



The ONE SOURCE for all your credit reporting needs

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## NEW RISK-BASED PRICING REQUIREMENTS BRING RELATIONSHIP-BUILDING OPPORTUNITIES

The next time a consumer asks about his or her credit score, consider it an opportunity.

Recent changes to the Risk-Based Pricing (RBP) rule may provide new opportunities to strengthen relationships by educating consumers about what their credit scores mean, how they're used, and how they can be improved. For many lenders and other businesses, this could be the first time they've had a chance to speak directly and openly with customers about their credit scores.

### The RBP rule is intended to improve financial literacy

As we've discussed, the Risk-Based Pricing Rule was instituted in response to policymaker concerns that consumers were not being sufficiently informed of the impact that credit reports can have on their annual percentage rate (APR). Now, when a lender makes a credit decision based on a consumer credit report and does not offer the best possible rate, or denies credit, the RBP Rule requires lenders to notify the customer about the decision – through either an explanation of the rate offered or disclosing a credit score.

### New requirements take effect on July 21

RBP compliance is changing following recent passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Companies will now be **required** to provide all customers with a credit score within a Risk Based Pricing Notice, along with educational material.

The new requirement is effective July 21, 2011. This is also the date when the new Bureau of Consumer Financial Protection (CFPB) is set to be fully operational.

### How to prepare for consumer questions about credit scores

Experian offers a number of resources to help lenders answer consumer questions. Online resources, including the Ask Experian column and our extensive Credit Education section, provide fundamental information to help consumers better understand credit scores and credit reports.

The Experian *Credit Score Basics* booklet, plus more than 20 other educational documents, are available electronically and formatted for easy printing and distribution. All documents, PowerPoint presentations, virtual seminars and

education videos are available on a free mini-disk.

## NEW ADVERSE ACTION REQUIREMENT

***The new Adverse Action Notice applies to everyone using credit scores!!***

If you turn some one down and you use a credit score, you must give the Model Name, the Type or Version, the Credit Score, the factors and, if Inquiries are one of the factors, you must tell the applicant that inquiries were a factor.

This law applies to EVERY APPLICATION, FROM ANY TYPE OF LENDER OR CREDITOR, THAT IS DENIED. That includes: Rental, Employment, Auto, Mortgage, Licensing and Insurance. Sample forms are on our Member Documents web page.

## AUDIT RESULTS

Our recent audit disclosed several problems with our members applications. Please review your applications to see that they comply with the FCRA.

- 1st: All applications need to have the creditors name on the top of the application.
- 2nd: The disclaimer and date must be immediately above the applicant's signature. (Disclaimer must give the creditor the authorization to access the applicant's credit report.)
- 3rd: Account Review Credit Reports must be used only for customers who have open accounts.
- 4th: Log in or access codes are assigned to one person. If more then one person uses an access code, that access code will be inactivated.
- 5th: The correct purpose code must be used when pulling reports or the user's access will be blocked.
- 6th: If you reject or condition a request for credit, and you pulled a credit score, you must give the applicant a copy of the score and score factors with the adverse action notice.

Other topics covered by the audit:

Many FICO agreements need to be updated. If you have not signed a FICO agreement in the the last year, we will be contacting you for a new agreement.

We must be notified when an employee is no longer authorized to pull reports and the reason they are no longer authorized to pull reports.

Experian is now requiring all users of credit reports to have training. We offer seminars

every few months and we will come to your office for training. If your employees have not been to one of our classes, please check our schedules on our web page or ask us to stop by your office.

Remember, failure to comply with the law because "I didn't know" is not an excuse and will not help you when you get a call from a customer's attorney.

## FDIC SUES LAW FIRM IN BAD LOAN CASE

The Federal Deposit Insurance Corp. is suing a Georgia law firm and one partner for legal malpractice in connection with a \$2.8 million loan that was among a portfolio of bad loans held by Integrity Bank when it failed.

Jampol, Schleicher, Jacobs & Papadakis, based in Alpharetta, Ga., and partner Michael E. Jacobs were sued in U.S. District Court in Atlanta.

The suit accuses Jacobs of mishandling the closing of a 2005 loan to a Smyrna, Ga., investment company. As a result, Integrity was unable to foreclose on a property that was supposed to have secured the loan, according to the FDIC's complaint.

The FDIC, as receiver for Integrity Bank, is seeking at least \$1.1 million in actual damages, as well as unspecified punitive damages, legal fees and expenses from the firm and Jacobs.

Integrity Bank failed and was shut down by the FDIC in August 2008 for operating in "an unsafe and unsound manner.

Jampol Schleicher is now known as North Atlanta Law Group. Its four name partners, including Jacobs, are still the firm's principals, according to its Web site. Jacobs could not be immediately reached for comment.

The FDIC does not comment on active litigation. The agency previously has sued other law firms for malpractice in connection with bad loans in failed bank portfolios, including after a string of savings and loan institutions collapsed in the U.S. in the late

1980s and early 1990s. (8-5-11, Collections & Credit Risk)

## COLLECTION COMPANY'S PRACTICES UNDER FIRE

A company you never heard of may be getting ready to raid your bank account for money you may or may not owe it. Midland Funding has filed more than 3,300 debt collection lawsuits



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in Sedgwick County in the past 5 1/2 years, totaling more than \$7 million in claims. It's part of a nationwide sweep by Midland of old and often written-off debt that has brought the company more than \$1 billion in collections in just the past two years. The majority of the local lawsuits result in default judgments in Midland's favor, because the defendants don't show up for court. It is unclear how many of the no-shows knew they were being sued because Kansas law doesn't require proof that the defendants received the legal papers. When

it wins judgments, Midland usually seeks to get money from the alleged debtors by garnishing their bank accounts. (8-8-11, Credit andCollectionNews.com)

**DELINQUENCIES ARE BELOW PRE-RECESSION LEVELS; MORTGAGE DELINQUENCIES ARE INCREASING**

Experian®, the leading global information services company, released its findings today on the credit card and mortgage payment behaviors\* of consumers both nationally and in the top 30 Metropolitan Statistical Areas (MSAs). Nationally, since 2007, 20 percent fewer credit card payments are 60 days late, but 25 percent more consumers are paying their mortgage 60 days late. The cities that showed the most improvements to bankcard payments include Cleveland, Ohio; San Antonio, Texas; Cincinnati, Ohio; Dallas, Texas; and Houston, Texas. Cities that have made the least improvements to their credit card payments include Riverside, Calif.; Seattle, Wash.; Tampa, Fla.; Phoenix, Ariz.; and Miami, Fla. Additionally, the data shows only four cities that improved in making mortgage payments: Cleveland, Ohio; Minneapolis, Minn.; Denver, Colo.; and Detroit, Mich. The charts below show the percentage of change from 2007 through 2011. (collectionandcreditnews.com, 8-13-11)

**MORE STUDENT LOANS ARE PAST DUE**

Student loans are on the rise, but so is the delinquency rate on them. On Monday Real Time Economics noted that since the depths of the recession the only type of credit to notch growth was student loans. Credit to students also stands out when looking at delinquency rates. In the second quarter, 11.2% of student loans were more than 90 days past due and the rate was steadily rising, according to data from the Federal Reserve Bank of New York. Only credit cards had a higher rate of delinquency - 12.2% - but those numbers have been on a steady decline for the past four quarters. Younger workers have continued to face the most difficult conditions in the labor market. Workers between 20 and 24 years old have a 14.6% unemployment rate,

compared to the national average of 9.1% recorded in July. That comes even as the share of 20- to 24-year-olds that are working or looking for a job is at the lowest level since the 1970s, before women entered the labor force en masse. (8-17-11, creditandcollectionnews.com)

**EDUCATION VIDEOS**

We have posted a link to several consumer education videos. Just click on the "Credit Scoring Explained" and then on the "Credit Education" link.

**CREDIT SEMINARS**

We will have two seminars in Peru on Friday Sept. 9th. The first class will be on Mortgage Credit reports will be 9:00am. The afternoon seminar at 1:00pm will cover correctly pulling, reading and understanding credit reports and credit scores. Call us or check our our web page for more information.

**CONSUMERS PAYING BILLS ON TIME, FLIRTING WITH NEW CREDIT**

Reports out this week signaled that even though consumers are inching up on their credit card debt, they are buckling down when it comes to making payments on time. Quarterly data released by Visa, MasterCard, Discover and American Express showed the average combined debt on all major credit cards increased to \$4,699 per borrower, up \$20 from the first three months of this year but still at near record-lows. But the per-borrower figure is down more than 5 percent from the \$4,951 average in the second quarter of 2010 and is 16 percent lower than the peak average debt of \$5,575 in the first quarter of 2009, notes credit tracker TransUnion. Despite the slightly higher card debt, TransUnion reported the rate of late credit card payments fell to a 17-year low in the second quarter. 8-22-11, www.creditandcollectionnews.com)

**4TH CREDIT BUREAUS TRACKING EVERY DOLLAR YOU SPEND**

After Suntrust and Wells Fargo announced they're adding debit card fees for customers in some states, some people told us they're thinking of changing banks. But before you change from any bank, you should know banks can monitor your banking history. It's information that's not in your credit report. In fact, there are several little-known credit bureaus, aside from the big three, that track almost every dollar you spend.

If you bounce a check, it won't show up on your credit reports from the big three credit bureaus. But it could show up on a report from

a "4th bureau" agency. They're called ChexSystems, Telecheck, and SCAN. Banks can look at your reports before giving you an account, credit card, or set your interest rates.

We asked Clearpoint Credit Counseling Solutions' Patrick Owens, who counsels consumers about managing their credit, to explain what consumers should understand about how "4th bureaus" work.

"Everyone knows there are three major credit bureaus: Equifax, Transunion, and Experian. But ChexSystem gives them more. Whereas, if there's a bounced check or any late payments that may not show up on your credit report, it may show up under ChexSystems," Owens said.

There are other "4th bureau" agencies. Phone and cable companies and other utilities can see whether you pay your utility bills on time through the National Consumer Telecom and Utilities Exchange. LexisNexis Personal Reports follows your insurance claims, and your employment and residence histories. A landlord or potential new employer can check that. And payday lenders and rent-to-own stores can check on your payday loan history through Teletrack. So don't think one late payment will go unnoticed.

"Anything else they may default on could come back to haunt them", said Owens. Some "4th bureau" agencies, such as ChexSystems, let you check your file and dispute any possible errors you might find. But some don't, or charge a fee, which has some consumer groups crying foul. That's why Owens offers this advice: "Keep records because even if the 4th bureau doesn't allow you to go through and try to fix it, you can show the institution you're going through and try to clear your name specifically." (Posted: Aug 29, 2011, RICHMOND, VA (WWBT)

**KCB INFO SERVICES HOURS**

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

KCB Information Services offers: Consumer credit reports, Collections Reports, Business Credit reports, Employment Credit reports, Residential Mortgage Credit Reports, Merged Credit Reports, Fannie Mae & Freddie Mac access, Criminal background checks, LiveScan Finger Printing, Tenant Screening Reports, Flood Zone Determination, Flood Life of Loan Certification, AVMs, 4506-T Income Tax Verifications, and Identity Authentication.

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