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# TFM

THE FINANCIAL  
MANAGER

## RADIO'S WILD RIDE

STATIONS AND NETWORKS ARE RACING  
INTO A NEW WORLD THAT'S THRILLING AND  
CHALLENGING ON A NUMBER OF FRONTS.

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BIG FCC AGENDA

DEBATING  
ATSC 3.0 REGS

FIGHTING HACK  
ATTACKS

# New Keys to the CRA Door

Credit bureaus are changing the information that's needed to taint the records of delinquent consumers. **BY ALEX ROSEN**

**N**ew credit bureau reporting procedures are about to see the light of day after three years of implementation. Those seeking to report the delinquent debtors to the credit reporting agencies (CRAs), like Experian, TransUnion and Equifax, must heed the new rules now in effect.

The power of the credit bureaus to affect a debtor's business has always been significant.

Many companies directly report a past customer's unpaid, past-due balance to the credit bureaus. (Some authorize an agent to report on their behalf.)

In doing so, a creditor obtains additional leverage in its collection efforts and receives an additional level of protection for the seven-year period that the derogatory mark remains on a past customer's credit report or until the balance is paid in full.

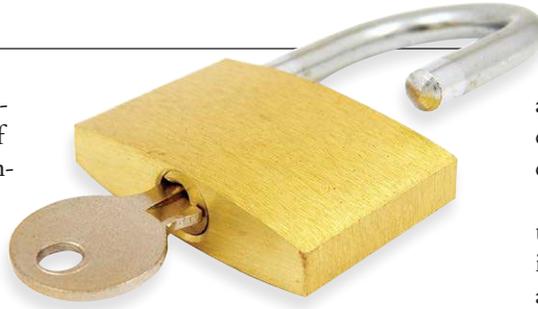
During this time, if the past customer attempts to procure credit, the credit grantor (i.e. banks and other lending institutions) will likely see that the credit seeker has an unpaid obligation and, in most cases, will not extend credit until the credit seeker satisfies the reported balance.

## WHAT PROMPTED CHANGE

While the reports have been an effective crowbar to pry open some coffers, lawmakers in more than half the states in America were none too pleased. They alleged that liens and civil judgments were often attached to the wrong people, unfairly hurting their ability to access credit for a home, car or even a gym membership.

As a result of a 2015 settlement, the CRAs created the National Consumer Assistance Plan (NCAP). With the NCAP, the CRAs are trying to increase the accuracy of credit reports and make it easier for consumers to correct any errors on their reports.

It's taken some time for the effects to emerge. The CRAs had three years to



implement the terms of the settlement, and over the past few months they activated the most substantial changes enumerated within the agreement.

**The CRAs are trying to increase the accuracy of credit reports and make it easier for consumers to correct any errors on their reports.**

Through NCAP, the CRAs established stiffer requirements that creditors must follow to report derogatory information on a consumer's credit report. Now, CRAs will not accept and process a derogatory mark unless the "data furnisher" (the person or entity that reports the delinquency) provides the name of the original creditor associated with the unpaid transaction and the consumer's personally identifiable information, including:

- A person's name, including a middle name or initial and any generation code or suffix;
- Complete address;
- Date of birth;
- Social Security number.

The new regulations have ramifications on past reports. The CRAs removed certain debts previously reported when the liens or judgments cited did not match at least three of the CRAs four personally identifiable criteria (listed above) and when the debts in question did not arise from a contract or agreement. For example, traffic tickets or fines are no longer accepted as legitimate reasons for a derogatory mark.

The CRAs also overhauled their dispute process. Now, consumers that discover

an error after receiving their free annual credit report can obtain a second free credit report without waiting a year.

What's more, when a consumer claims that a mark on his or her credit report is unwarranted, the CRAs will provide additional information with the dispute results, including a description of what he or she can do if not satisfied with the outcome of the dispute.

## ACT NOW OR REGRET LATER

Now is the time to modify internal procedures so that credit departments capture all the required information on customer contracts, credit applications and personal guarantees.

Your credit department may have an established process that requires would-be customers to supply some of the information, but not all of it. For example, in the past many companies did not require consumers or guarantors to supply their date of birth.

By making all four pieces of information a requirement for credit, you will have an effective legal tool to increase the likelihood that debtors eventually pay their egregiously ignored payment obligations.

There's another aspect of the new NCAP rules as well. Be mindful that consumers' credit scores will increase due to the removal of certain previously reported liens or judgments as well as debts that did not arise from a contract or agreement. The last thing you want is to be tricked into thinking that a consumer or guarantor is a better credit risk than what he or she truly is.



Alex Rosen is the COO and general counsel of the collection agency American Financial Management. He can be reached at (847) 483-6220 or arosen@afm-usa.com.