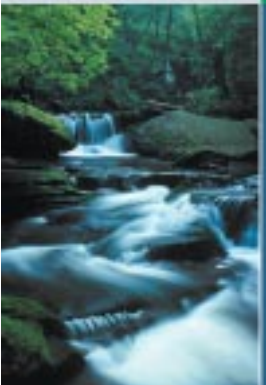


## How to Use the New Credit Reporting Law to Help You Get and Keep Good Credit



If you've ever found a mistake on your credit report, you may have found it more than a little frustrating trying to straighten it out. Although credit reports still aren't perfect, the good news is that they're getting better — and you have a lot more leverage than you used to if you discover a problem. That's because in 1996 Congress passed a new law designed to make credit reports more accurate and complete. That law is called the Consumer Credit Reporting Reform Act of 1996 and it amended the Fair Credit Reporting Act.

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Here's how the new law can help you fix your credit report and keep it in better shape:

## **Accuracy**

***This section effective 9-30-97***

### **The old law:**

Credit reporting agencies (also called "credit bureaus") were supposed to investigate mistakes consumers brought to their attention within "a reasonable time period," which sometimes stretched on for a long time. Also, the rules about how they were to handle those investigations weren't very specific.

### **The new law:**

If you dispute something in your report, the credit reporting agency generally has 30 days to investigate and correct it, if it's wrong. If you give the reporting agency any relevant information or proof to back up your side of

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the story, the reporting agency has to consider it and also has to supply that documentation to the company that reported the information in the first place.

When the investigation is completed, the reporting agency has to send the results to you within five business days, along with a notice about your rights under the credit reporting law. If corrections were made to the credit report, the reporting agency must send you a corrected copy.

### **The old law:**

If you found a mistake, it was your responsibility to track down all the reporting agencies that might have the wrong information and correct it with each of them. This could be very time-consuming.

### **The new law:**

Credit reporting agencies are required to use

an automated system so that if you dispute information and it's corrected by the creditor, that correction will be shared with all the other reporting agencies that may have the information.

### **The old law:**

If you told the reporting agency that there was incorrect information in your report and the reporting agency fixed it, there was nothing to prevent that same wrong information from being put right back on your credit report. Consumers with common names or those who had been the victims of credit fraud sometimes found themselves fighting about the same inaccurate information over and over again.

### **The new law:**

Reporting agencies are required to use reasonable procedures to keep information that has been deleted before from reappearing on credit reports. In fact, if you dispute information and the reporting agency deletes it, it's not allowed to put it back on your report unless **a)** the company that supplied the information to the credit reporting agency certifies it is correct, and **b)** within five business days, the credit reporting agency provides you with a notice including the name, address and phone number of the company supplying the information. The reporting agency is also required to give you a notice describing how you can add an explanatory statement to your file explaining your side of the story.

### **The old law:**

Lenders and other companies that supplied information about consumers to credit reporting agencies weren't even mentioned in the old law. This put the credit reporting agency in the middle of disputes and meant that if a company persisted in reporting inaccurate information about one of your accounts, there wasn't much you could do to force them to stop.

### **The new law:**

Creditors and other companies that furnish information are not allowed to provide information they “know or consciously avoid knowing” is inaccurate. If you or the credit reporting agency bring a mistake to a creditor’s attention, the creditor is required to quickly investigate and correct it, if it’s found to be wrong. Plus, the creditor must make the correction with all the reporting agencies that

were given the original information, saving you the hassle of trying to contact all of them. Also, if you notify the creditor that it has wrong information about your account, it has to report that the information is under dispute when it supplies it to a reporting agency.

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## **Closed Accounts**

***This section effective 9-30-97***

### **The old law:**

There was nothing that required lenders to tell the reporting agency when a customer closed an account. So it wasn’t unusual for consumers to find that their credit report listed old accounts they had closed as open.

### **The new law:**

If you close an account, the creditor has to tell the reporting agencies that you’ve closed it and the reporting agencies then have to list the account as closed at your request on your report. This can help improve your credit rating if you have too many lines of credit open and available. Of course, if you just stop using a credit card and don’t tell the issuer you want it closed, it won’t be reported as closed.

### **Tip:**

The safest way to close a credit card account is by sending a certified letter, return receipt requested, to the customer service department

of the card issuer. Ask the card issuer to close your account and to report your account to credit reporting agencies as “closed by consumer.” In approximately 10 days, the card issuer should send you a letter confirming that your account is closed by the consumer. If you don’t receive the confirmation letter, follow up by calling the card issuer to make sure it closed your card and is reporting it properly to the credit reporting agencies. You may even want to get another copy of your credit report to make sure it is reported correctly. To receive a consolidated credit report, be sure to visit Myvesta.org.

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## **Disclosures**

***This section effective 9-30-97***

### **The old law:**

It wasn’t uncommon for lenders to refuse to show consumers their own credit reports. You might have been turned down for a loan at a car dealer, for example, and the finance officer would tell you that there were problems on your report, but if you wanted to see it, you had to order your own copy and wait (sometimes several weeks) until it arrived. The reason for this was that reporting agencies thought consumers might get confused if they saw the lender’s version of their credit report — which was even more confusing than the already confusing consumer version!

### **The new law:**

Reporting agencies can’t prohibit lenders from showing consumers their own reports, as long as the consumer has been denied credit or some other benefit as a result of something in the report.

## Employment

***This section effective 9-30-97***

### **The old law:**

Employers were allowed to review your credit report without your knowledge or permission.

### **The new law:**

Employers must get your written permission before accessing your report. And before you're denied a job, promotion or some other benefit because of information in your credit report, the employer has to give you a copy along with a notice about your rights.

## Free Reports

***This section effective 9-30-97***

### **The old law:**

You could get a free report within 30 days only if you were denied credit or some other benefit due to information in your report.

### **The new law:**

You are still entitled to a free credit report if you are turned down for credit, but you have 60 days to request it. Also, you can also get a free credit report if you are unemployed and intend to apply for employment within 60 days; you are on public welfare; you believe you're a victim of credit fraud; or you have been notified by a collection agency affiliated with a credit reporting agency that your credit rating may be negatively affected. Otherwise, a copy of your report will cost about \$8 (adjusted each year for inflation).

## Inquiries

***This section effective 9-30-97***

### **The old law:**

"Inquiries" refer to the list of companies that have seen your credit report in the past two years. Credit reporting agencies used to be required to tell you who had accessed your report in the past six months for credit reasons,

or the past two years for employment reasons. However, the law didn't say anything about how those listings should read. So, what consumers often got was a list of coded or abbreviated names, sometimes impossible to decipher. It's important to be able to tell who has looked at your credit report in case it has been illegally accessed.

### **The new law:**

Reporting agencies now must list the full name, or complete business name, of anyone who reviewed your report in the past two years for employment reasons, or in the past year for any other reason. And, if you ask for it, agencies must tell you the address and telephone number of anyone listed as an inquiry.

## Negative Information

***This section effective 1-1-98***

### **The old law:**

Generally, negative information like late payments, collection accounts or charge-offs can only be reported for seven years. However, the old law wasn't very clear about when that seven-year period started. So, some people found this type of negative information reported for a very long time.

### **The new law:**

For information added to a credit report beginning January 1, 1998, the new law is much clearer about how the seven-year time frame works. Reporting agencies are allowed to report collection, profit-and-loss, charged-off or similar accounts, for seven years, beginning 180 days after the payment should have been made. Suppose, for example, you have a payment that was due January 1, 1998, but you've stopped paying, and the account is turned over to a collection agency in June 1998. The credit reporting agency can report that account, both the one with the original creditor, as well as the one with the collection agency, for only seven years plus 180 days

beginning January 1, 1998 (the original due date). Now, of course, if you get caught up and then later fall behind, that can start a whole new reporting time frame.

## **Pre-Approved Credit Offers**

***This section effective 9-30-97***

### **The old law:**

You've probably at some time received offers for pre-approved credit cards. This is the way it works: a lender asks the credit reporting agency to run a list of names through its databases and sort out the ones that meet the lender's qualifications. Those who pass this "pre-screening" are sent a pre-approved offer. The old law didn't specifically talk about pre-approved offers. So, the Federal Trade Commission interpreted the law and said that lenders who used pre-screening were required to send a "firm" offer of credit to everyone who passed the pre-screen. This meant that, unless you had declared bankruptcy, went to jail or something else extremely unusual happened in the meantime, you were supposed to get the card if you wanted it.

### **The new law:**

Lenders are still allowed to use pre-screening to select customers for offers and they are still required to make a firm offer of credit to anyone who passes. But, they are also allowed to create a secret list of additional qualifications that can be considered before a card is actually given. So, if you say "yes" to a pre-approved offer, you may still be turned down based on those other criteria. Essentially, this means that "pre-approved" is really just pre-selected, not pre-approved.

### **Tip:**

If you don't like the idea of your credit file being reviewed for these kinds of offers, you can call 1-888-5OPTOUT to place a pre-screening block on your file.

## **About Myvesta...**

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