



REQUIRED NOTICES FOR 2011

Starting on Jan. 1, 2011 the Risk Price Lending Notice(s) will be required of everyone using a credit report and offering different terms to different customers. It does not matter if you don't get a score, if you get one and don't use it or if you use the score.

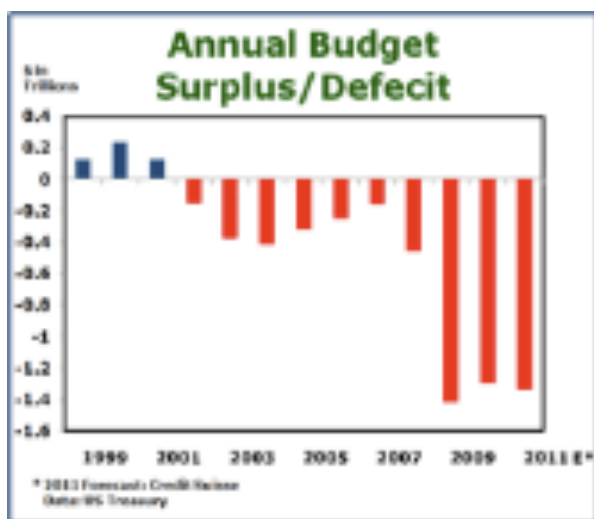
You have two choices. 1.) You can give the Risk Based Notice to the applicant, if you reject them or if you grant them credit with terms less favorable than asked or applied for. 2.) You can give everyone a Risked Base Notice.

Experian, Equifax and our MCL three bureau merged and mortgage system will have the notices available.

There is another regulation regarding providing applicants with a copy of their credit score. That rule does not become effective until July 2011. At that time, if you turn an applicant down or give them terms that are less favorable than you would give others, you must provide them with a copy of their credit score along with their Adverse Action Notice.

The last notice is not new, but if you provide an Adverse Action Notice to the applicant, you must provide them with the Name, Address and the Toll free number of the credit reporting agency providing the credit report. If you get a report from Experian or Equifax, the information will be at the bottom of the report. If you use our MCL Merged and Mortgage system, you can use the built in Denial Letter. It has our information and the information on the three national bureaus.

Regardless of the credit bureau, if you have pulled the report using the subscriber number we provided you, you should also give the applicant our information. The FCRA requires Resellers, like us, to assist the consumer in disputing any incorrect information on their credit reports pulled through KCB.



(12/10/10, www.moneyandmarkets.com)

FTC RESPONDS TO LEGISLATION CLARIFYING RED FLAGS RULE

Congress has passed legislation resolving uncertainty it created after directing the federal financial institution regulatory agencies and the Federal Trade Commission to develop the Identity Theft Red Flags Rule.

The rule requires many businesses and organizations to have a written Identity Theft Prevention Program designed to detect the warning signs "red flags" of identity theft in their daily operations. The legislation clarifies which entities must comply with the rule.

The House passed the bill "Red Flag Program Clarification Act of 2010" on Tuesday, less than a week after the Senate approved the bill.

The enforcement date for the rule is Dec. 31. The FTC said earlier this year that it delayed enforcement at the request of Congress as it "considers legislation that would affect the scope of entities covered by the rule." Compliance date was Nov. 1, 2008.

"We're pleased Congress clarified its law, which was clearly overbroad," says FTC Chairman Jon Leibowitz. "Now, we can go forward with less litigating and more protecting consumers from identity theft."

The rule doesn't require any specific practice or procedures. It gives businesses the flexibility to tailor their written ID theft detection program to the nature of the business and the risks it faces.

Businesses with a high risk for identity theft may need more robust procedures – like using other information sources to confirm the identity of new customers or incorporating fraud detection software.

Groups with a low risk for identity theft may have a more streamlined program – for example, simply having a plan for how they'll respond if they find out there has been an incident of identity theft involving their business (December 9, 2010. www.CollectionsandCreditRisk.com)

BILL EXEMPTS DOCTORS FROM FTC'S RED FLAG RULE ON ID THEFT

The Senate and House have each passed a bill that changes the Red Flags Rule's definition of "creditor" and relieves doctors of complying with the Federal Trade Commission's identity theft prevention law.

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And now, that very legislation passed this week only awaits a signature from President Obama before becoming law.

The bill calls for changes to the FTC's definition of "creditor." Smaller entities such as physician practices and doctor's offices have long debated they should be let off the hook from complying. Some have have filed lawsuits.

Representative John Adler, D-NJ, said in the House debate Tuesday that the purpose of the Red Flag Program Clarification Act "is to limit the type of creditor that must be covered by the FTC's Red Flags Rule."

"When I think of the word 'creditor,' dentists, accounting firms, and law firms do not come to mind," Adler said.

However, he said, the Red Flags Rule as written now requires these types of professions and others to comply. The FTC "broadly interpreted" creditors to include any business that allows clients to establish a payment plan in exchange for their services rendered, said Rep Paul Broun, R-GA. This swept in "many businesses that do not operate as a creditor in the general understanding of the term, such as dentists, doctors, veterinarians, lawyers, accountants, and many other health care providers that offer their clients payment plans."

Added Adler: "It is clear when Congress wrote the law, they never contemplated including these types of businesses within the broad scope of that law. ... We need to be careful that the laws we pass address the problem and do so in a way that doesn't adversely and unfairly impact small businesses."

This week's Clarification Act includes the following language regarding the definition of a creditor as one that regularly and in the ordinary course of business:

- Obtains or uses consumer reports, directly or indirectly, in connection with a credit transaction
- Furnishes information to consumer reporting agencies in connection with a credit transaction
- Advances funds to or on behalf of a person, based on an obligation of the person to repay the funds or repayable

- from specific property pledged by or on behalf of the person

Creditors do not include those that advance funds on behalf of a person for expenses incidental to a service provided by the creditor to that person

The current language in the FTC's Red Flags Rule regarding the definition of a creditor includes:

- A creditor is any entity that regularly extends, renews, or continues credit; any entity that regularly arranges for the extension, renewal, or continuation of credit; or any assignee of an original creditor who is involved in the decision to extend, renew, or continue credit.
- Accepting credit cards as a form of payment does not in and of itself make an entity a creditor. Creditors include finance companies, automobile dealers, mortgage brokers, utility companies, and telecommunications companies.

(Dom Nicastro, for HealthLeaders Media, December 9, 2010)

UNEMPLOYMENT AND CHARGE OFF RATES NO LONGER TIED TOGETHER

In the past, the rates of credit card defaults and delinquencies moved more or less alongside the national unemployment number, but many industry experts believe this will no longer be the case.

American [credit card](#) issuers now believe that rates of delinquency and charge offs will no longer rise and fall with national unemployment statistics, largely because so many consumers have now been locked out of the [credit](#) system completely, according to a report from Bloomberg. Most major lenders are now writing off fewer defaulted accounts, even as the national unemployment rate has remained at or near 10 percent for months.

"You can only charge off once," said [Capital One](#) chief executive officer Richard D. Fairbank during a recent investor presentation, according to the news source.

"Someone who's been unemployed for three years, I can pretty much guarantee that long ago they said goodbye to their Capital One [credit card](#)."

Many consumers who lose their jobs are likely to experience money trouble and are more likely to rely on their credit cards to help make ends meet until they find employment again. However, this can result in greater debt that may become unmanageable. (12-6-10 www.creditandcollectionnews.com, By Thomas Astery)

MORE ON RISKED BASED PRICING

The following is from Part III, Federal Reserve, System 12 CFR Part 222, Federal Trade, Commission 16 CFR Parts 640 and 698, Fair Credit Reporting Risk-Based Pricing Regulations; Final Rule:

Under section 615(h) of the FCRA, a risk-based pricing notice must be provided to consumers in certain circumstances. Generally, a person must provide a risk-based pricing notice to a consumer when the person uses a consumer report in connection with an application, grant, extension, or other provision of credit and, based in whole or in part on the consumer report, grants, extends, or provides credit to the consumer 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.

III. Summary of the Final Rules 2 Risk-Based Pricing Notice

The final rules implement the risk-based pricing notice requirement of section 615(h). The final rules apply to any person that both: (i) Uses a consumer report in connection with an application for, or a grant, extension, or other provision of, credit to a consumer; and (ii) based in whole or in part on the consumer report, grants, extends, or otherwise provides credit to that consumer 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. The rules clarify that the risk-based pricing notice requirements apply only in connection with credit that is primarily for personal, household, or family purposes, but not in connection with business credit.

Risk Based Pricing Notices are now on Experian's **e-Solutions** web page when you order a report. There are two versions: Residential Mortgage and General Finance.

When you click the notice you wish, you will see a drop down menu asking you to enter the score model you wish to use. Most of our members use FICO Risk model 2 or 3. If you look on the last report you pulled, it will tell you which score model

you are using.

The score notices for Residential Mortgage credit reports are still available. (just below the Risked Based Notice)

Our **MCL, Merged & Mortgage System** now has the Risk Based Pricing Notices!

Just click on "**Other Reports**" and click on "**Score Disclosure**" On the top left side you will see: "**Type** Score Disclosure" Click on "Score Disclosure" and choose the notice you wish.

You have five choices, the default notice is the Credit Score Notice

for Mortgages, then there are two Risk Based Notices for Mortgages and two for Non-Mortgages.

There is no additional charge for the notices with the MCL Merged and Mortgage program.

There is a \$1.00 charge for the notices from Experian's e-Solutions order page.

Also, we have three notices on our web page. We have one each for FICO V2 and FICO V3 We also have one, if you did not request a score.

<http://www.kewaneecreditbureau.com/documents/member.documents.html>

Here is Experian's web site for Risk Based Pricing.

<http://www.experian.com/consumer-information/risk-based-pricing-rule.html>

REQUIRED OR NOT??

First, what is credit: Credit is if you make a loan, increase or decrease a Line of Credit, or rent something to a consumer.

Let's first look at when a Risk Notice is not required.

1st. If you do not pull a credit report.

2nd. If the request is for business purposes.

3rd. If you pull a credit report (with no score) and **never** condition the terms of the request. For example, if the request is approved or declined based on the report and the terms never change for any consumer. Everyone gets or makes the same deposit, down payment, interest rate, length, etc.

Here is another paragraph from the Federal Register stating that a Risk Based Notice is not required if an Adverse Action Notice is given.

Adverse Action Exception

Proposed paragraph (b) provided that a risk-based pricing notice is not required if a creditor has provided or will provide an adverse action notice to the consumer under FCRA section 615(a) in connection with the transaction. This exception implemented the statutory exception in FCRA section 615(h)(3)(B). The proposed exception applied to any risk-based pricing notices otherwise required under the general rule, the rule applicable to credit card issuers, or the rule applicable upon account review, so long as an adverse action notice has been or will be provided to the consumer pursuant to section 615(a) of the FCRA.

So, when is a Risk Based Notice required?

If you **ever** adjust, change, or condition any terms, i.e.: rate, deposit, down payment, or length, based on the credit report or credit score.

KCB SERVICES

Are you using us for all your credit needs or are you still using different companies for services you could be getting from us?

Did you know we also offer Flood and Flood Life of Loan services, 4506-T (income Tax Verifications), AVMs and Appraisals?

Did you know you can go to our MCL, Merged and Mortgage program and order a single bureau?

Did you know our Level One, Authentication Services is available directly from Experian or from our MCL Merged and Mortgage program? (Level One helps you verify the ID of your customers)

Did you know our 4506-Ts can be ordered from the MCL Merged and Mortgage program?

Did you know we provide training in your office for you and your employees?

Did you know that CreditXpert can help you make more loans by showing your customers how they can raise their scores?

Did you know our MCL Merged and Mortgage program includes the Form 1003, pre-populated with your customers credit report information?

Did you know Experian's eSolutions archives your reports for six months and our MCL Merged and Mortgage program stores old files for several years?
(There are no charges to review your old files.)

Did you know, if you have pulled a report from us, we can dispute your customers' incorrect credit reports?

Did you know you can order your 3 free annual credit reports from our web page?

Did you know our single bureau Experian credit reports from e-solutions offers three formats?

Did you know, we do not have a voice mail or a menu system? When you call us, during working hours, you get a real person!!

Did you know we also have Business Credit Reports?

Did you know we can provide state and criminal background searches?

Did you know we can provide Driver License checks?

SEMINAR

Our next seminar will be on Thursday, Jan. 20th at 2:00pm. We will review the new Risk Based Pricing Notices, and the Credit Score Notices. We will also review how to pull and read a credit report, the different formats, and different types of reports available.

We will also look at the types of credit scores and how they are different.

Please call or e-mail us and let us know if you can attend.

BUSINESS BEFORE HOURS

The Pekin Area Chamber of Commerce is starting something new: Business Before Hours. And we are going to sponsor the first one on the morning of March 11th. It will be from 7:00am until 8:30am, at the office next door, Pekin Office Solutions, 11 B., N Sixth Street, Pekin.

FORECLOSURE RATE DROPS TO 18 MONTH LOW

IL 61554. We will have breakfast and we will be showing off the offices for rent.

The number of U.S. homes taken back by lenders dropped to the lowest level in 18 months in November, the result of foreclosure freezes enacted by several banks following allegations that evictions were handled improperly. Home repossessions dropped 28 percent from October and 12 percent from November last year, foreclosure listing firm RealtyTrac Inc. said Thursday. The 67,428 homes lenders took back last month were the fewest since May 2009. But even with the decline, it was enough to push the total number of repossessions so far this year to more than 980,000 the highest annual tally of properties lost to foreclosure on RealtyTrac's records dating back to 2005. "It's almost impossible to imagine that we won't break a million" for the year, said Rick Sharga, a senior vice president at RealtyTrac. "Unfortunately, it's a record that we'll probably break again next year." (12-24-2010, www.creditandcollectionnews.com)

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.