

Rebuilding America ... One Credit Score at a Time

By Jennifer Maisano

Financial recovery for both the individual consumer and corporate America is the number one spotlight issue for the new administration. As consumers attempt to emerge on the other side of the economic crisis, individual credit scores will play a significant role in each consumer's ability to infuse new capital into the economy. With banks, credit unions and other lenders forced to restrict lending to only the *most* credit worthy, higher credit scores will become the main goal for consumers. Consequently, in a desperate attempt for liquidity, consumers (and their attorneys) will be scrutinizing the information reported on their credit files even more closely than they have over the past few years.

America's vital need for economic recovery will undoubtedly place more pressure on the Federal Agencies to insure that data furnishers are *accurately* depicting consumers' credit histories through the upcoming release of the new FACT Act Section 312. By placing into effect strict new controls over the accuracy and integrity of data reported to the credit bureaus, FACTA 312 is expected to produce substantial challenges for all data furnishers in 2009.

2010 IS POISED TO BECOME THE YEAR OF THE DISPUTE

The recent economic downturn will be wrecking havoc on data furnishers in 2009 and 2010. With an ever increasing population of consumers now focusing on recovering and rebuilding from the last two years of mortgage and other credit delinquencies, focus is sharply shifting toward credit bureau reporting and credit scores.

Consumers today are more aware of their credit scores than ever before, as they are bombarded hourly with dozens of commercials advertising free credit reports and credit score monitoring services. Some of these monitoring services have now gone

so far as to offer (practically) real-time email and text message notification of credit score changes. As more and more consumers utilize these services to scrutinize their scores, credit bureau disputes and their associated costs are expected to sharply increase.

While much of the expected onslaught of disputes will be legitimate, consumers, attorneys and credit repair agencies will continue to abuse the dispute process in an attempt to increase individual credit scores. **The best way to control your dispute volumes is to decrease your risk of 'legitimate' disputes as much as possible.** Head them off at the pass by evaluating your data files for errors and inconsistencies on a regular basis, fixing root causes for errors *prior to reporting*, and developing documented reporting strategies.

As Americans attempt to recover from recent economic challenges, Credit Bureau Reporting will be scrutinized, disputed and litigated more than ever.

FAREWELL TO AN ALL TOO COMMON COLLECTIONS PRACTICE

The safety and soundness of our entire banking system is dependent on financial institutions receiving the most accurate credit information possible when underwriting loans. The financial industry's heavy reliance on consumer credit scores in the underwriting process requires that each credit file reflect a consumer's *true* credit worthiness. The practice of artificially inflating credit scores by deleting negative or derogatory tradelines seriously impacts every institution's ability to both make informed credit decisions and implement profitable collection strategies.

The new FACT Act Section 312 regulation is expected to eliminate the ability to negotiate

tradeline deletions for payments. Although this deletion practice is currently not acceptable, it is unfortunately still widely used throughout the collections industry to increase collectibles. Strict enforcement of the new regulation provides for tradeline deletion only in cases of confirmed fraud, or where it is confirmed that the tradeline in question was erroneously posted to the (wrong) consumer's credit file. However restrictive this portion of the regulation may seem, it is unfortunately required to insure the future accuracy of credit decisions and profitability of collection strategies.

FACTA 312s IMPACT ON DATA FURNISHERS

No more slipping through the cracks! A large percentage of data furnishers believe that their data processor or systems vendor is managing their compliance requirements for their reporting process. As a data furnisher, you are ultimately responsible for the accuracy of your data. To underscore this fact, the new FACT Act section 312 mandates that it is the data furnisher's responsibility to have in place documented policies and procedures to insure the accuracy and integrity of the data furnished to the credit bureaus.

In addition to the upcoming release of FACT Act section 312, the existing FCRA section 623 provides guidelines for what regulators should (and could) be looking for today. **While the existing FCRA 623 is directed toward regulators, it does imply minimal requirements that each data furnisher should *already* have in place to evaluate the accuracy of the data provided to the credit bureaus.** For instance, where FCRA 623 directs regulators to evaluate the data furnisher's policies and procedures to identify any potential for inaccurate reporting, it stands to reason that the data furnisher should actually *have* documented policies and procedures in place.

If you do not have the appropriate audit plans in place to evaluate the correctness and completeness of your data at least on an annual basis, there is no way you can claim that you are following "reasonable procedures" to insure data accuracy.

And while FCRA 623 places this requirement on you today, albeit in a roundabout way, the new FACT Act 312 provides examiners with the ammunition they need to enforce existing regulations.

WE ARE ALL PART OF THE SOLUTION

Credit scores are the foundation of all consumer lending transactions, and the strength of America's economy is dependent on the ability of financial institutions to rely on credit bureau data to underwrite profitable loans. Success in the economic recovery process will be measured in large part by each individual consumer's ability to restore their credit standing and, **as data furnishers, we are all required to play our part by assuring the accuracy and integrity of the data we report.**

Jennifer Maisano is the President and CEO of Credit Bureau Strategy Consulting, LLC. CBSC was formed to provide superior and comprehensive consulting services focusing on assisting all types of data furnishers in creating, implementing and maintaining the appropriate credit bureau reporting and audit strategies necessary to decrease disputes and comply with FCRA and the **NEW Section 312 of the FACT Act.**

For more information on CBSC's services or for permission to reproduce this article, please contact Jennifer Maisano directly at 410-208-6797.

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