

**The ONE SOURCE for all your credit reporting needs**

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**Aug. 31, 2008 Vol. 16, #8**

## REDFLAG INFORMATION

October 31, 2007, the federal financial institution regulatory agencies and the Federal Trade Commission published final rules on identity theft "red flags" and address discrepancies. The final rules implement sections 114 and 315 of the Fair and Accurate Credit Transactions Act of 2003. The final rule has been published in the Federal Register. The final rules are effective on January 1, 2008. Covered financial institutions and creditors must comply with the rules by November 1, 2008.

We have information regarding the RED FLAG FACTA requirements on our web page. Just click on Credit Products and then on RED FLAG RULES.

## FAIR CREDIT REPORTING RISK-BASED PRICING REGULATIONS

On May 8th, the Federal Reserve Board and the FTC "announced proposed regulations that generally would require a creditor to provide a consumer with a risk-based pricing notice when, based in whole or in part on the consumer's credit report, the creditor offers or provides credit to the consumer on terms less favorable than the terms it offers or provides to other consumers."

## CREDIT BUREAU SERVICE AGREEMENT CHANGES

Experian, Equifax and TU have notified us that due to changes in the FCRA in 2003, we must update our Credit Bureau Service Agreements. If you have not signed the new agreements, you will be receiving the new ones in the next 60 days. Please sign and return them to us as soon as possible.

We are expecting a follow up audit by the end of October. We will need the new contracts returned before then.

## NOTICES TO CONSUMERS

There are several times you need to give special notices to consumers.

**CREDIT SCORE NOTICE. A Notice of Credit Score** is only needed, in Illinois, when you are taking a mortgage as security for a loan. If the security is a mortgage on a 1 to 4 unit residence and you have pulled a credit score, then the "Notice of Credit Score" is required by the FCRA. This notice is provided in the "Other Reports" section of our MCL Mortgage Reports. It is also included as an option if you pull an Experian credit report.

## EMPLOYMENT CREDIT REPORTS

Regular credit reports **can not be used for employment purposes.** You must use an **Employment Credit Report.** Before you pull an **Employment Credit Report**, the Applicant must **FIRST** sign a separate authorization. The authorization can not be part of the Employment Application. **SECONDLY** the applicant must be given the NOTICE OF CONSUMER RIGHTS.

## CRIMINAL BACK GROUND CHECKS

Before you request a **Criminal Back Ground Check**, the consumer must sign an authorization giving you permission to pull a back ground check.

## AUTHORIZATION TO PULL A CREDIT REPORT.

The FCRA requires you to get the consumers permission to pull a credit report. This permission can be in the application they sign. This application must be kept for 25 months. If you pull a credit report based on a request over the internet or by phone, your application policy should be approved by an attorney to make sure you have complied with the FCRA.

## CONSUMER CREDIT SURGES 6.7 % IN JUNE

Consumers defy economists' expectations and add \$14.3 billion to outstanding debt balances in June.

U.S. consumers added a total of \$14.3 billion to outstanding debt in June, the largest jump in consumer credit in seven months, according to data released Thursday by the Federal Reserve.

The \$14.3 billion increase, corresponding to an annual growth rate of 6.7 %, far exceeded analysts' expectations. Economists polled by Bloomberg News had expected growth of around \$6.3 billion. In May, consumer credit expanded by \$8.1 billion, or at a 3.8 % annual rate, according to revisions released Thursday by the Fed.

Total consumer credit outstanding stood at \$2.59 trillion at the end of June. The Fed's monthly numbers, commonly called the G.19, do not include debt backed by real estate.

Consumers added \$5.5 billion to revolving credit, or credit card balances in June, a growth rate of 6.8 % annualized. In May, credit balances increased at a 7.6 % annual rate. For the second quarter, credit card balances increased at a 4.9 % annual rate compared to the 6.8 % annual growth rate for credit card debt in the first quarter.

Non-revolving credit – such as auto, student and personal loans – expanded at an annual rate of 6.6 %, or by a total of \$8.8 billion. For

the second quarter, non-revolving debt also expanded at an annual rate of 4.9 %, but that rate was the fastest for a quarter since the third quarter of 2007. (by Patrick Lunsford, insideARM, August 8, 2008)

## AMERICAN CONSUMERS MAKING AND SPENDING LESS, BUT OPTIMISTIC

Personal incomes and consumer spending fell in July, but consumers were more confident in the economy in August, according to various economic releases Friday.

How is the economy going? Different economic reports centered around consumers showed different directions today.

Though the credit crunch shows no signs of waning any time soon, the University of Michigan/Reuters Consumer Confidence Survey shows that consumers feel better about the economy than they have at any time since March.

Bankruptcy is on the rise. Are you getting the best return on your consumer bankruptcy debt?

The survey showed a consumer confidence index of 63.0 in August, up from 61.2 in July, and the highest mark since a reading of 69.5 in March.

Despite the positive consumer confidence report, there are other signs that the economy's challenges could become tougher.

The U.S. Commerce Department reported today that while consumer spending increased slightly in July, the rate of increase was slower than in the previous month, despite an inflation increase that was the most for a monthly period in 17 years.

Spending by U.S. consumers slowed in July as the impact of federal stimulus checks faded and a pickup in inflation eroded Americans' buying power.

The 0.2 % rise in purchases matched forecasts and followed a 0.6 % increase in June, the Commerce Department said today in Washington. Prices rose by the most in 17 years.

Part of the decline in purchases could be tied to a sharp decline in personal income, due primarily to the end of the economic stimulus checks that most consumers had received in June or May. According to the Commerce Department, personal income fell 0.7 % during the month, the largest decline since August 2005. Adjusting for inflation, personal income fell 1.7 % in July following a 2.6 % drop in June. (by Phil Britt,



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[www.insideARM.com](http://www.insideARM.com), August 29, 2008)

### 80 % OF CONSUMERS PAID NO OVERDRAFT FEES IN PAST YEAR: ABA SURVEY

80% of consumers have not paid an overdraft fee in the past 12 months, according to a recent survey by the American Bankers Association.

The annual survey of 1,000 consumers was conducted for the ABA by Ipsos-Reid on July 11-13, 2008. The list of questions asked was designed to take a snapshot of current consumer trends.

"The survey shows that most consumers are smart consumers, who manage their accounts well," said Nessa Feddis, ABA senior federal counsel and retail banking expert.

Of the 20% who have paid an overdraft fee in the past 12 months, they provided the following responses when asked how many:

- \* 27 % said one
- \* 25 % said two;
- \* 11 % said three
- \* 8 % said four;
- \* 5 % said five
- \* 13 % said six to 10
- \* 9 % said more than 10.

Most consumers (73%) said their bank covered the check or debit payment that caused the overdraft fee, while 27% said their bank did not. Of those who did pay an overdraft fee in the past 12 months, the vast majority (85%) said they were glad the payment was covered while 14% said they wished the bank had refused the payment.

"Consumers have made it clear that they want banks to pay their overdrafts so they can avoid the inconvenience, embarrassment and potential costs of having a payment or transaction rejected. At the same time, it's important for bank customers to know there are numerous ways to avoid paying overdraft fees," Feddis said. (August 8, 2008, [www.insideARM.com](http://www.insideARM.com))

### CONSUMERS FACING RISING MEDICAL DEBT

A growing number of U.S. adults are struggling to pay their medical bills, tapping into savings accounts, home equity and credit cards to cover health care costs, according to a survey released on Wednesday. An estimated 72 million Americans aged 19 to 64, or 41 %, said they had trouble paying for medical care in 2007, with some slipping far enough behind to face collection agencies. That compared to nearly 58 million, or 34 %, in 2005, the Commonwealth Fund survey found. The report comes as U.S. consumers face rising financial pressures, including higher energy costs, food bills and mortgage

payments. "Obviously, this medical debt can push people over the edge who are already close to the edge," said Karen Davis, president of the private foundation that promotes better access to health care. (8-2-2008, [www.creditandcollectionnews.com](http://www.creditandcollectionnews.com))

### SPEAKERS

We have presentations for our members, service clubs, churches, employers, high schools and colleges. The presentations range from 15 minutes to one hour. the topics we can cover are: ID Theft, Credit Scoring and Credit Reports.

If you would like us to speak to your employees, service club, church or school, please call us.

## MONEY SMART WEEK ILLINOIS

APRIL 19 TO 25, 2009  
[www.moneysmartweek.org](http://www.moneysmartweek.org)

If you would like to participate by conducting a program or by providing a location for one or more classes, please call: Larry Nelson, 309-353-5527.

### ILLINOIS AG ANNOUNCES PROPOSED CHANGES FOR CREDIT CARDS

The Illinois Attorney General joins a growing chorus of calls for tighter credit card regulations.

Illinois Attorney General Lisa Madigan is urging federal regulators to take steps even stronger than the ones they have proposed to reform some of the practices of the credit card industry.

"It is more important than ever that consumers be treated fairly and understand their credit card terms so that they can manage their finances accordingly," Madigan said in a prepared statement.

The proposed federal rule would give consumers more time to pay their credit card bills, require companies to allocate payments fairly between low-interest and high-interest account balances, and protect consumers

from certain unexpected increases in the interest rate on their existing balances.

Madigan recommends that when allocating payments on a card with different annual percentage rates, credit card companies should be required to put all of the payment toward the balance with the highest interest rate. Under the current proposal, credit card companies would be allowed to divide a payment among multiple balances, including the balance with the lowest annual interest rate.

Like Minnesota Democratic Senatorial candidate, Al Franken, ("Al Franken Proposes Sweeping Changes to Bankruptcy and Credit Card Laws," Aug. 14), Madigan wants to ban the practice of universal default, which permits credit card companies to raise the interest rate on a card's existing balance based on events that are entirely unrelated to the cardholder's payment history on the account – such as when the cardholder is carrying a high balance on another credit card or makes a late payment on a utility bill.

Madigan said that limitations on late fees and other penalty charges are especially important for families trying to regain their economic footing. Average late fees on credit cards rose from less than \$13 in 1994 to \$35 in 2007, while over-limit fees more than doubled, rising from \$11 to \$26.

According to Madigan's office, Americans are carrying \$2.56 trillion in consumer debt, up 22 % since 2000, and complaints related to credit and financial services ranked second among the top 10 consumer complaints filed with Madigan's office in 2007. Of the 32,577 complaints Madigan's consumer fraud bureau received last year, more than 1,000 concerned problems with credit card companies. (by Phil Britt, [www.insideARM.com](http://www.insideARM.com), August 15, 2008)

### KCB INFO SERVICES HOURS

Monday - Friday 9:00am to 4:30pm

KCB Information Services offers: Consumer credit reports, Business Credit reports, Employment Credit reports, Residential Mortgage Credit Reports, Merged Credit Reports, Criminal background checks, Tenant Screening Reports, Flood Zone Determination, Flood Life of Loan Certification, Identity Authentication and KCB Checking History Reports.

KCB Information Services has served businesses since 1928 and serves Central Illinois for Experian and Equifax.

*"Three little sentences that will get you through life.  
Number 1: Cover for me.  
Number 2: Oh, good idea, Boss!  
Number 3: It was like that when I got here."  
-- Homer Simpson*