

The Fair Credit Reporting Act

Article 3 of 9 - In the last article on credit reports and the law, we introduced the Fair Credit Reporting Act (FCRA). It is important to review the act to understand what can, or cannot be disputed in your credit report.

Below is a summary of the FCRA.

Fair Credit Reporting Act (Summary)

Public Law 91-508

The Fair Credit Reporting Act (FCRA) allows a consumer to challenge the information on his credit report on the basis of "completeness and accuracy." If, after a reinvestigation by the credit bureau, the disputed information "is found to be inaccurate or can no longer be verified, the [credit bureau] shall promptly delete such information."

The credit bureaus are required to complete the investigation within a "reasonable period of time." This period has been set at thirty days.

The credit bureaus can ignore the consumer dispute if they have reason to believe that the dispute is "frivolous or irrelevant." The FTC commentary on the FCRA cites, as an example of a frivolous dispute, a dispute wherein the consumer challenges all negative items on his credit report without providing any allegations regarding specific items in the credit file. However, "A [credit bureau] must assume a consumer's dispute is bona fide, unless there is clear and convincing evidence to the contrary."

When a consumer challenges a negative credit listing on the basis of extenuating circumstances, such as health problems, divorce, job loss, etc., the credit bureaus are entitled to ignore that dispute.

When a consumer submits a dispute which is neither frivolous nor irrelevant by credit bureau standards, the credit bureau must "at a minimum... check with the original sources or other reliable sources of the disputed information and inform them of the nature of the consumer's dispute." In some cases of consumer dispute, "Reinvestigation and verification may require more than asking the original source of the disputed information the same question and receiving the same answer."

In other words, when a consumer files or re-files a valid dispute, the credit bureaus must contact the source of the credit information (the creditor) and confirm that the information is accurate, verifiable, and not obsolete. In some circumstances, the credit bureau is required to go beyond a simple verification of the creditor's own computer record. If, within 30 days, the credit bureau has not received verification from the creditor, then the credit bureau must promptly delete the credit listing.

In theory and law, the process is deceptively simple, thus leading many people to think that they can easily handle this themselves "for the price of a few postage stamps." Most quickly discover that the credit bureaus have made it much more difficult than one would imagine.

In the next article, we'll take a closer look at credit reports and what they include.