preceded the action, so that the agency will know how long to keep the information in the consumer's file. *Section 623(a)(5)*

Appendix C to Part 601

Prescribed Notice of User Responsibilities

This appendix prescribes the content of the required notice.

NOTICE TO USERS OF CONSUMER REPORTS:
OBLIGATIONS OF USERS UNDER THE FCRA

The federal Fair Credit Reporting Act (FCRA) requires that this notice be provided to inform users of consumer reports of their legal obligations. State law may impose additional requirements. This first section of this summary sets forth the responsibilities imposed by the FCRA on all users of consumer reports. The subsequent sections discuss the duties of users of reports that contain specific types of information, or that are used for certain purposes, and the legal consequences of violations. The FCRA, 15 U.S.C. 1681-1681u, is set forth in full at the Federal Trade Commission's Internet web site (*http://www.ftc.gov*).

I. OBLIGATIONS OF ALL USERS OF CONSUMER REPORTS

A. Users Must Have a Permissible Purpose

Congress has limited the use of consumer reports to protect consumers' privacy. All users must have a permissible purpose under the FCRA to obtain a consumer report. Section 604 of the FCRA contains a list of the permissible purposes under the law. These are:

- As ordered by a court or a federal grand jury subpoena. *Section 604(a)(1)*
- As instructed by the consumer in writing. *Section 604(a)(2)*
- For the extension of credit as a result of an application from a consumer, or the review or collection of a consumer's account. *Section 604(a)(3)(A)*
- For employment purposes, including hiring and promotion decisions, where the consumer has given written permission. *Sections 604(a)(3)(B) and 604(b)*
- For the underwriting of insurance as a result of an application from a consumer. *Section 604(a)(3)(C)*
- When there is a legitimate business need, in connection with a business transaction that is initiated by the consumer. *Section 604(a)(3)(F)(i)*
- To review a consumer's account to determine whether the consumer continues to meet the terms of the account. *Section 604(a)(3)(F)(ii)*
- To determine a consumer's eligibility for a license or other benefit granted by a governmental instrumentality required by law to consider an applicant's financial responsibility or status. *Section 604(a)(3)(D)*
- For use by a potential investor or servicer, or current insurer, in a valuation or

assessment of the credit or prepayment risks associated with an existing credit obligation. *Section 604(a)(3)(E)*

- For use by state and local officials in connection with the determination of child support payments, or modifications and enforcement thereof. *Sections 604(a)(4) and 604(a)(5)*

In addition, creditors and insurers may obtain certain consumer report information for the purpose of making unsolicited offers of credit or insurance. The particular obligations of users of this "prescreened" information are described in Section V below.

B. Users Must Provide Certifications

Section 604(f) of the FCRA prohibits any person from obtaining a consumer report from a consumer reporting agency (CRA) unless the person has certified to the CRA (by a general or specific certification, as appropriate) the permissible purpose(s) for which the report is being obtained and certifies that the report will not be used for any other purpose.

C. Users Must Notify Consumers When Adverse Actions Are Taken

The term "adverse action" is defined very broadly by Section 603 of the FCRA. "Adverse actions" include all business, credit, and employment actions affecting consumers that can be considered to have a negative impact -- such as unfavorably changing credit or contract terms or conditions, denying or canceling credit or insurance, offering credit on less favorable terms than requested, or denying employment or promotion.

1. Adverse Actions Based on Information Obtained From a CRA

If a user takes any type of adverse action that is based at least in part on information contained in a consumer report, the user is required by Section 615(a) of the FCRA to notify the consumer. The notification may be done in writing, orally, or by electronic means. It must include the following:

The name, address, and telephone number of the CRA (including a toll-free telephone number, if it is a nationwide CRA) that provided the report.

A statement that the CRA did not make the adverse decision and is not able to explain why the decision was made.

A statement setting forth the consumer's right to obtain a free disclosure of the consumer's file from the CRA if the consumer requests the report within 60 days.

A statement setting forth the consumer's right to dispute directly with the CRA the accuracy or completeness of any information provided by the CRA.

2. Adverse Actions Based on Information Obtained From Third Parties Who Are Not Consumer Reporting Agencies

If a person denies (or increases the charge for) credit for personal, family, or household purposes based either wholly or partly upon information from a person other than a CRA, and the information is the type of consumer information covered by the FCRA, Section 615(b)(1) of the FCRA requires that the user clearly and accurately disclose to the consumer his or her right to obtain disclosure of the nature of the information that was relied upon by making a written request within 60 days of notification. The user must provide the disclosure within a reasonable period of time following the consumer's written request.

3. Adverse Actions Based on Information Obtained From Affiliates

If a person takes an adverse action involving insurance, employment, or a credit transaction initiated by the consumer, based on information of the type covered by the FCRA, and this information was obtained from an entity affiliated with the user of the information by common ownership or control, Section 615(b)(2) requires the user to notify the consumer of the adverse action. The notification must inform the consumer

that he or she may obtain a disclosure of the nature of the information relied upon by making a written request within 60 days of receiving the adverse action notice. If the consumer makes such a request, the user must disclose the nature of the information not later than 30 days after receiving the request. (Information that is obtained directly from an affiliated entity relating solely to its transactions or experiences with the consumer, and information from a consumer report obtained from an affiliate are not covered by Section 615(b)(2).)

II. OBLIGATIONS OF USERS WHEN CONSUMER REPORTS ARE OBTAINED FOR EMPLOYMENT PURPOSES

If information from a CRA is used for employment purposes, the user has specific duties, which are set forth in Section 604(b) of the FCRA. The user must:

Make a clear and conspicuous written disclosure to the consumer before the report is obtained, in a document that consists solely of the disclosure, that a consumer report may be obtained.

Obtain prior written authorization from the consumer.

Certify to the CRA that the above steps have been followed, that the information being obtained will not be used in violation of any federal or state equal opportunity law or regulation, and that, if any adverse action is to be taken based on the consumer report, a copy of the report and a summary of the consumer's rights will be provided to the consumer.

Before taking an adverse action, provide a copy of the report to the consumer as well as the summary of the consumer's rights. (The user should receive this summary from the CRA, because Section 604(b)(1)(B) of the FCRA requires CRAs to provide a copy of the summary with each consumer report obtained for employment purposes.)

III. OBLIGATIONS OF USERS OF INVESTIGATIVE CONSUMER REPORTS

Investigative consumer reports are a special type of consumer report in which information about a consumer's character, general reputation, personal characteristics, and mode of living is obtained through personal interviews. Consumers who are the subjects of such reports are given special rights under the FCRA. If a user intends to obtain an investigative consumer report, Section 606 of the FCRA requires the following:

The user must disclose to the consumer that an investigative consumer report may be obtained. This must be done in a written disclosure that is mailed, or otherwise delivered, to the consumer not later than three days after the date on which the report was first requested. The disclosure must include a statement informing the consumer of his or her right to request additional disclosures of the nature and scope of the investigation as described below, and must include the summary of consumer rights required by Section 609 of the FCRA. (The user should be able to obtain a copy of the notice of consumer rights from the CRA that provided the consumer report.)

The user must certify to the CRA that the disclosures set forth above have been made and that the user will make the disclosure described below.

Upon the written request of a consumer made within a reasonable period of time after the disclosures required above, the user must make a complete disclosure of the nature and scope of the investigation that was requested. This must be made in a written statement that is mailed, or otherwise delivered, to the consumer no later than five days after the date on which the request was received from the consumer or the report was first requested, whichever is later in time.

IV. OBLIGATIONS OF USERS OF CONSUMER REPORTS CONTAINING MEDICAL INFORMATION

Section 604(g) of the FCRA prohibits consumer reporting agencies from providing consumer reports that contain medical information for employment purposes, or in connection with credit or insurance transactions, without the specific prior consent of the consumer who is the subject of the report. In the case of medical information being sought for employment purposes, the consumer must explicitly consent to the release of the medical information in addition to authorizing the obtaining of a consumer report generally.

V. OBLIGATIONS OF USERS OF "PRESCREENED" LISTS

The FCRA permits creditors and insurers to obtain limited consumer report information for use in connection with unsolicited offers of credit or insurance under certain circumstances. *Sections 603(l), 604(c), 604(e), and 615(d)* This practice is known as "prescreening" and typically involves obtaining a list of consumers from a CRA who meet certain preestablished criteria. If any person intends to use prescreened lists, that person must (1) before the offer is made, establish the criteria that will be relied upon to make the offer and to grant credit or insurance, and (2) maintain such criteria on file for a three-year period beginning on the date on which the offer is made to each consumer. In addition, any user must provide with each written solicitation a clear and conspicuous statement that:

Information contained in a consumer's CRA file was used in connection with the transaction.

The consumer received the offer because he or she satisfied the criteria for credit worthiness or insurability used to screen for the offer.

Credit or insurance may not be extended if, after the consumer responds, it is determined that the consumer does not meet the criteria used for screening or any applicable criteria bearing on credit worthiness or insurability, or the consumer does not furnish required collateral.

The consumer may prohibit the use of information in his or her file in connection with future prescreened offers of credit or insurance by contacting the notification system established by the CRA that provided the report. This statement must include the address and toll-free telephone number of the appropriate notification system.

VI. OBLIGATIONS OF RESELLERS

Section 607(e) of the FCRA requires any person who obtains a consumer report for resale to take the following steps:

Disclose the identity of the end-user to the source CRA.

Identify to the source CRA each permissible purpose for which the report will be furnished to the end-user.

Establish and follow reasonable procedures to ensure that reports are resold only for permissible purposes, including procedures to obtain:
(1) the identity of all end-users;

(2) certifications from all users of each purpose for which reports will be used; and

(3) certifications that reports will not be used for any purpose other than the purpose(s) specified to the reseller. Resellers must make reasonable efforts to verify this information before selling the report.

VII. LIABILITY FOR VIOLATIONS OF THE FCRA

Failure to comply with the FCRA can result in state or federal enforcement actions, as well as private lawsuits. *Sections 616, 617, and 621.* In addition, any person who knowingly and willfully obtains a consumer report under false pretenses may face criminal prosecution. *Section 619*

Attachment 21: Prescribes Summary of consumer rights

Appendix A to Part 601

Prescribed Summary of Consumer Rights

The prescribed form for this summary is as a separate document, on paper no smaller than 8x11 inches in size, with text no less than 12-point type (8-point for the chart of federal agencies), in bold or capital letters as indicated. The form in this appendix prescribes both the content and the sequence of items in the required summary. A summary may accurately reflect changes in numerical items that change over time (e.g., dollar mounts, or phone numbers and addresses of federal agencies), and remain in compliance.

A Summary of Your Rights
Under the Fair Credit Reporting Act

The federal Fair Credit Reporting Act (FCRA) is designed to promote accuracy, fairness, and privacy of information in the files of every "consumer reporting agency" (CRA). Most CRAs are credit bureaus that gather and sell information about you -- such as if you pay your bills on time or have filed bankruptcy -- to creditors, employers, landlords, and other businesses. You can find the complete text of the FCRA, 15 U.S.C. 1681-1681u, at the Federal Trade Commission's web site (*http://www.ftc.gov*). The FCRA gives you specific rights, as outlined below. You may have additional rights under state law. You may contact a state or local consumer protection agency or a state attorney general to learn those rights.

- **You must be told if information in your file has been used against you.** Anyone who uses information from a CRA to take action against you -- such as denying an application for credit, insurance, or employment -- must tell you, and give you the name, address, and phone number of the CRA that provided the consumer report.

- **You can find out what is in your file.** At your request, a CRA must give you the information in your file, and a list of everyone who has requested it recently. There is no charge for the report if a person has taken action against you because of information supplied by the CRA, if you request the report within 60 days of receiving notice of the action. You also are entitled to one free report every twelve months upon request if you certify that (1) you are unemployed and plan to seek employment within 60 days, (2) you are on welfare, or (3) your report is inaccurate due to fraud. Otherwise, a CRA may charge you up to eight dollars.

- **You can dispute inaccurate information with the CRA.** If you tell a CRA that your file contains inaccurate information, the CRA must investigate the items (usually within 30 days) by presenting to its information source all relevant evidence you submit, unless your dispute is frivolous. The source must review your evidence and report its findings to the CRA. (The source also must advise national CRAs -- to which it has provided the data -- of any error.) The CRA must give you a written report of the investigation, and a copy of your report if the investigation results in any change. If the CRA's investigation does not resolve

the dispute, you may add a brief statement to your file. The CRA must normally include a summary of your statement in future reports. If an item is deleted or a dispute statement is filed, you may ask that anyone who has recently received your report be notified of the change.

- **Inaccurate information must be corrected or deleted.** A CRA must remove or correct inaccurate or unverified information from its files, usually within 30 days after you dispute it. **However, the CRA is not required to remove accurate data from your file unless it is outdated (as described below) or cannot be verified.** If your dispute results in any change to your report, the CRA cannot reinsert into your file a disputed item unless the information source verifies its accuracy and completeness. In addition, the CRA must give you a written notice telling you it has reinserted the item. The notice must include the name, address and phone number of the information source.

- **You can dispute inaccurate items with the source of the information.** If you tell anyone -- such as a creditor who reports to a CRA -- that you dispute an item, they may not then report the information to a CRA without including a notice of your dispute. In addition, once you've notified the source of the error in writing, it may not continue to report the information if it is, in fact, an error.

- **Outdated information may not be reported.** In most cases, a CRA may not report negative information that is more than seven years old; ten years for bankruptcies.

- **Access to your file is limited.** A CRA may provide information about you only to people with a need recognized by the FCRA -- usually to consider an application with a creditor, insurer, employer, landlord, or other business.

- **Your consent is required for reports that are provided to employers, or reports that contain medical information.** A CRA may not give out information about you to your employer, or prospective employer, without your written consent. A CRA may not report medical information about you to creditors, insurers, or employers without your permission.

- **You may choose to exclude your name from CRA lists for unsolicited credit and insurance offers.** Creditors and insurers may use file information as the basis for sending you unsolicited offers of credit or insurance. Such offers must include a toll-free phone number for you to call if you want your name and address removed from future lists. If you call, you must be kept off the lists for two years. If you request, complete, and return the CRA form provided for this purpose, you must be taken off the lists indefinitely.

- **You may seek damages from violators.** If a CRA, a user or (in some cases) a provider of CRA data, violates the FCRA, you may sue them in state or federal court.

The FCRA gives several different federal agencies authority to enforce the FCRA:

FOR QUESTIONS OR CONCERNS REGARDING:	**PLEASE CONTACT:**
CRAs, creditors and others not listed below	Federal Trade Commission Consumer Response Center - FCRA

	Washington, DC 20580 1-877-382-4367 (Toll-Free)
National banks, federal branches/agencies of foreign banks (word "National" or initials "N.A." appear in or after bank's name)	Office of the Comptroller of the Currency Compliance Management, Mail Stop 6-6 Washington, DC 20219 800-613-6743
Federal Reserve System member banks (except national banks, and federal branches/agencies of foreign banks)	Federal Reserve Board Division of Consumer & Community Affairs Washington, DC 20551 202-452-3693
Savings associations and federally chartered savings banks (word "Federal" or initials "F.S.B." appear in federal institution's name)	Office of Thrift Supervision Consumer Programs Washington, DC 20552 800-842-6929
Federal credit unions (words "Federal Credit Union" appear in institution's name)	National Credit Union Administration 1775 Duke Street Alexandria, VA 22314 703-518-6360
State-chartered banks that are not members of the Federal Reserve System	Federal Deposit Insurance Corporation Division of Compliance & Consumer Affairs Washington, DC 20429 800-934-FDIC
Air, surface, or rail common carriers regulated by former Civil Aeronautics Board or Interstate Commerce Commission	Department of Transportation Office of Financial Management Washington, DC 20590 202-366-1306
Activities subject to the Packers and Stockyards Act, 1921	Department of Agriculture Office of Deputy Administrator - GIPSA Washington, DC 20250 202-720-7051

Attachment 22: Information Request form

Information Request Form

The Credit Bureau of Egypt only reports information provided by your creditors and information that is available in public records or other reliable sources. We do not create the information contained in your report. You can help us ensure the accuracy of your information by closely reviewing this report. If you see anything that appears to bre inaccurate, you may request that we investigate it. We will contact the original source that provided the information and request that they verify the accuracy and or completeness of the information they reported. We will also verify information with the public record sources. All investigations will be completed within 20 days of your request. We will provide you with written results of our investigation once it is complete.

To request an investigation, please fill out this form and return it to: The Credit Bureau of Egypt, (address), (telephone number).

Please fill out the following information so that we may accurately identify you in our files:

_____	_____	_____
Name	File Number	Date of your report

1**. Personal Information**

If any personal identifying information is incorrect or incomplete, please write the corrections below:

_____
Name

_____
Address

_____
Government identification number

_____
Driver's License Number

_____
Passport Number

_____
Telephone number

2. **Investigation details**

_____	_____
Account Name	Account Number

Reason for Investigation:

- o Not my account
- o Never paid late
- o Paid in full

- o Paid before collection
- o In Bankruptcy
- o Inaccurate/not up to date
- o Other

Comments”

.

Account Name Account Number

Reason for Investigation:

- o Not my account
- o Never paid late
- o Paid in full
- o Paid before collection
- o In Bankruptcy
- o Inaccurate/not up to date
- o Other

Comments”

Account Name Account Number

Reason for Investigation:

- o Not my account
- o Never paid late
- o Paid in full
- o Paid before collection
- o In Bankruptcy
- o Inaccurate/not up to date
- o Other

Comments”

Account Name Account Number

Reason for Investigation:

- o Not my account
- o Never paid late
- o Paid in full
- o Paid before collection
- o In Bankruptcy
- o Inaccurate/not up to date
- o Other

Comments”

Account Name Account Number

Reason for Investigation:

- o Not my account
- o Never paid late
- o Paid in full
- o Paid before collection
- o In Bankruptcy
- o Inaccurate/not up to date
- o Other

Comments”

3. Inquiries

I did not apply for credit, insurance or employment at the following inquirers to my credit report:

Account number Date of Inquiry

Account number Date of Inquiry

Account number Date of Inquiry

4. Additional Information (optional)

Please use this space for additional information you may wish to furnish regarding the accuracy of your credit report.

Attachment 23: Application for Consumer Reports

Application for Use of Consumer Reports

Company Information

Business Name (Hereafter Client)			
Street Address (Physical Address)	City	Provinc	P
Tax or Client Identification Number	Year Business was Established		
Main Contact	Title	Work Phone	

Principal of Business Information

Principal Name	Title	Work Phone
Home Address		
City/Province/Postal Code		
Home Phone Number		Government

Business References

Business Reference (Name/Company/Title)		Contact Number	
Street Address	City	Provinc	P
Business Reference (Name/Company/Title)		Contact Number	
Street Address	City	Provinc	P
Business Reference (Name/Company/Title)		Contact Number	
Street Address	City	Provinc	P

Bank Reference

Bank Reference (Name/Company/Title)		Contact Number	
Street Address	City	Provinc	P

Credit Reporting Law Information

For the Purposes of the Credit Reporting Law Please describe your company's business (required):

Please indicate your intended use of information (check all that apply):

- ☐ Related to transaction involving providing, increasing, renewing or amending the terms of any form of credit with respect to subject consumer.
- ☐ Employment purpose (CLIENT WILL IDENTIFY TO THE CREDIT BUREAU EACH TIME A REPORT IS REQUESTED FOR THIS PURPOSE).

- ☐ Insurance services.
- ☐ Lease contracts.
- ☐ Accepting a guarantor or guarantee in any form.

Bona Fide Business Verification

One of the following must be attached, indicate which by checking the appropriate box:

☐ Copy of Business License	☐ Articles of Incorporation or Organization	☐ Corporation verification
	☐ State and/or Federal tax records	

Each of the following must be attached:

☐ Advertising Material or Business Card	☐ Copy of Business Check

Employment Screening Information

If you selected Employment Purposes you must provide the following:

- ☐ Employment Compliance Certification Form

Lease Contracts Attachment Information

If you selected Tenant Screening under FCRA you must provide three completed rental applications and one of

☐ Three completed rental applications	☐ Document filings in Landlord/Tenant Court	☐ Verify membership in local/regional/national Apartment Association

Please provide name of housing complex

Are you an individual ☐ Yes ☐ No If yes, you must provide the following

☐ Copy of title	☐ Public records search of property	☐ Copy of Tax Assessor's office records
☐ Copy of property tax document	☐ Property insurance documents	

Approval

Client certifies that the terms on this and the prior pages have been read, the information is accurate and that the undersigned agrees to the terms of this Application as written on behalf of his or her organization or business and represents that he / she is authorized to execute on behalf of the party so indicated, with facsimile signatures construed as valid and binding marks. In the case of an individual business, the undersigned agrees that a consumer report may be obtained in connection with this Application.

Client

_____
Signature

_____
Name Typed or Printed

_____
Title

_____
Date

Attachment 24: FTC dispute form

Use this form to submit a complaint to the Federal Trade Commission (FTC) Bureau of Consumer Protection about a particular company or organization. This form also may be used to submit a complaint to the FTC concerning media violence. The information you provide is up to you. However, if you do not provide your name or other information, it may be impossible for us to refer, respond to, or investigate your complaint or request. To learn how we use the information you provide, please read our Privacy Policy.

While the FTC does not resolve individual consumer problems, your complaint helps us investigate fraud, and can lead to law enforcement action. 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 worldwide.

We use secure socket layer (SSL) encryption to protect the transmission of the information you submit to us when you use our secure online forms. The information you provide to us is stored securely.

IMPORTANT:
* If you want to file a complaint about a violation of National Do Not Call Registry or register your telephone number on the Registry, Please go to www.donotcall.gov
* If you want to file a report about Identity Theft, please use our Identity Theft Complaint Form.
* If you want to file a complaint about an online transaction that involves a foreign company, please use our econsumer.gov complaint form.

If you have a specific complaint about unsolicited commercial e-mail (spam), use the form below. You can forward spam directly to the Commission at SPAM@UCE.GOV without using the complaint form.

How Do We Reach You?

First Name:

Last Name:

Age Range: "Click" Arrow for Choices

Street Address:

City:

State or Canadian Province: "Click" Arrow for Choices

Country: "Click" Arrow for Choices

Zip Code or Postal Code:

E-Mail Address:

Home Phone: ( ) *(Area Code)(Phone Number)*
(Numbers Only)

Work Phone: ( ) Ext. *(Area Code)(Phone Number)(Extension)*
(Numbers Only)

Social Security Number: - - *Enter Only For Complaints Relating to the Accuracy of Your Credit Report*
(Numbers Only)

Tell Us Your Complaint...

Subject of Your Complaint: "Click" Arrow for Choices

Name of Company You Are Complaining About:

Check If Company Name Is Unknown:

Street Address:

City:

State or Canadian Province: "Click" Arrow for Choices

Country: "Click" Arrow for Choices

Zip Code or Postal Code:

Company Web Site:

Company E-Mail Address:

Phone Number: ( ) Ext. *(Area Code)(Phone Number)(Extension)*
(Numbers Only)

How Did the Company Initially Contact You? "Click" Arrow for Choices

How Much Did the Company Ask You to Pay? *(Numbers Only)*

How Much Did You Actually Pay the Company? *(Numbers Only)*

How Did You Pay the Company? "Click" Arrow for Choices

Did You File a Dispute with the Credit Bureau? "Click" Arrow for Choices

Did You File a Dispute with the Credit Bureau More Than 45 Days Ago? "Click" Arrow for Choices

REPRESENTATIVE OR

SALESPERSON
First Name:

Last Name:

Date Company Contacted You: (MM/DD/YYYY)

Explain Your Problem: (Please limit your complaint to 2000 characters.):

Submit Complaint | Clear Form

Attachment 25: How to interpret your credit report

How to Interpret Your Credit Report

This form should be easy to understand and should provide an explanation of the codes on the credit report form. The credit report should have the following sections:

1. The **identification section** contains the consumers name, address, government identification number, employer and any other identifiers.
2. The **account section** contains credit accounts and other accounts provided by data furnishers.
3. The **public record section** contains information of public record such as liens, judgments and bankruptcies.
4. The **inquiry section** contains information about who inquired and received a copy of the report.
5. the final section would contain **consumer statements** that the consumer added if he or she disagrees with information on the report.

It is most helpful if the explanation follows the same layout as the report and explains the codes in each of the sections.

Attachment 26: Consent form

The following can be at the end of a loan agreement with an entity for which consent is required.

CONSENT

I understand that under the Egyptian Credit Reporting Law, information about my account may be furnished to the Credit Bureau of Egypt. I hereby consent that such information may be so provided.

Agreed: Date:_____

_____-
Name

_____
Print Name

Address: _____

_____

Government issued ID number_____

Attachment 27: (a) Service Agreement (Utility) (b) Service Agreement Financial Institution

SERVICE AGREEMENT
UTILITY

In order to obtain CONFIDENTIAL credit information, the undersigned (hereinafter referred to as "SUBSCRIBER") requests The Credit Bureau of Egypt, (hereinafter referred to as "Credit Bureau") for the use of its services in furnishing credit reports under terms and conditions outlined below, and in consideration of the mutual benefits, SUBSCRIBER and Credit Bureau enter into the following agreement.

A. THE SUBSCRIBER AGREES:

1. To comply with all provisions of the Egyptian Credit Reporting Law (ECRL) (cite).

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2. Subscriber is a Public Utility and has a permissible purpose for obtaining credit reports, as defined by Section ___ of the ECRL The Subscriber certifies their permissible purpose as:

   ☐ in connection with furnishing services to the individual on whom a report will be requested;

   ☐ in connection with collecting any amounts owed by the individual.

3. That it will request credit reports pursuant to procedures prescribed by Credit Bureau from time to time only for the permissible purpose certified above, and will use the reports obtained for no other purpose.

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4. Acknowledges and warrants that as applicable: (a) it shall abide by and accept responsibility for accessing, processing and using the above referenced Reports in accordance with the ECRL as well as all other applicable laws and regulations governing access to the Reports; (b) it shall obtain a proper release and authorization from each subject if required by law or regulation prior to requesting a Report on that applicant; and (c) compliance and keeping up to date with such requirements and laws is the responsibility of the Subscriber. In order to comply with the ECRL, Subscriber understands that they must maintain a log on credit report information, with transaction details, for a minimum of three (3) years. Subscriber agrees that it will secure credit reports on individuals solely for its use only for the purposes checked above and that it will neither request nor use any such information for any other purpose. Subscriber further agrees to take all reasonable precautions to ensure that the Reports information on individuals will be held in strict confidence, disclosed only to those of its employees whose duties reasonably relate to the legitimate business purpose for which the information was requested and not disclosed to any other person in whole or in part unless required by valid subpoena or court order. Subscriber shall refer consumer questions or comments regarding the Reports to Credit Bureau, providing Credit Bureau's name, address and telephone number to any consumer that is the subject of the disputed Report.

5 ECRL PROVIDES THAT ANY PERSON WHO KNOWINGLY AND WILLFULLY OBTAINS INFORMATION ON A CONSUMER FROM A CREDIT REPORTING AGENCY UNDER FALSE PRETENSES SHALL BE FINED OR IMPRISONED FOR NOT MORE THAN _____YEARS, OR BOTH.

6 That it shall use Reports only for a one-time use, and to hold the report in strict confidence, and not to disclose it to any third parties; provided, however, that Subscriber may, but is not required to, disclose the report to the subject of the report only in connection with an adverse action based on the report.

7 And acknowledges that any and all credit reports obtained from Credit Bureau shall not, for any reason, be altered or modified at any time. Possible inaccuracies should be made known to Credit Bureau, at which time Credit Bureau will re-investigate and return corrected copy if warranted.

8 To abide by the following security requirements:

- Subscriber's code and password must be protected and should only be known by supervisory personnel. Under no circumstances should unauthorized persons have knowledge of this information. Subscriber code and password should not be posted in any manner within Subscriber's offices.
- Subscriber's code and password are not to be released by telephone to any unknown callers.
- Any system access software or hardware you use, whether developed by Subscriber or purchased from a vendor, must have Subscriber number and password 'hidden' or embedded so that the code and/or password is known only to supervisory personnel.
- Subscriber further agrees that it is its responsibility to notify Credit Bureau if there is a change to a user's status or if a user's employment is terminated.

9 To pay Credit Bureau upon receipt of statement for the service rendered during the previous 30-day period according to the current rate schedule in effect. All payments shall be due ten (10) days after receipt of the invoice. Past due amounts shall accrue interest at the rate of 1.5% per month. If collection efforts are required, Subscriber shall pay all costs of collection including attorney's fees.

10 I hereby give Credit Bureau permission to access my personal credit report for the purpose of establishing me as personal guarantor for Subscriber. I agree to personally guarantee payment for any billing generated that remains outstanding/owed to Credit Bureau by Susbscriber. The Personal Guarantor is as follows:

NAME
Identification Number_____

ADDRESS

SIGNATURE _____

TITLE _____ DATE _____

B. Credit Bureau AGREES:

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1. To provide Subscriber a credit reporting service on individuals. Credit Bureau reserves the right to change the schedule of services and charges, from time to time.

2. To make available other credit services as may be deemed by Credit Bureau to be beneficial to Subscriber and which are complementary to the normal Credit Bureau function.

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C. IT IS MUTUALLY AGREED:

1. Credit Bureau shall use good faith in attempting to obtain information from sources deemed reliable, but does not guarantee the accuracy of information reported, and in no event shall Credit Bureau be held liable in any manner whatsoever for any loss or injury to Subscriber resulting from the obtaining or furnishing of such information; and further that Subscriber agrees to hold Credit Bureau harmless and indemnify it from any and all claims, losses, and damages arising out of alleged liability or failure of the Subscriber to keep and perform any of its obligations described herein

2. This Agreement shall remain in force and effect for one year from the date hereof, and thereafter, from year to year, on the same basis as set forth herein except that either party may cancel this Agreement at any time upon notice at least 10 days prior to the end of the current monthly payment period.

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3. It is further agreed, however, that with just cause, such as delinquency or violation of the terms of the contract or a legal requirement, Credit Bureau may, upon its election, discontinue serving Subscriber and cancel this Agreement immediately.

4. The parties hereto agree that this instrument is the full and complete Agreement between them regarding the furnishing of credit information, and is not to be altered, varied, or enlarged upon by any verbal promises, statements, or representations not expressed herein. This Agreement shall not be binding on either party until accepted by Credit Bureau.

Whereas, the parties hereto, intending to be legally bound, have caused this Agreement to be executed by their duly authorized representatives as of the last date and year written below. The parties hereto agree that a facsimile transmission of this fully executed Agreement shall constitute an original and legally binding document.

CLIENT:	Credit Bureau of Egypt
ADDRESS:	ADDRESS:
Signed by:	Signed by:
Printed	Printed Name:
Name:	

SERVICE AGREEMENT
FINANCIAL INSTITUTION

In order to obtain CONFIDENTIAL credit information, the undersigned (hereinafter referred to as "SUBSCRIBER") requests The Credit Bureau of Egypt, (hereinafter referred to as "Credit Bureau") for the use of its services in furnishing credit reports under terms and conditions outlined below, and in consideration of the mutual benefits, SUBSCRIBER and Credit Bureau enter into the following agreement.

A. THE SUBSCRIBER AGREES:

1. To comply with all provisions of the Egyptian Credit Reporting Law (ECRL) (cite).

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2. Subscriber is a Financial Institution and has a permissible purpose for obtaining credit reports, as defined by Section ___ of the ECRL The Subscriber certifies their permissible purpose as:

   ☐ in connection with providing, increasing, renewing, or amending the terms of any form of credit involving the subject of the report;

   ☐ in connection with the accepting a guarantor or guarantee in any form involving the subject of the report;

3. That it will request credit reports pursuant to procedures prescribed by Credit Bureau from time to time only for the permissible purpose certified above, and will use the reports obtained for no other purpose.

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4. Acknowledges and warrants that as applicable: (a) it shall abide by and accept responsibility for accessing, processing and using the above referenced Reports in accordance with the ECRL as well as all other applicable laws and regulations governing access to the Reports; (b) it shall obtain a proper release and authorization from each subject if required by law or regulation prior to requesting a Report on that applicant; and (c) compliance and keeping up to date with such requirements and laws is the responsibility of the Subscriber. In order to comply with the ECRL, Subscriber understands that they must maintain a log on credit report information, with transaction details, for a minimum of three (3) years. Subscriber agrees that it will secure credit reports on individuals solely for its use in credit or collection between itself and the individual to whom information relates and that it will neither request nor use any such information for any other purpose. Subscriber further agrees to take all reasonable precautions to ensure that the Reports information on individuals will be held in strict confidence, disclosed only to those of its employees whose duties reasonably relate to the legitimate business purpose for which the information was requested and not disclosed to any other person in whole or in part unless required by valid subpoena or court order. Subscriber shall refer consumer questions or comments regarding the Reports to Credit Bureau, providing Credit Bureau's name, address and telephone number to any consumer that is the subject of the disputed Report.

5. ECRL PROVIDES THAT ANY PERSON WHO KNOWINGLY AND WILLFULLY OBTAINS INFORMATION ON A CONSUMER FROM A CREDIT REPORTING AGENCY UNDER FALSE PRETENSES SHALL BE FINED OR IMPRISONED FOR NOT MORE THAN _____YEARS, OR BOTH.

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6. That it shall use Reports only for a one-time use, and to hold the report in strict confidence, and not to disclose it to any third parties; provided, however, that Subscriber may, but is not required to, disclose the report to the subject of the report only in connection with an adverse action based on the report.
7. And acknowledges that any and all credit reports obtained from Credit Bureau shall not, for any reason, be altered or modified at any time. Possible inaccuracies should be made known to Credit Bureau, at which time Credit Bureau will re-investigate and return corrected copy if warranted.
8. To abide by the following security requirements:
   - Subscriber's code and password must be protected and should only be known by supervisory personnel. Under no circumstances should unauthorized persons have knowledge of this information. Subscriber code and password should not be posted in any manner within Subscriber's offices.
   - Subscriber's code and password are not to be released by telephone to any unknown callers.
   - Any system access software or hardware you use, whether developed by Subscriber or purchased from a vendor, must have Subscriber number and password 'hidden' or embedded so that the code and/or password is known only to supervisory personnel.
   - Subscriber further agrees that it is its responsibility to notify Credit Bureau if there is a change to a user's status or if a user's employment is terminated.
9. To pay Credit Bureau upon receipt of statement for the service rendered during the previous 30-day period according to the current rate schedule in effect. All payments shall be due ten (10) days after receipt of the invoice. Past due amounts shall accrue interest at the rate of 1.5% per month. If collection efforts are required, Subscriber shall pay all costs of collection including attorney's fees.

10 I hereby give Credit Bureau permission to access my personal credit report for the purpose of establishing me as personal guarantor for Subscriber. I agree to personally guarantee payment for any billing generated that remains outstanding/owed to Credit Bureau by Susbscriber. The Personal Guarantor is as follows:

NAME
Identification Number_____

ADDRESS

SIGNATURE _____

TITLE _____ DATE _____

B. Credit Bureau AGREES:

1. To provide Subscriber a credit reporting service on individuals. Credit Bureau reserves the right to change the schedule of services and charges, from time to time.
2. To make available other credit services as may be deemed by Credit Bureau to be beneficial to Subscriber and which are complementary to the normal Credit Bureau function.

C. IT IS MUTUALLY AGREED:

1. Credit Bureau shall use good faith in attempting to obtain information from sources deemed reliable, but does not guarantee the accuracy of information reported, and in no event shall Credit Bureau be held liable in any manner whatsoever for any loss or injury to Subscriber resulting from the obtaining or furnishing of such information; and further that Subscriber agrees to hold Credit Bureau harmless and indemnify it from any and all claims, losses, and damages arising out of alleged liability or failure of the Subscriber to keep and perform any of its obligations described herein

2. This Agreement shall remain in force and effect for one year from the date hereof, and thereafter, from year to year, on the same basis as set forth herein except that either party may cancel this Agreement at any time upon notice at least 10 days prior to the end of the current monthly payment period.

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3. It is further agreed, however, that with just cause, such as delinquency or violation of the terms of the contract or a legal requirement, Credit Bureau may, upon its election, discontinue serving Subscriber and cancel this Agreement immediately.

4. The parties hereto agree that this instrument is the full and complete Agreement between them regarding the furnishing of credit information, and is not to be altered, varied, or enlarged upon by any verbal promises, statements, or representations not expressed herein. This Agreement shall not be binding on either party until accepted by Credit Bureau.

Formatted: Bullets and Numbering

Whereas, the parties hereto, intending to be legally bound, have caused this Agreement to be executed by their duly authorized representatives as of the last date and year written below. The parties hereto agree that a facsimile transmission of this fully executed Agreement shall constitute an original and legally binding document.

CLIENT:	Credit Bureau of Egypt
ADDRESS:	ADDRESS:
Signed by:	Signed by:
Printed Name:	Printed Name:

Attachment 28: Service Agreement (Retail lender)

SERVICE AGREEMENT
RETAIL LENDER

In order to obtain CONFIDENTIAL credit information, the undersigned (hereinafter referred to as "SUBSCRIBER") requests The Credit Bureau of Egypt, (hereinafter referred to as "Credit Bureau") for the use of its services in furnishing credit reports under terms and conditions outlined below, and in consideration of the mutual benefits, SUBSCRIBER and Credit Bureau enter into the following agreement.

A. THE SUBSCRIBER AGREES:

1. To comply with all provisions of the Egyptian Credit Reporting Law (ECRL) (cite).

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2. Subscriber is a retail establishment and has a permissible purpose for obtaining credit reports, as defined by Section ___ of the ECRL The Subscriber certifies their permissible purpose as:

☐ in connection with providing, increasing, renewing, or amending the terms of any form of credit involving the subject of the report;

☐ in connection with collecting any amounts owed by the subject of the report.

3. That it will request credit reports pursuant to procedures prescribed by Credit Bureau from time to time only for the permissible purpose certified above, and will use the reports obtained for no other purpose.

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4. Acknowledges and warrants that as applicable: (a) it shall abide by and accept responsibility for accessing, processing and using the above referenced Reports in accordance with the ECRL as well as all other applicable laws and regulations governing access to the Reports; (b) it shall obtain a proper release and authorization from each subject if required by law or regulation prior to requesting a Report on that applicant; and (c) compliance and keeping up to date with such requirements and laws is the responsibility of the Subscriber. In order to comply with the ECRL, Subscriber understands that they must maintain a log on credit report information, with transaction details, for a minimum of three (3) years. Subscriber agrees that it will secure credit reports on individuals solely for its use in credit and collection of amounts owed and that it will neither request nor use any such information for any other purpose. Subscriber further agrees to take all reasonable precautions to ensure that the Reports information on individuals will be held in strict confidence, disclosed only to those of its employees whose duties reasonably relate to the legitimate business purpose for which the information was requested and not disclosed to any other person in whole or in part unless required by valid subpoena or court order. Subscriber shall refer consumer questions or comments regarding the Reports to Credit Bureau, providing Credit Bureau's name, address and telephone number to any consumer that is the subject of the disputed Report.

5. ECRL PROVIDES THAT ANY PERSON WHO KNOWINGLY AND WILLFULLY OBTAINS INFORMATION ON A CONSUMER FROM A CREDIT REPORTING AGENCY UNDER FALSE PRETENSES SHALL BE FINED OR IMPRISONED FOR NOT MORE THAN _____YEARS, OR BOTH.

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6. That it shall use Reports only for a one-time use, and to hold the report in strict confidence, and not to disclose it to any third parties; provided, however, that Subscriber may, but is not required to, disclose the report to the subject of the report only in connection with an adverse action based on the report.

7. And acknowledges that any and all credit reports obtained from Credit Bureau shall not, for any reason, be altered or modified at any time. Possible inaccuracies should be made known to Credit Bureau, at which time Credit Bureau will re-investigate and return corrected copy if warranted.

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8. To abide by the following security requirements:

- Subscriber's code and password must be protected and should only be known by supervisory personnel. Under no circumstances should unauthorized persons have knowledge of this information. Subscriber code and password should not be posted in any manner within Subscriber's offices.

- Subscriber's code and password are not to be released by telephone to any unknown callers.

- Any system access software or hardware you use, whether developed by Subscriber or purchased from a vendor, must have Subscriber number and password 'hidden' or embedded so that the code and/or password is known only to supervisory personnel.

- Subscriber further agrees that it is its responsibility to notify Credit Bureau if there is a change to a user's status or if a user's employment is terminated.

9. To pay Credit Bureau upon receipt of statement for the service rendered during the previous 30-day period according to the current rate schedule in effect. All payments shall be due ten (10) days after receipt of the invoice. Past due amounts shall accrue interest at the rate of 1.5% per month. If collection efforts are required, Subscriber shall pay all costs of collection including attorney's fees.

10. 10 I hereby give Credit Bureau permission to access my personal credit report for the purpose of establishing me as personal guarantor for Subscriber. I agree to personally guarantee payment for any billing generated that remains outstanding/owed to Credit Bureau by Susbscriber. The Personal Guarantor is as follows:

NAME
Identification Number_____

ADDRESS

SIGNATURE _____

TITLE _____ DATE _____

B. Credit Bureau AGREES:

1. To provide Subscriber a credit reporting service on individuals. Credit Bureau reserves the right to change the schedule of services and charges, from time to time.

2. To make available other credit services as may be deemed by Credit Bureau to be beneficial to Subscriber and which are complementary to the normal Credit Bureau function.

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C. IT IS MUTUALLY AGREED:

1 Credit Bureau shall use good faith in attempting to obtain information from sources deemed reliable, but does not guarantee the accuracy of information reported, and in no event shall Credit Bureau be held liable in any manner whatsoever for any loss or injury to Subscriber resulting from the obtaining or furnishing of such information; and further that Subscriber agrees to hold Credit Bureau harmless and indemnify it from any and all claims, losses, and damages arising out of alleged liability or failure of the Subscriber to keep and perform any of its obligations described herein

2 This Agreement shall remain in force and effect for one year from the date hereof, and thereafter, from year to year, on the same basis as set forth herein except that either party may cancel this Agreement at any time upon notice at least 10 days prior to the end of the current monthly payment period.

3 It is further agreed, however, that with just cause, such as delinquency or violation of the terms of the contract or a legal requirement, Credit Bureau may, upon its election, discontinue serving Subscriber and cancel this Agreement immediately.

4 The parties hereto agree that this instrument is the full and complete Agreement between them regarding the furnishing of credit information, and is not to be altered, varied, or enlarged upon by any verbal promises, statements, or representations not expressed herein. This Agreement shall not be binding on either party until accepted by Credit Bureau.

Whereas, the parties hereto, intending to be legally bound, have caused this Agreement to be executed by their duly authorized representatives as of the last date and year written below. The parties hereto agree that a facsimile transmission of this fully executed Agreement shall constitute an original and legally binding document.

CLIENT:	Credit Bureau of Egypt
ADDRESS:	ADDRESS:
Signed by:	Signed by:
Printed	Printed Name:
Name:	

Attachment 29: (a) Data Furnisher Agreement Public Records and (b) Financial Institutions

DATA FURNISHERS REPORTING AGREEMENT
Public Records

This DATA FURNISHERS REPORTING AGREEMENT (this "Agreement") is made and entered into by and between Credit Bureau of Egypt LLC ("Credit Bureau of Egypt"), and _____ (hereinafter referred to as "Furnisher"),

1. PURPOSE OF AGREEMENT
A. Credit Bureau of Egypt is a "consumer reporting agency," as such term is defined by the Egyptian Credit Reporting Law (ECRL).
B. For this purpose, Credit Bureau of Egypt maintains centralized computer databases containing credit and non-credit data with respect to consumers. Such databases are routinely maintained and updated by receipt of consumer credit history and other information obtained from various automated and non-automated sources. Furnisher desires to provide to Credit Bureau of Egypt, and Credit Bureau of Egypt desires to obtain, information maintained by Furnisher subject to the terms and conditions stated herein.
2. SPECIFIC COMMITMENTS OF FURNISHER
A. Furnisher agrees to furnish to Credit Bureau of Egypt, information from its records that it obtains from the public records. Such information will be furnished
and updated no less frequently than at monthly intervals, unless otherwise agreed in writing. Furnisher hereby certifies that all information furnished to Credit Bureau of Egypt shall be complete and accurate.
B. Except as otherwise set forth herein, or as mutually agreed in writing, Furnisher shall provide its information in the most current computer format prescribed by the
ECRL.
D. Upon request by Credit Bureau of Egypt, Furnisher shall reverify disputed information through the public record source. If in response to a consumer dispute verification request received from Credit Bureau of Egypt, Furnisher desires to change any information relating to a public record it has previously reported, Furnisher shall update the entire record on both the verification response and in its own internal records to conform with such change. Subsequent customer record updates provided by Furnisher, shall reflect such change.
E. In the event that it desires to update or change information outside the course of its regular automated reporting ("maintenance"), Furnisher shall submit such maintenance through such nationwide automated maintenance network as may be available and in which Credit Bureau of Egypt participates, such as the Automated Universal Data Form (AUDF), through Furnisher's monthly accounts receivables tapes, or in writing in such other form and format as may be prescribed by Credit Bureau of Egypt. Furnisher certifies that all information supplied by it through the maintenance process shall be complete and accurate. If Furnisher submits maintenance regarding a trade line it has previously reported, Furnisher shall update the entire trade line on both the maintenance request and in its own internal records to conform with such change.
Subsequent customer record updates provided by Furnisher shall reflect such change.
F. Furnisher shall be liable for its own acts of negligence, and Furnisher shall hold Credit Bureau of Egypt harmless and indemnify Credit Bureau of Egypt for any loss, cost, expense or liability (including attorneys fees) incurred by Credit Bureau of Egypt as a result

of Furnisher's negligence in the furnishing of data to Credit Bureau of Egypt, Furnisher's failure to perform any of its obligations described in this Agreement, or Furnisher's failure to comply with the ECRL.

3. SPECIFIC COMMITMENTS OF CREDIT BUREAU OF EGYPT

A. Credit Bureau of Egypt agrees that it will use commercially reasonable efforts to accurately process and incorporate into its databases the information furnished to it by Furnisher and which Credit Bureau of Egypt selects for incorporation into its database. Credit Bureau of Egypt will have complete discretion as to when and what data provided by Furnisher is included and maintained in its centralized databases, and when and what data is purged from its databases. Credit Bureau of Egypt may use data that Furnisher provides in Credit Bureau of Egypt's credit reporting and ancillary businesses, to the fullest extent permitted by applicable law, including but not limited to those purposes set forth in the ECRL.

B. Because the information to be furnished by Furnisher is intended to be added to Credit Bureau of Egypt's computer databases for inclusion in consumer reports, accessible pursuant to the FCRA by Credit Bureau of Egypt's subscribers and the consumers which are the subject of such information, it is understood by Furnisher that Credit Bureau of Egypt does not promise to keep confidential the information provided by Furnisher.

C. Credit Bureau of Egypt shall use commercially reasonable efforts to promptly and accurately process and incorporate into its database any maintenance or consumer dispute verifications furnished to it by Furnisher, in accordance with the requirements of the FCRA or other applicable state or federal law. In the event that Credit Bureau of Egypt deems any maintenance or verification response of Furnisher to be incomplete, internally inconsistent, or otherwise inaccurate, Credit Bureau of Egypt, in its sole discretion, may revise the item of information to conform with information supplied by the consumer, reject the maintenance or verification response and delete the information from its database, or make any other revisions that it deems necessary or appropriate.

4. MISCELLANEOUS

A. Waiver of Rights: Failure on the part of either Furnisher or Credit Bureau of Egypt to avail itself of or enforce any of its rights or remedies hereunder shall not be a waiver of its rights to do so thereafter. Either party may seek and obtain legal or equitable relief in any court of competent jurisdiction whether or not notice of default or termination shall have been previously given or whether or not such moving party intends to terminate this Agreement.

B. Force Majeure: Notwithstanding any provision to the contrary herein contained, Credit Bureau of Egypt shall not be liable to Furnisher for any failure, delay or interruption in performance as to any obligation thereunder resulting from any cause beyond its control, including but not limited to governmental orders, legislation or regulations, labor strikes, acts of God, fires, electrical failure. Such failure, delay or interruption shall not constitute a breach hereunder.

C. Disclaimer of Warranties: Neither party makes any representation, warranties or guarantees other than those which are expressed herein. In no event shall Credit Bureau of Egypt be liable for any claims for any loss, economic or otherwise, incurred by Furnisher or its customers relating to or arising out of Credit Bureau of Egypt's failure to include or delay in including Furnisher's data on Credit Bureau of Egypt's databases.

D. Notices: All notices permitted or required to be given pursuant to this Agreement shall be in writing and shall be deemed duly served or given if hand delivered or sent by certified mail, postage prepaid, return receipt requested, addressed as follows:

Furnisher: _____

_____

_____

_____

Attn.:_____

Credit Bureau of Egypt: Credit Bureau of Egypt LLC

_____

_____
_____
Attn.:_____

Either party may change its notice address by providing within ten (10) days written notice of such change.
E. Property Rights: All information incorporated in whole or in part into Credit Bureau of Egypt's
databases, as well as all computer programs and systems pertaining to Credit Bureau of Egypt's
databases, are and shall continue to be the exclusive property of Credit Bureau of Egypt.
F. Relationship of Parties: Nothing contained in this Agreement shall be construed as creating a joint venture, partnership, principal-agent, or mutual agency relationship between the parties hereto; and neither party shall, by virtue of this Agreement, have any right or power to create any obligation, expressed or implied, in behalf of the other party.
G. Captions: The captions and headings contained herein are included for convenience of reference only and shall not be construed as part of this Agreement.
H. Entire Agreement: This Agreement states the entire understanding and agreement between the parties in respect of the provision of data by Furnisher to Credit Bureau of Egypt, and
supersedes all prior agreements, correspondence or discussions regarding the topic.
No modification, alteration or amendment of this Agreement shall be valid or effective unless reduced to writing and executed by both parties.
I. Survival of Certain Provisions: This Agreement contains certain provisions intended to be effective after the termination hereof; to that extent, such provisions shall survive any termination of this Agreement.
J. Term: The term of this Agreement shall commence on the date hereof and shall remain in effect for one (1) year, and thereafter shall automatically renew for successive one (1) year terms, except that either party thereto may terminate this Agreement upon a prior thirty (30) day written notice to the other.
IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized officers on this ____ day of _____, 20 ___ .
Credit Bureau of Egypt LLC Furnisher: _____
By: _____ By: _____
Print Name: _____ Print Name: _____
Title: _____ Title: _____
Date: _____ Date: _____
MM/SS: _____

DATA FURNISHERS REPORTING AGREEMENT
Financial Institution

This DATA FURNISHERS REPORTING AGREEMENT (this "Agreement") is made and entered into by and between Credit Bureau of Egypt LLC ("Credit Bureau of Egypt"), and _____ (hereinafter referred to as "Furnisher"),

1. PURPOSE OF AGREEMENT
A. Credit Bureau of Egypt is a "consumer reporting agency," as such term is defined by the Egyptian Credit Reporting Law (ECRL).
B. For this purpose, Credit Bureau of Egypt maintains centralized computer databases containing credit and non-credit data with respect to consumers. Such databases are routinely maintained and updated by receipt of consumer credit history and other information obtained from various automated and non-automated sources. Furnisher desires to provide to Credit Bureau of Egypt, and Credit Bureau of Egypt desires to obtain, information maintained by Furnisher subject to the terms and conditions stated herein.
2. SPECIFIC COMMITMENTS OF FURNISHER
A. Furnisher agrees to furnish to Credit Bureau of Egypt, information from its credit accounts with individuals. Such information will be furnished
and updated no less frequently than at monthly intervals, unless otherwise agreed in writing. Furnisher hereby certifies that all information furnished to Credit Bureau of Egypt shall be complete and accurate.
B. Except as otherwise set forth herein, or as mutually agreed in writing, Furnisher shall provide its information in the most current computer format prescribed by the
ECRL.
D. Upon request by Credit Bureau of Egypt, Furnisher shall reverify disputed information through its records. If in response to a consumer dispute verification
request received from Credit Bureau of Egypt, Furnisher desires to change any information relating to the account information it has previously reported, Furnisher shall update the entire record on both the verification response and in its own internal records to conform with such change. Subsequent customer record updates provided by Furnisher, shall reflect such change.
E. In the event that it desires to update or change information outside the course of its regular automated reporting ("maintenance"), Furnisher shall submit such
maintenance through such nationwide automated maintenance network as may be available and in which Credit Bureau of Egypt participates, such as the Automated Universal Data Form (AUDF), through Furnisher's monthly accounts receivables tapes, or in writing in such other form and format as may be prescribed by Credit Bureau of Egypt. Furnisher certifies that all information supplied by it through the maintenance process shall be complete and accurate. If Furnisher submits maintenance regarding a trade line it has previously reported, Furnisher shall update the entire trade line on both the maintenance request and in its own internal records to conform with such change.
Subsequent customer record updates provided by Furnisher shall reflect such change.
F. Furnisher shall be liable for its own acts of negligence, and Furnisher shall hold
Credit Bureau of Egypt harmless and indemnify Credit Bureau of Egypt for any loss, cost, expense or liability (including attorneys fees) incurred by Credit Bureau of Egypt as a result of Furnisher's negligence in the furnishing of data to Credit Bureau of Egypt, Furnisher's failure to perform any of its obligations described in this Agreement, or Furnisher's failure to comply with the ECRL.

3. SPECIFIC COMMITMENTS OF CREDIT BUREAU OF EGYPT

A. Credit Bureau of Egypt agrees that it will use commercially reasonable efforts to accurately process and incorporate into its databases the information furnished to it by Furnisher and which Credit Bureau of Egypt selects for incorporation into its database. Credit Bureau of Egypt will have complete discretion as to when and what data provided by Furnisher is included and maintained in its centralized databases, and when and what data is purged from its databases. Credit Bureau of Egypt may use data that Furnisher provides in Credit Bureau of Egypt's credit reporting and ancillary businesses, to the fullest extent permitted by applicable law, including but not limited to those purposes set forth in the ECRL.

B. Because the information to be furnished by Furnisher is intended to be added to Credit Bureau of Egypt's computer databases for inclusion in consumer reports, accessible pursuant to the FCRA by Credit Bureau of Egypt's subscribers and the consumers which are the subject of such information, it is understood by Furnisher that Credit Bureau of Egypt does not promise to keep confidential the information provided by Furnisher.

C. Credit Bureau of Egypt shall use commercially reasonable efforts to promptly and accurately process and incorporate into its database any maintenance or consumer dispute verifications furnished to it by Furnisher, in accordance with the requirements of the ECRL. In the event that Credit Bureau of Egypt deems any maintenance or verification response of Furnisher to be incomplete, internally inconsistent, or otherwise inaccurate, Credit Bureau of Egypt, in its sole discretion, may revise the item of information to conform with information supplied by the consumer, reject the maintenance or verification response and delete the information from its database, or make any other revisions that it deems necessary or appropriate.

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C. Disclaimer of Warranties: Neither party makes any representation, warranties or guarantees other than those which are expressed herein. In no event shall Credit Bureau of Egypt be liable for any claims for any loss, economic or otherwise, incurred by Furnisher or its customers relating to or arising out of Credit Bureau of Egypt's failure to include or delay in including Furnisher's data on Credit Bureau of Egypt's databases.

D. Notices: All notices permitted or required to be given pursuant to this Agreement shall be in writing and shall be deemed duly served or given if hand delivered or sent by certified mail, postage prepaid, return receipt requested, addressed as follows:

Furnisher: _____

_____

_____

_____

Attn.:_____

Credit Bureau of Egypt: Credit Bureau of Egypt

_____

_____

_____

Attn.:_____

Either party may change its notice address by providing within ten (10) days written notice of such change.

E. Property Rights: All information incorporated in whole or in part into Credit Bureau of Egypt's databases, as well as all computer programs and systems pertaining to Credit Bureau of Egypt's databases, are and shall continue to be the exclusive property of Credit Bureau of Egypt.

F. Relationship of Parties: Nothing contained in this Agreement shall be construed as creating a joint venture, partnership, principal-agent, or mutual agency relationship between the parties hereto; and neither party shall, by virtue of this Agreement, have any right or power to create any obligation, expressed or implied, in behalf of the other party.

G. Captions: The captions and headings contained herein are included for convenience of reference only and shall not be construed as part of this Agreement.

H. Entire Agreement: This Agreement states the entire understanding and agreement between the parties in respect of the provision of data by Furnisher to Credit Bureau of Egypt, and supersedes all prior agreements, correspondence or discussions regarding the topic. No modification, alteration or amendment of this Agreement shall be valid or effective unless reduced to writing and executed by both parties.

I. Survival of Certain Provisions: This Agreement contains certain provisions intended to be effective after the termination hereof; to that extent, such provisions shall survive any termination of this Agreement.

J. Term: The term of this Agreement shall commence on the date hereof and shall remain in effect for one (1) year, and thereafter shall automatically renew for successive one (1) year terms, except that either party thereto may terminate this Agreement upon a prior thirty (30) day written notice to the other.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective duly authorized officers on this ____ day of _____, 20 ___ .

Credit Bureau of Egypt LLC Furnisher: _____

By: _____ By: _____

Print Name: _____ Print Name: _____

Title: _____ Title: _____

Date: _____ Date: _____

MM/SS: _____

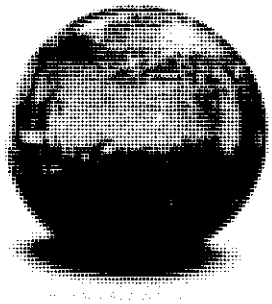
Attachment 30: KPMG Background Screening

Attachment 31: Chicago Tribune article

KPMG

backgroundscreening

FALL 2003



The market is undergoing dramatic change. What are the opportunities for your business?

Often the success of a business can be attributed to capitalizing on a market opportunity with singular focus. While this focus can be essential to success, it is equally important in a dynamic marketplace to understand broader industry developments and how they can impact value and the competitive landscape. In this update, we will provide our perspective on where we are, where we are headed, and what opportunities exist for the owners and executives of background screening companies.

Where We Are — The Landscape Today

Background screening is a large and growing market. Estimates of the size of the market vary significantly depending on how it is defined. We use the term "background screening" to encompass the full range of screening and testing services, and estimate that this market is approximately US$2 billion in size. The market today is characterized by a barbell shape, with five large participants on one end (US Investigations, First Advantage, ChoicePoint, Kroll, and ADP), a large number of smaller players on the other, and relatively few companies in between. Some of the small to

The background screening market has been characterized by significant growth rates, attractive margins, and relatively low barriers to entry. As a result, investment capital and new participants have been drawn to the industry. In addition to large strategic players, there are a number of private equity backed mid-sized firms that are focused on growth and becoming major players in the industry. Recently, the market has become more competitive due to the impact of the weak economy on employment, the increasing number of competitors, and efforts by the larger players to aggressively build market share, especially among larger customers.

Where We Are Headed — Key Near-Term Trends

We believe that there are a number of key trends that are likely to impact the background screening market over the next year.

- **Overall, demand for background screening services should continue to rise.** We believe that the recent growth in background screening has been driven primarily by secular factors,

background screening–related businesses since 2000.

growth and margins, a highly fragmented marketplace, and

advantages of size and diversification should continue to fuel M&A activity over the near term. Acquired incremental revenue can be highly profitable for companies that have the capacity to leverage their existing infrastructure investments. Further, public company acquirers can create immediate value for their shareholders by making accretive acquisitions and entering or expanding their presence in a high growth market.

In addition to the large background screening companies, many of which are well capitalized and committed to growth through acquisitions, there are a number of strategic and financial parties without an existing presence in the market that are seeking platform investments. (A platform investment is generally defined as an initial acquisition that offers critical mass and a scalable business, i.e., one that can support significant organic or acquisition–driven growth.)

- **The larger participants are likely to capture a greater share of the market over time.** We believe that the differences between the larger and smaller firms are likely to become more pronounced and that size is an important advantage in this market. A larger firm is better positioned to make critical investments in technology, personnel, and marketing, and can offer a broad array of value–added and human resources–related services.

  Further, the buying process by larger customers tends to evolve toward more centralized purchasing; as vendor lists shorten and customer demands and pricing pressures increase, it will be difficult for smaller providers to win or maintain these relationships. These competitive advantages, together with better access to capital and a commitment to growth through acquisitions, will likely result in a greater share of the market being captured by the larger participants and an increased focus by smaller firms on local, niche, or vertical market opportunities. We also believe that the composition of the larger competitors will likely change to include many of the existing large players and some of the mid-sized firms that are well positioned for growth.

  covering consumer information and background screening is challenging. Many employers and background screening companies are not focused on the issue, cannot afford the investment required to stay compliant, or choose not to make the investment as a calculated risk of doing business. We believe that the increased visibility of background screening and the sensitivity of the information involved are likely to lead to increased litigation and scrutiny of the process. The burden of compliance will continue to emerge as an important barrier to entry for the industry and it is another factor that favors larger firms that can better leverage the required investment.

- **With basic background screening services increasingly viewed as a commodity, firms will continue to focus on differentiating themselves.** With many firms offering the same basic services and pricing, there will be an increased emphasis on differentiators such as breadth of services, key alliances, vertical or geographic expertise, and market positioning. For example, a boutique provider focused on customer service and compliance will price and market its services differently than a low-end provider focused primarily on driving volume. Differentiating a business can help to drive growth and profits, and the extent of differentiation can have a direct impact on how a business is valued.

What Opportunities Exist

Background screening is a rapidly evolving industry. The opportunities for growth and profits have attracted significant capital investment that has accelerated the pace of change. It is essential that business owners and executives in a market like this stay abreast of current developments and think strategically about their business. In general, owners and executives have three strategic alternatives: seek growth opportunities (either organically or through acquisitions, or both), sell, or try to maintain the status quo.

Owners or executives who are focused on the status quo or organic growth should recognize the likely increase in competition on the horizon and use the coming months to strengthen

Recent M&A Activity in the Background Screening Industry

Deal Date	Buyer Name	Seller Name	Strategic Rationale
Oct-03	ChoicePoint Inc	Applicant Screening and Processing	Broaden range of services and expand regional presence
Sep-03	First Advantage Corporation	Omega Insurance Services	Broaden range of services
Sep-03	First Advantage Corporation	Employee Information Services Inc	Increase market share in drug testing and add services
Sep-03	Verifications Incorporated	Live Response LLC	Expand presence in drug testing
Aug-03	First Advantage Corporation	Continental Compliance Systems	Increase market share in drug testing and add services
Aug-03	First Advantage Corporation	Total Information Source, Inc.	Increase market share and expand regional expertise
Aug-03	First Advantage Corporation	Liberatore Services, Inc.	Broaden range of services and expand regional presence
Aug-03	Kroll Inc.	Factual Data Corporation	Broaden range of services and acquire scalable technology
Aug-03	LexisNexis Group (Reed Elsevier PLC)	Dolan Media	Acquire data collection expertise and strong brands/products
Aug-03	LocatePLUS Holdings Corp	Intersect Corporation	Broaden range of services and expand geographic coverage
Jul-03	Fidelity National Financial Inc.	Fidelity National Information Solutions, Inc.	Acquire full control of partially owned business
Jun-03	ChoicePoint Inc	Mortgage Asset Research Institute Inc.	Acquire complementary products, services and databases
Jun-03	First American Corporation	US Search.com Corporation	Increase market share and add services
May-03	Information Architects Corporation	Accurate Research Solutions	Increase market share
Mar-03	Kroll Inc.	Certico Verification Services	Increase market share
Feb-03	CoreFacts LLC	Trelex Ltd	Acquire international presence and investigative expertise
Feb-03	Know It All Background Research Services Inc.	Resolve LLC	Increase market share
Jan-03	ChoicePoint Inc	National Data Retrieval Inc.	Acquire complementary products, services and databases
Jan-03	Sterling Testing Systems Inc	Apartment Credit Service/Employers Resource	Broaden range of services and customer base

Source: Company press releases and public filings

continue to create opportunities for participants with a range of strengths, from smaller participants with low overhead to larger players with advanced, integrated solutions.

Owners or executives who are interested in exploring the alternative of acquiring or selling a background screening business need to understand the unique dynamics of the M&A market. It is an active market with a broad range of buyers and sellers and valuations that can vary significantly. While factors such as market share, brand name, reputation, and management strength all impact valuation, two of the primary determinants of value are the extent of infrastructure investment made by the seller and the objectives of the buyer.

Many firms claim to have made an investment in technology, but still have a significant manual or fax-based component to their business. Firms that have invested in technology that streamlines the process and can accommodate growth are being valued at a significant premium by buyers seeking to make a platform investment in the industry (these buyers include strategic acquirers without an existing presence in background screening as a new strategic relationship, or a significant process improvement. In contrast, smaller companies that have not made the investment in technology or do not offer a unique value proposition are typically acquired by existing industry participants for their customer list and are valued at a more traditional four to six times adjusted earnings (EBITDA, or earnings before interest, taxes, depreciation, and amortization, is typically used as the base performance metric in valuing a business).

While we anticipate that the M&A market for background screening companies will continue to be strong over the coming months, the level of future activity will be a function of how the industry evolves, as well as whether sellers have realistic value expectations. Platform businesses can achieve premium valuations as new entrants continue to seek a presence in the industry, and non-platform companies can achieve solid valuations from existing strategic acquirers. Many potential sellers do not understand the distinction between the two transactions and the resulting impact on value, and further, fail to recognize that markets shift and windows of opportunities close (for both platform and non-platform businesses). For an owner who is contemplating a sale

KPMG

Conclusion

The background screening industry is undergoing significant change. Many existing players are taking actions to secure or advance their position in the market, including broadening service offerings, completing acquisitions, expanding geographic coverage, establishing alliances, and investing in infrastructure. In addition, a number of companies not currently in the market are evaluating the industry and assessing whether and how to enter the growing background screening market.

As the demand for screening and testing services increases and the market matures, opportunities for screening companies will continue to evolve. These opportunities will vary depending on the profile of the company—whether it is a leading industry player, a mid-sized platform, or a small company trying to build a business. Understanding the key industry dynamics and their impact on the business will be essential to effectively evaluating strategic alternatives and securing a company's position in the market.

KPMG Corporate Finance

As a leading middle market M&A adviser globally, KPMG Corporate Finance's global practice has the experience and service offering to meet clients' investment banking and strategic advisory needs. With 1,600 professionals operating in 51 countries, we have the global reach and industry knowledge to advise clients on mergers and acquisitions, sales and divestitures, buyouts, financings, restructurings, fairness opinions, and other strategic initiatives. In addition, we remain independent of financing sources, helping to ensure that our efforts are objective and aligned with the goals of our clients.

KPMG Corporate Finance was named Mid-Market Advisor of the Year in the Thomson Financial *Acquisitions Monthly* 2003 Awards and we regularly outrank almost all other financial advisers by volume of deals completed annually.

2000	No. of deals
1. CSFB/DLJ	663
2. KPMG Corporate Finance	544
3. JP Morgan/Chase	509
4. Morgan Stanley DW	382
5. Goldman Sachs	381
6. Salomon Smith Barney	379
7. Merrill Lynch	298
8. UBS Warburg	277
9. PricewaterhouseCoopers	271
10. Deutsche Bank	249

Source: Thomson Financial Securities Data

2001	No. of deals
1. CSFB/DLJ	441
2. KPMG Corporate Finance	420
3. JP Morgan/Chase	405
4. Goldman Sachs	340
5. Salomon Smith Barney/ Citigroup	336
6. Morgan Stanley DW	305
7. UBS Warburg	249
8. Merrill Lynch	230
9. Deutsche Bank	223
10. PricewaterhouseCoopers	195

2002	No. of deals
1. CSFB/DLJ	344
2. KPMG Corporate Finance	320
3. Salomon Smith Barney/ Citigroup	312
4. JP Morgan/Chase	290
5. Morgan Stanley DW	268
6. Goldman Sachs	252
7. Merrill Lynch	201
8. PricewaterhouseCoopers	199
9. Deutsche Bank	190
10. UBS Warburg	188

2003 through 9/30/03	No. of deals
1. KPMG Corporate Finance	218
2. CSFB/DLJ	176
3. Goldman Sachs	173
4. Salomon Smith Barney/ Citigroup	160
5. JP Morgan/Chase	159
6. UBS Warburg	148
7. Rothschild	147
8. Morgan Stanley DW	143
9. Deutsche Bank	140
10. Merrill Lynch	110

Contact Information

particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Financing and Debt Advisory Services are services of KPMG Corporate Finance. Corporate Finance Services, including Financing and Valuation Services, are not performed by all KPMG member firms and are not offered by member firms in certain jurisdictions due to legal or regulatory constraints.

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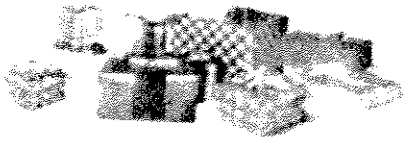
Get the gifts that Santa forgot.



Treat yours to values in Weekly A

Chicago Tribune

Sunday, January 8

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THE NEW STREET HUSTLE: A TRIBUNE SPECIAL REPORT UPDATE

1 stolen wallet, $412,000 in hole

Identity thieves cash in on 3 phony mortgages

By David Jackson
Tribune staff reporter
Published January 8, 2006

Second City student improv performer Meghan Ross took all the obvious steps when her wallet was snatched in a crowded bar three years ago.

Grabbing a cell phone, the 22-year-old canceled her credit cards and filed a police report. She woke her mother for advice.

She made follow-up inquiries over the next few days, then figured the ordeal was over, costing her the $40 in cash she lost.

Sixteen months later, in April 2004, a private detective tracked down Ross' parents and handed them a sheaf of court papers. Ross was being sued by giant lending companies based in New Jersey, California and Pennsylvania.

It turns out that her wallet had been filched by a sophisticated mortgage fraud crew.

Ross' story shows how something as simple as a stolen wallet--which used to mean somebody might run up a tab of a few hundred dollars at a nearby store--can plunge a victim into a world of high-stakes fraud involving people and places never heard of and sums never imagined.

Told in land records, interviews and internal loan company files, her ordeal also shows how the booming crime of mortgage fraud can play out beyond the reach of law-enforcement and lenders' safeguards.

Using Ross' identity in an audacious series of face-to-face scams, con artists secured home loans worth $412,300 on three West Side buildings that they didn't own.

Ross now has been sued by three lending companies seeking full repayment. Her family has paid about $10,000 in legal bills fending off those claims. And her good credit has been shredded--she can't rent an apartment or lease a car without her parents co-signing.

Ross met with several law-enforcement agencies but got little help. At one meeting, she recalls a Chicago police detective advising her to dye her hair and move out of town: "He told me, 'These people are dangerous.'"

Chicago police spokeswoman Monique Bond said Ross' case is closed, and it is not clear who the detectives were, but Bond said she could not imagine an officer saying that to a victim.

Following a trail from Ross' credit report through land records to title company documents to a title company, a Tribune reporter was able to trace Ross' stolen identity in less than two weeks.

Her identity was assumed by a 37-year-old check forger, Freddie "Knucklehead" Johnson, who was already on the lam when he began using her name in real estate transactions, the Tribune found.

On June 4, 2003, Johnson was scheduled to report to federal prison to begin a 15-month sentence for taking part in a conspiracy that used counterfeit checks to buy race car engines, jewelry and pit bull dogs. Johnson failed to show up at prison, federal court records show, and a judge immediately issued a warrant for his arrest.

But bank records indicate that he was still in Chicago.

A week after Johnson disappeared, on June 11, 2003, he endorsed and deposited one $75,818 mortgage check from the "Ross" closings in an account at a West Side bank, records examined by the Tribune show.

Two more deals followed within the next month. Johnson remains a fugitive, federal court records show.

Like Ross, the actual owners of the three West Side homes were plunged into legal and financial chaos.

The family of 75-year-old Ruth Williams spent personal funds--she declined to say how much--to clear the title to her brick two-story home at 4830 W. Arthington St.

"I got mine straightened out," Williams said. "I don't know about the others."

Two doors west, the owner of 4834 W. Arthington St. managed to forestall the court sale of his property. But Corey Latimer can't sell his building or borrow against it because a lending company hasn't released the phony mortgage.

"The house is just sitting there with a cloud on the title," said Latimer's attorney, Dennis Kral.

About a mile southeast stands the once-sturdy three-story at 1653 S. Kedvale Ave.

That building's owner never stepped forward to assert his claim in the tangle of litigation that followed the third phony "Ross" mortgage. Now that property is headed for a court-ordered sale to repay the bank left holding the fraudulent loan.

While traditional theft and forgery laws should protect all these victims, the complexity of mortgage fraud leaves law enforcement struggling to keep up. In addition to the police, Ross brought her case to the FBI, the U.S. Secret Service, the Federal Trade Commission, the U.S. Customs Service and the Cook County state's attorney's office. None has contacted her for more than a year, she said.

"They're done with us," Ross said.

A wallet disappears

It was just below freezing but dry and nearly windless on the December night in 2002 when Ross and her troupe stepped across the street to the Old Town Ale House, piling their coats on a chair. Minutes later, she and another woman reached for their wallets and came up empty.

Ross agreed to talk about what happened next despite concerns that she might provoke further retribution from the swindlers, all of whom apparently are still at large.

Ross' mother, Eileen Ross, is vice president and general manager of a real estate firm that specializes in industrial property. But even her expertise and industry connections were of little help.

Because the actual Meghan Ross did not take part in the land deals, her lawyers had no standing to obtain the confidential closing files that would show where the $412,300 in mortgage funds went.

"I can't find out who the broker was, who did the closing. But the lending companies sue Meghan," Eileen Ross said.

There are clues in Ross' credit report. Under a listing of her employers was a mysterious West Side company called RM Developers LLC.

Ross had never heard of the place. But her credit report showed that she started working there in May 2003, about six months after her wallet was filched.

State records show that counterfeiter Freddie Johnson created RM in 2002, shortly after his fourth forgery conviction. The three buildings were sold to "Ross" in June and July of 2003.

Lending firms ignored obvious signs of fraud as they hurried to sign loans they could quickly resell to stock investors.

Two closing packages included a photocopy of a driver's license with Ross' name on it. But the picture on the license is of a black woman with brown eyes--Ross is white with green eyes--and the license has no number assigned by the secretary of state.

The mortgage papers filed by one loan company said this "Ross" lived at 4620 W. Arthington St., while another lending firm listed "Ross" as living a mile east, at 3820 W. Arthington. In fact, both addresses were vacant lots.

Documents show that the closings for the three fraudulent "Ross" mortgages also were attended by a downtown attorney and a loan officer at a now-shuttered mortgage brokerage.

Lawyer Lorie Westerfield's name is on the three "Ross" loan closing packages, as the title agent, a notary who verified signatures and attorney for the purported sellers.

Westerfield, who maintains a busy downtown bankruptcy and real estate law practice while investing in Chicago property, declined to comment. She faces civil fraud allegations in an unrelated lawsuit brought by a West Side family who claim she helped orchestrate a mortgage scheme that cost them their home. Westerfield has not yet filed court papers in response to that civil lawsuit.

Federal agents raid offices

Records show that the three "Ross" mortgage applications were prepared by a loan officer from Express Mortgage, a rapidly growing Chicago loan brokerage that submitted mortgage applications to banks and lending companies. Express received $13,800 in fees.

Federal agents raided Express' offices in 2004 as part of an ongoing criminal probe, and the company closed last year amid tax debts and civil court allegations of fraud.

The Express loan officer listed on the Ross loans, 32-year-old Owen Pittman, was at the time serving probation for a felony weapons conviction. Pittman remained in the home loan business, holding a state provisional loan originator license from August 2004 through June 2005, when that license expired. He could not be located for comment.

In the documents from the first "Ross" transaction on June 10, 2003, a person posing as West Sider Ruth Williams sold 4830 W. Arthington St. to a person posing as Ross.

The real Ruth Williams had no idea the sale was taking place.

Williams' address was given as 6058 W. North Ave., which was actually the headquarters of Elite Mortgage Services, a loan company that worked with Westerfield on other deals.

A handwritten "letter of direction," purportedly signed by Williams, assigned all sale proceeds to RMD LLC, a variant name of the company created by forger Freddie Johnson.

A day later, Johnson endorsed the $75,818 check and deposited it into a Community Bank of Lawndale account. The check cleared a day after that, records show.

The second sale and mortgage closing took place one day after that, on June 13, 2003.

This time, someone posing as Ross borrowed $114,300 to buy the brick two-story at 4834 W. Arthington St.

Building owner Corey D. Latimer's home address was listed as 1336 S. Komensky Ave., which is actually a vacant lot.

The real Latimer couldn't have attended the sale and mortgage closing since at the time he was incarcerated at Dodge Correctional Institution in Wisconsin for an armed robbery conviction, court records show.

Latimer also purportedly signed a handwritten "letter of direction," this time diverting his $104,398 payout check to a 59-year-old Flossmoor resident named "Richard M. Preston," who had no role in the deals. The Tribune could locate no such person.

The third mortgage closing, for a brick three-story apartment building at 1653 S. Kedvale Ave., was held a few weeks after the Latimer sale. This time, "Richard Preston" cashed a $177,511 mortgage check.

In October 2004, city attorneys cited the building with dangerous housing code violations and put it on the fast track for demolition. City attorneys said in court that the untended shell was being used by squatters and drug dealers.

The company holding the fraudulent mortgage loan, Deutsche Bank National Trust Co., filed a court objection to the building's demolition, and the property is scheduled for a court-supervised foreclosure sale.

The mortgage placed in her name on that building has continued to haunt Ross. In October, the city of Chicago sent her an unpaid $715 water bill from the property.

Ross treated it as one more hassle in the ongoing mess. Now 25, she graduated from college with perfect credit. When she took out a loan to buy her first car, she didn't need a co-signer. She calls those days "such a long-ago memory."

Today, Ross said, "credit card companies won't talk to me, because they don't know it's me."

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