

Adverse Letter Compliance

Federal Law states " Anyone who uses a credit report or another type of consumer report to deny your application for credit, insurance, or employment - or to take another adverse action against you - must tell you, and must give you the name, address, and phone number of the agency that provided the information." But do credit grantors follow this?

Armed with this letter consumers are able to obtain their credit report FREE. At any time. This is in ADDITION right to our annually free credit report. That's right. Not only can you obtain your credit report annually, by law, but you can also obtain your credit report ANY TIME adverse action is taken against you.

Our 2005 June poll showed that about 50% of our readers believed the majority of credit grantors complied with this requirement.

However, based on our experience VERY FEW do.

Below is a Summary of the Major Industries that use credit reports and our opinion on how they are doing in complying with this.

Credit Card Industry:

We should be receiving adverse action letters every time a credit card company increase your interest rate, or lowers your grace period, or other negative action. I'd wager to say that there are few (if any) that have received this notice from the credit card companies. No..all they do is send you a notice of a change in terms. If they determined that a change should occur due to your point score decreasing, then by law they are to send you an adverse letter.

Landlord's or Apartment Complexes:

Again, some landlord's and apartment complexes determine the amount of deposit required based on your credit report. The key question to ask is "Is How Much Money Do You Require to Rent this Apartment?"

If the landlord say's it depends on a number of different factor. Then find out what those factors are. If one is based on your credit report. Then press for an answer assuming the credit report is great. If the outcome is not what you expected, then you should receive an adverse action letter.

Celluar and Utility Services:

Like the landlord's, here again, your deposit maybe based on your credit report/score. The key question to ask is "Do You Require A Deposit?"

If the answer is sometimes. Then find out under which conditions do they require a deposit. Many times it is based on your credit report/score. If you are required to place a deposit, then you should receive an adverse action letter.

Home Equity Loans & Mortgages:

Most likely this is the only industry that MAYBE complying with this requirement. But again, that is a MAYBE. Many times home equity loans run under the radar and unless you are s savvy consumer, you may not receive the full benefit of the law.

Insurance:

Because of all the recent adverse publicity on point scores within this industry, you MAY get an adverse letter here. But most likely not. When researching insurance, it is critical to first only give the agent critical information, like type of home or car, level of insurance, PRIOR to giving them your personal information.

Tell them that you are just shopping rates.

Lenders (short-term loans):

Few short-term lenders comply with this. This includes instant credit card offers - like in the store where they offer you 10% discount if you would open an account; banks or credit unions where you might seek a personal or car loan; or finance companies.

All of these lenders are accessing your credit report. All of these lenders usually change their interest rate based on what they see in your credit report, but few send out adverse letters.

Car Dealers:

Few comply with this requirement, yet all determine you interest rate based on your credit report. Working directly with a car dealer to "find the best rate" can really affect your point score. Here you may never know who is accessing your credit report. And technically, the adverse letter is to come from the business that accessed your credit report.

Payday lenders:

Most payday lender's rates are posted and they don't change at will. Few, if any, access your credit report. Therefore, payday lenders are not required to comply with this portion of the FCRA.

Summary.....

As you can see, there are few industries fully complying with this section of the law.

The key to making certain that credit grantors are complying is to be a diligent and informed consumer.

REMEMBER BEFORE you give anyone your name and SSN, make certain you know what their most favorable rate is!
And know your rights!