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FTC Rulings Clarify Your Rights to Free Credit Reports

Have you seen or heard advertisements for free credit reports, then come to find out that they are not actually free? Some of the companies that pull you in by their catchy advertising will require you to purchase credit monitoring or other products as a condition to obtaining a free credit report. Misleading? Yes. Because people who hear “free credit report” may associate that with the federally mandated credit report offer, which is truly free without purchase commitments or opt outs. According to the Fair and Accurate Credit Transactions Act of 2003, consumers may obtain their credit reports from the three nationwide credit reporting companies, Equifax, Experian and TransUnion, once every 12 months for free.

The Credit CARD Act of 2009 was put into effect with the purpose of preventing deceptive advertisements for “free credit reports” from misleading consumers into thinking they were receiving their federally mandated credit reports at these sites. The disclosure was required to state, “Free credit reports are available under Federal law at: AnnualCreditReport.com.” This was further amended by the FTC this year. Starting on April 2, 2010, the FTC required a new disclosure to be prominently displayed at the top web pages that advertise or mention free credit reports. It reads:

THIS NOTICE IS REQUIRED BY LAW. Read more at FTC.GOV. You have the right to a free credit report from AnnualCreditReport.com or 877-322-8228, the ONLY authorized source under federal law.

The disclosure should include an active link that says: **“Take me to the authorized source.”**

This rule also applies to the wording of television and radio advertisements, which will require the disclosure starting September 1, 2010. The amendment also requires credit reporting companies, like Equifax, Experian and TransUnion, to delay the advertising of their products or services on the AnnualCreditReport.com website until consumers have had a chance to obtain their free credit reports.

Furthermore, the Federal Reserve and FTC have established new rules beginning January 1, 2011, which will require lenders to provide free credit scores or risk-based pricing notices informing borrowers that their rates have increased due to their risk levels. The FTC and voices in Washington have been pushing for lender-disclosed credit scores for consumers. The argument is that credit scores are used by creditors, employers and insurers much in the same way as credit reports. Therefore, consumers should be entitled to access their credit scores for free. This would improve the transparency of why someone gets unfavorable offers on loan rates or is denied for employment because of low credit scores.

Why should you periodically check your credit reports and scores?

- *To know what is behind your rates.* According to the 2010 Consumer Financial Literacy Survey conducted by the National Foundation for Credit Counseling, 65% of adults have not ordered their credit report in the past 12 months, and 31% of adults do not know their credit score. It is important to know your credit score and the information contained in your credit files in order to understand the rates you pay for credit cards, home loans, auto loans and insurance. These companies factor in your credit score and credit history heavily when making decisions on whether to grant you credit or insurance and at what rates.
- *To check for inaccuracies.* Inaccuracies on your credit reports will not only damage your credit score, but will also hinder your ability to get credit, insurance, a tenant lease or employment until they are corrected. According to the FCRA, you have the right obtain your credit report from the credit reporting agency that reports negative information about you, which leads to adverse action taken against you (i.e. you are denied for employment). You also have the right to dispute any inaccurate information on your credit reports.
- *To detect identity fraud.* Often times, people are unaware that they are victims of identity fraud until they are denied by a creditor or other entity. Then after viewing their credit reports, they find negative items that they are in no way responsible for. Some types of identity fraud are difficult to detect as it is, but periodically checking your credit report and/or scores (along with other

preventative methods) will increase the likelihood of early detection before any further damage continues.

You may ask, "How often should I check my credit report and credit scores?" The answer to this question varies for different people. At a minimum, you should take advantage of your right by law to obtain free credit reports once a year. Some people may find it necessary to check their reports and/or scores more often if they are in the market (or expect to be in the market) for credit cards, home loans, auto loans, employment or insurance. Yet, for those people who are content with their credit health and do not expect changes in these areas, once a year may be enough.

If you want to keep a close eye on your credit standing, invest in a credit monitoring plan that will alert you to key changes to your credit files. Being proactive by protecting your personal information will aid your prevention efforts against identity fraud.

Have you ordered your annual credit report this year?

To obtain your free credit reports visit www.AnnualCreditReport.com or call toll-free 1-877-322-8228.

If you are a victim of identity fraud, call IFI toll-free at 1-866-443-3728.
