

**FACTA/FCRA
UPDATE
6/17/2004**

This information is provided for informational purposes only; clients should review FACTA compliance issues with their own legal counsel.

FACTA, The Fair and Accurate Credit Transaction Act was enacted as an amendment to the FCRA. The Act addresses many areas of consumer data reporting. This document is an update on the following:

- **FTC issues final rule on Free Annual Credit Reports**
- **Initial, Extended and Active Duty Alerts – SYSTEM CHANGES REQUIRED BY 10/15/04**
- **Address miss-match indicators**
- **Blocked Data**
- **Modified and deleted data notifications to data furnishers**
- **The 5th Score Factor for mortgage lenders**
- **Metro 2 and E-Oscar requirements**
- **'Red Flag' Guidelines**

FTC issues final rule on Free Annual Credit Reports

The nationwide consumer reporting agencies, Experian, Equifax, and Trans Union are required to provide consumers, upon request, a free copy of their credit report once every twelve months. On June 4th, the FTC issued its final rules regulating the process.

Centralized source – The nationwide consumer reporting agencies are required to design, fund and maintain a centralized source to handle the consumers request for the free report. The centralized source must process requests via a single dedicated Internet website, a single dedicated toll-free telephone number or by mail directed to a single address. Experian is working with Trans Union and Equifax to structure the centralized source and ensure its compliance with the regulations. Specific contact information will be developed later this year.

Volume Controls - The final rules offer controls in anticipation of both “high” and “extraordinary” consumer request volume. Experian is expanding its staff and technical systems to accommodate the expected increases.

Initial Rollout - Consumers will become eligible to request their report during a regional rollout of the centralized source on the following schedule:

12/1/04 - Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming

3/1/05 - Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin

6/1/05 - Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, Oklahoma, South Carolina, Tennessee, and Texas

9/1/05 - Connecticut, Delaware, DC, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Pennsylvania, Rhode Island, Vermont, Virginia, and West Virginia

Initial, Extended and Active Duty Alerts – Implementation date 10/15/2004

Experian will deliver the Initial, Extended and Active Duty Military Alerts with all credit reports as required by the FCRA. If the consumer provides a telephone number for identification verification, it will be provided with the alert.

Initial Alert (Experian's Initial Security Alert) - A 90 day 'temporary' alert added to file when a consumer asserts in good faith a suspicion that they have been, or are about to become a victim of fraud or related crime, including identify theft. The consumer who adds this alert is entitled to a free copy of their disclosure and will be opted-out of Prescreen for 6 months. The consumer will have the ability to add a phone number to this alert so that the data user can verify the identity of the consumer. Experian will share this information with the other CRAs through the Fraud Exchange System already in use.

Data User requirements - No prospective user of a consumer report, that includes an initial fraud alert, may establish a new credit plan or extension of credit, other than an open-end credit plan (as defined in section 103(i)), in the name of the consumer, or issue an additional card on an existing credit account requested by a consumer, or grant any increase in credit limit on existing account requested by a consumer, unless the user utilizes reasonable policies and procedures to form a reasonable belief that the user knows the identity of the person making the request.

If the consumer has provided a telephone number to Experian to be used for identity verification purposes, before authorizing any new credit plan or extension of credit described above, in the name of the consumer, a user shall contact the consumer using that telephone number or take reasonable steps to verify the consumer's identity and confirm that the application for a new credit plan is not the result of identity theft.

Extended Alert (Experian's Extended Fraud Victim Alert) – A seven year alert added to file when a consumer submits an 'Identity Theft Report' and proof of identity. The consumer who adds this alert is entitled to two free copies of their disclosure and will be opted out of Prescreen for 5 years. This alert must included a telephone number (or other reasonable contact method) so that the data user can verify the identity of the consumer. We are required to share this information with the other CRAs and will do so through the Fraud Exchange System already in use.

Data User requirements - No prospective user of a consumer report or of a credit score generated using the information in the file of a consumer that includes an extended fraud alert may establish a new credit plan or extension of credit, other than under an open-end credit plan (as defined in section 103(i)), in the name of the consumer, or issue an additional card on an existing credit account requested by a consumer, or any increase in credit limit on an existing credit account requested by a consumer, unless the user contacts the consumer in person or using the contacted method described (a telephone provided to Experian or other reasonable contact method designated by the consumer) with the report to confirm that the application for a new credit plan or increase in credit limit, or request for an additional card is not the result of identity theft.

Active Duty Alert (Experian's Active Duty Alert) – A 12 month alert added to file when a consumer requests, and asserts that he/she is on active duty or assigned to service away from their usual duty station. The consumer who adds this alert will be opted out of Prescreen for 2 years. We must share this information with the other CRAs through the Fraud Exchange System already in use

Data User requirements - No prospective user of a consumer report that includes an active duty alert may establish a new credit plan or extension of credit, other than an open-end credit plan (as defined in section 103(i)), in the name of the consumer, or issue an additional card on an existing credit account requested by a consumer, or grant any increase in credit limit on existing account requested by a consumer, unless the user utilizes reasonable policies and procedures to form a reasonable belief that the user knows the identity of the person making the request.

If the consumer has provided a telephone number to Experian to be used for identity verification purposes, before authorizing any new credit plan or extension of credit described above, in the name of the consumer, a user shall contact the consumer using that telephone number or take reasonable steps to verify the consumer's identity and confirm that the application for a new credit plan is not the result of identity theft.

Experian System Changes – effective 10/15/2004

Clients and vendors must code for the additional consumer statement messages to be compliant with the FCRA. Statement type 06 remains unchanged, however clients must be able to accept the additional 7 new messages, number 26 to 32 by 10/15/2004.

TTY reports the data will appear in the Consumer Statement Band

ARF version 6 & 7 the data will appear in the 365 segment

ARF version 8 the data will appear in the 3600 segment

Statement type	Consumer Statement Text
06	Extended Fraud Victim Alert: (with phone number) “Fraudulent applications may be submitted in my name or my identity may have been used without my consent to fraudulently obtain goods or services. Do not extend credit without first contacting me personally and verifying all application information at 'Day phone number' or 'Evening phone number'. This victim alert will be maintained for seven years beginning MM/DD/YY.”
26	Initial Security Alert: (without phone number) “Fraudulent applications may be submitted in my name or my identity may have been used without my consent to fraudulently obtain goods or services. Do not extend credit without first verifying the identity of the applicant. This Security Alert will be maintained for 90 days beginning MM/DD/YY.”
27	Initial Security Alert: (with phone number) “Fraudulent applications may be submitted in my name or my identity may have been used without my consent to fraudulently obtain goods or services. Do not extend credit without first verifying the identity of the applicant. I can be reached at XXX-XXX-XXXX-XXXXX. This Security Alert will be maintained for 90 days beginning MM/DD/YY.”
28	Credit Reporting Agency Alert: Experian has learned that information about this consumer may have been obtained without authorization, which may result in fraud. Further authentication of this consumer is recommended. This alert will be maintained on file for 180 days beginning MM/DD/YY.
29	Active Duty Alert: (phone number optional) Consumer has notified us that they are on active military duty. Do not extend credit without first verifying the identity of the applicant. (I can be reached at XXX-XXX-XXXX-XXXXX.) This alert will be maintained on file for 1 year beginning MM/DD/YY.
30	Extended Fraud Victim Alert/ Active Duty Alert: (With phone number) “Fraudulent applications may be submitted in my name or my identity may have been used without my consent to fraudulently obtain goods or services. I am currently on active military duty, do not extend credit without first contacting me personally and verifying all application information at 'Day phone number' or 'Evening phone number'. This alert will be maintained for seven years beginning MM/DD/YY.”
31	Initial Security Alert/ Active Duty Alert: (without phone number) “Fraudulent applications may be submitted in my name or my identity may have been used without my consent to fraudulently obtain goods or services. I am currently on active military duty, do not extend credit without first verifying the identity of the applicant. This alert will be maintained on file for 1 year beginning MM/DD/YY.”
32	Initial Security Alert/ Active Duty Alert: (with phone number) “Fraudulent applications may be submitted in my name or my identity may have been used without my consent to fraudulently obtain goods or services. I am currently on active military duty, do not extend credit without first verifying the identity of the applicant. I can be reached at XXX-XXX-XXXX-XXXXX. This alert will be maintained on file for 1 year beginning MM/DD/YY.”

Address miss-match indicators

FACTA requires that Experian notify a credit report requestor if there is a substantial discrepancy between the address on inquiry input and the address on file. Experian has been displaying this indicator for over 20 years. In addition, the address miss-match indicator will be output on Quest and Prescreen output.

Data User Requirements - Section 605 – The Federal banking agencies, National Credit Union Administration and the FTC are establishing regulations for data users when they are notified of an address discrepancy on a consumer report. These regulations have not yet been published, however data users should be prepared to recognize the indicator if verification procedures are mandated.

Experian System Miss-match Output indicator

TTY reports	asterisk displays to the left of the address
ARF version 6 & 7	segment 336 Origination Code 1, 4, 6 or 7
ARF version 8	segment 3360 Origination Code 1, 4, 6 or 7

Blocked Data

Experian has, since 2002, blocked data from display when the consumer provided proof of identity theft or after a reinvestigation that positively verified the ID theft. FACTA now establishes national requirements for data blocking and requires that within 4 business days from receipt of specified information, CRAs must block **any** information in a consumer's file that resulted from an alleged identity theft. The consumer must supply appropriate proof of identity, a copy of the identity theft report; the identification of the specific disputed information and a statement that the information is not related to a transaction made by the consumer.

Data Furnisher Notification - CRAs must notify the data furnisher(s) when data is blocked. Experian will notify the data furnisher on all blocked data including trade, public record (notice sent to the public record vendor) inquiry, name, SSN, address, employment, and driver's license. This will increase the number of blocked data notifications that our clients receive today. The notification will be through the nation wide system used for consumer disputes, E-Oscar.

Re-pollution of Blocked Data – A data furnisher must have reasonable procedures to respond to any notification that it receives from a bureau pursuant to the tradeline blocking provisions to prevent the furnisher from re-furnishing the blocked information. Blocked data cannot be re-reported to the CRA.

Blocked Data cannot be sold — No person shall sell, transfer or place for collection a debt that such person has been notified has been blocked by a nationwide bureau. The prohibitions apply to all persons collecting such a debt after the date of notification.

Modify and delete data notifications to data furnishers

FACTA requires that after a reinvestigation of data disputed by the consumer, Experian's NCAC must promptly notify the furnisher of the information, that the data has been modified or deleted.

Data Furnisher Impact - This process has significant impact on the volume of data that our clients will be receiving from Experian and the other CRAs. Any data - trade, inquiry, name, SSN, address, employment, phone number, and driver's license - that is modified or deleted due to an external investigation or internal change will produce a notification via E-Oscar to the client. Volume increases, that may double, are being analyzed and the E-Oscar system is being readied for this new process.

The 5th Score Factor for mortgage lenders

There are new requirements regarding the display of key score factors when inquiries adversely impact the score. Additionally, there are requirements on mortgage lenders to disclose this information to the consumer. This issue and is still under analysis. Further information will be distributed when available

Metro 2 and E-Oscar requirements

E-Oscar - Beginning December 1, 2004, Experian will no longer accept paper Consumer Dispute Verifications (CDVs) and Universal Data Forms (UDFs). This includes change requests via the paper Bullseye process. The Bullseye process will still be available for other credit-related functions. New provisions of the Fair and Accurate Credit Transactions Act for multiple notifications to and from our clients, and anticipated increased dispute volumes due to the free credit report provision, will require us to discontinue manual processing.

Experian in conjunction with the CDIA made a significant investment in improving the efficiency and security of the dispute verification and data correction process through E-OSCAR, the credit industry's state-of-the-art online data correction system. We encourage you to sign up for E-OSCAR if you have not yet done so. For more information or to sign up, contact your Experian sales representative, visit www.cdiaonline.org/eoscar, or call 1 866 MY OSCAR (1 866 696 7227).

Metro2 - Experian strongly advises all data furnishers currently reporting data in formats other than Metro 2, to make plans to convert to the Metro 2 format in the very near future. The Metro 2 format ensures consistency, accuracy and compliance in data reporting and is the industry standard.

'Red Flag' Guidelines

The Federal banking agencies, National Credit Union Administration and the FTC are establishing new regulations and guidelines to identify and prevent possible identity theft. Among the patterns and practices being studied are address changes and inactive account handling. These regulations have not yet been published, therefore we can offer no information at this time.