

Surprising Information About Your Credit

Credit reporting can be confusing. Quite often, what seems like “common knowledge” or “common sense” is, well, wrong. Many of the truths behind credit reporting may surprise you.

For example, you may be surprised to learn that...

You have more than one credit score

The term “credit score” is defined in different ways, depending on the law. In general terms, a credit score is a number or categorization, based on statistics, that a lender uses to predict the likelihood of certain credit behaviors. A credit score is designed to answer questions such as, “How likely is it that this person will pay on time?”

Different lenders care about different behaviors. Therefore, lenders will choose a scoring system based upon what that lender is trying to predict. The type of scoring system used to determine if a person is eligible for a certain credit card may be different than the scoring system used for a loan to purchase a vehicle. There are even credit scores for insurance, and credit scores for utility services!

There are many different types of Credit Reporting Agencies

Just as there are different types of credit scores, there are also different types of credit reports and credit reporting agencies. You might already know about the “Big Three” - Experian, Equifax, and TransUnion. Much of what happens in the world of credit reporting revolves around these three companies.

In addition to the Big Three, there are also some smaller credit reporting agencies - most of which are specialty agencies. There are specialty agencies, for example, who prepare reports on closed checking and savings accounts. Other examples include agencies that prepare tenant screening reports and agencies that prepare employment history reports.

Some credit reporting agencies are “resellers”, who obtain and resell information from other agencies. Credit reports from a reseller credit reporting agency are sometimes called “2-in-1” or “3-in-1” reports. As you might have guessed, much of the information found on reseller reports comes from the Big Three.

How you obtain a copy of a credit report can make a big difference

Under the Fair Credit Reporting Act (“FCRA”), you are



entitled to receive a free copy of your consumer report, from each of the nationwide reporting agencies, once every twelve months. In order to obtain your free reports from the Big Three, you must request them from a specific source (the Annual Credit Report service, operated by Central Source LLC).

In addition to being free, there is another (even more important) reason to obtain your reports from the Annual Credit Report service: there are no strings attached. The nationwide credit reporting agencies are prohibited from even asking that you agree to specific terms or conditions in order to obtain your reports from the Annual Credit Report service.

This “no strings attached” aspect is important because otherwise the credit reporting agency might ask you to agree to mandatory, binding arbitration - **which means giving up your right to a jury trial.**

Knowing who to contact to dispute an inaccuracy can be tricky

Imagine that you have a car loan with Acme Bank. After obtaining your free Equifax credit report from the Annual Credit Report service, you discover that Acme is (incorrectly) reporting that you are “60-89 days past due” in your payments.

You **know** that you have made your payment each month. In fact, you live right down the road from an Acme Bank branch, so you make your payments there each month in person.

As soon as you see that Acme is reporting incorrectly on your credit, you drive to your local branch. You meet with the Branch Manager, who assures you that the problem will be corrected.

One month later, to see if the problem was fixed, you request your free TransUnion credit report from the Annual Credit Report service. Your heart sinks when you see that your car loan is now being reported as "120 days late".

You know that you have rights under the Fair Credit Reporting Act, and you're thinking about bringing a lawsuit against Acme Bank. Was meeting with the Acme Bank Branch Manager and notifying the Manager of the inaccuracy enough for your lawsuit to succeed?

Probably not!

Here's why:

Under the Fair Credit Reporting Act, consumers have no private right of action against a "furnisher" of information (in this case, Acme Bank), arising from (1) the furnisher's initial inaccurate reporting, or (2) a consumer disputing information directly with that furnisher.

Instead, under the Fair Credit Reporting Act, a consumer's private right of action against a furnisher is triggered by a failure of the furnisher to follow its duties after the consumer formally disputes the inaccurate information with the credit reporting agency.

So while it was fine to discuss the inaccurate reporting with the Acme Bank Branch Manager, it would have been best to also send a detailed dispute letter to the credit reporting agency (in this example, Equifax). The detailed dispute letter to Equifax would have triggered Acme Bank's obligations under § 1681s-2(b), and when Acme Bank failed to correct its reporting, it would have been liable to

the consumer for that failure. Without the letter to Equifax, this consumer's lawsuit would likely not survive a Motion to Dismiss.

As this example illustrates, the topic of credit reporting can be confusing. Although the Fair Credit Reporting Act gives consumers powerful rights, it is sometimes difficult to navigate.

However, there is good news - and we hope that it's something that will not surprise you:

We will help you!

If you have questions or concerns about a credit report, please reach out.

To contact us via e-mail:

Write to creditreports@bolemanlaw.com

To contact us via phone:

Call **804-358-9900**, and ask for the Consumer Litigation Team



Richmond 804.355.2057

Interstate Center, 2104 W Laburnum Ave Suite 201, Richmond, VA 23227

Virginia Beach 757.313.3000

Convergence Center III, 272 Bendix Road, Suite 330, Virginia Beach, VA 23452

Hampton 757.825.5577

2 Eaton Street, Suite 106, (Corner of Settlers Landing), Hampton, VA 23669



Emily Connor Kennedy

Emily Connor Kennedy joined the Boleman Law Firm in 2010 as an intern after her first year of law school. She has been a committed member of the Boleman team ever since. In 2012, Emily was admitted to the Virginia Bar.

Emily is a member of the National Association of Consumer Advocates, and a contributing writer for the National Association of Chapter Thirteen Trustees (NACTT) Academy. Emily has served as a panelist at the NACTT Annual Meeting.

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