Newsletter

Written by Bruce Jordan

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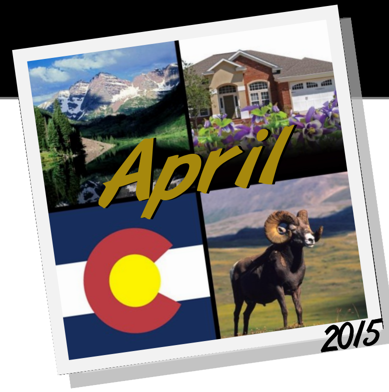


"Consumers Deserve Credit" – Changes Coming to the Bureaus

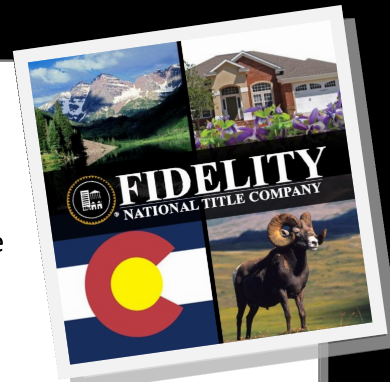
As the result of an ongoing investigation by the New York State Attorney General's Office, the three national credit reporting agencies have reached an agreement to change the manner in which they report certain types of credit data and how they will address entries disputed by consumers as being inaccurate.

In announcing this far-reaching agreement, Eric Schneiderman, New York's Attorney General, said that "Credit reports touch every part of our lives. They affect whether we can obtain a credit card, take out a college loan, rent an apartment or buy a car – and sometimes even whether we can get jobs." Those of us in the real estate and mortgage industries know how critical these reports are when it comes to obtaining mortgages to purchase homes. At issue in this investigation was the negative reporting that resulted from collection accounts, particularly medical collections, and the difficult process consumers had to undertake in order to get negative reporting removed from their credit profiles.

According to the agreement reached with New York State, and all three reporting agencies - TransUnion, Equifax and Experian – consumers will now have more time to deal with the challenge of coordinating the payment of medical expenses with insurance benefits. Unlike the present practice of an unpaid medical bill soon finding its way to collection status on the credit report, the new procedure will create a six-month waiting period before the medical obligation will be reported by the bureaus. Moreover, once the obligation is actually paid by insurance, it will be removed from the individual's credit report altogether. This is a significant change from prior practice where the debt was quickly reported, even though the obligation was supposed to be paid by the medical insurance carrier, and the consumer had no knowledge of the delay in that process. Frequently, the consumer became aware of the issue for the first time on a credit application when informed by the lender that the reduced credit score was impacting a financing decision. Thereafter, the collection status was typically reported for up to seven years, even though it had been paid by the insurance.

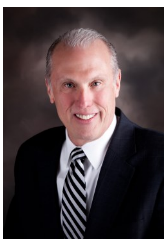
Other forms of negative reporting will no longer find their way to the reporting agencies, either, unless the credit obligation resulted from a contract or some other form of agreement by the consumer to pay, it will not appear in the report. This will bar the inclusion of items such as tickets or fines which have traditionally shown up on the reports as negative issues factored into the scoring model.

Another significant change brought to bear on the bureaus is the procedures to be engaged when a consumer disputes inaccuracies in his/her report. Previous practice involved automated systems designed to handle the dispute process. Consumers complained that the procedure was difficult to navigate and frequently resulted in no changes, even when changes were merited. Under the terms of the agreement with New York State, the bureaus have committed to hiring specially trained employees who will be tasked with assisting the consumer to resolve the disputes rather than just being a conduit of information between the consumer and the creditor.



Finally, the credit reporting agencies will implement procedures to become more proactive in making sure consumers are informed that they can secure a free copy of their credit report at least once a year from the credit bureaus through the website: www.annualcreditreport.com. In this way, consumers will be able to keep an eye on their own credit report and address any possible issues well in advance of any credit applications, rather than discovering them only after, for example, they have applied for a home mortgage. In addition, consumers visiting that site will have access to a much expanded source of educational materials on credit practices.

The foregoing changes were announced by Mr. Schneiderman on March 9, 2015, with an implementation schedule to occur during the next six to thirty-nine months. At a time when consumers in many areas of the country are faced with market and inventory challenges, this effort to mitigate the limitations of restrictive credit practices should be viewed as a welcome bit of good news.



About your newsletter author: Bruce Jordan, "*The Industry Tutor*"

- Branch Manager, Cherry Creek Mortgage, Tech Center
- Vice Chair, Board of Mortgage Loan Originators
- Member of Forms Advisory Committee
- Regular Instructor of Real Estate Professionals
- Retired real estate attorney, NY Bar
