FSB™
Financial Strength Builder

Your Credit Rights

How the Law Protects You

Credit is valuable. The importance of how much credit you have and how you use it goes far beyond shopping. Whether you have good or poor credit can affect where you live and even where you work, because your credit record may be considered by prospective employers. That is why you need to understand how credit is awarded or denied and what you can do if you are treated unfairly. The major laws that regulate credit are outlined in this brochure.

Fair Credit Reporting Act

The Fair Credit Reporting Act promotes the accuracy and privacy of information in consumer credit reports. It also controls the use of credit reports and requires consumer reporting agencies to maintain correct and complete files.

According to this act, you have a right to review your credit report and to have incorrect information corrected.

Issuing Credit Reports

Credit bureaus, the most common type of consumer reporting agency (CRA) that compiles and issues credit reports, are required to help you understand your report. Reports can be issued only to those with a legitimate business reason. These include creditors, employers, insurers, and government agencies reviewing your status for licensing or benefit purposes, or any third party for whom you request a report.

Credit Report Errors

If you find an error on your report, you should notify the credit bureau in writing immediately. The bureau is responsible for investigating and for changing or removing any incorrect data. The source of the error must then notify all consumer reporting agencies where they sent information. If you are not satisfied with the correction, you have the right to add a brief statement (100 words or less) about the issue to your credit report. The statement should be a clarification, not an explanation, of credit problems.

Denied Credit

If your credit application is turned down because of an error on your report, the lender is required to provide you with the name and address of the credit bureau that issued the report. Then, you have 30 days to request a free copy from the bureau. The bureaus must disclose to you all information in the report, its source, and who has recently received the report.

You have the right to have the credit bureau re-issue corrected reports to lenders who received reports within the last six months, or to employers who received one in the past two years.

Disclosure

Consumer reporting agencies must provide you access to the information in your credit report, as well as identify those who have requested the information recently. There is usually a charge for each report, unless you have been denied credit recently.

You are entitled to one free report a year if you certify in writing that: (1) you are unemployed and plan to look for a job within 60 days, (2) you are on welfare, or (3) your report is inaccurate due to fraud.

Limiting Access

You may request that consumer reporting agencies do not distribute your name on lists used by creditors and insurers to make unsolicited offers of credit and insurance. Requests can be made by telephone or in writing by filling out a form available from each credit reporting agency.

For telephone requests, call (888) 5 OPT OUT to be excluded from Experian, Equifax, and Trans Union. Telephone requests last for two years; written requests are permanent.

Consumers have the right to sue consumer reporting agencies, users, and providers in state and federal court for violations of the Fair Credit Reporting Act.

Equal Credit Opportunity Act

The Equal Credit Opportunity Act requires that individual creditors apply credit standards in a fair manner, so that all consumers are given an equal chance to obtain credit. It does not require all creditors to have the same standards, nor does it guarantee approval of loan applications.

In reviewing your credit application, lenders cannot discriminate on the basis of sex, marital status, race, religion, national origin, age, income from assistance programs, or if you exercise your rights under the Consumer Protection Act. The only acceptable criteria are your ability and intent to repay funds borrowed.

Prohibited Information

Credit applications cannot ask you about your sex, race, color, religious affiliation, or national origin unless you are applying for residential real estate. Even then, you are not required to answer. The information is used only to enforce fair housing laws, not for evaluation purposes.

You cannot be asked your marital status, unless your spouse will help secure, use, or be legally responsible for the loan. Creditors are also prohibited from asking about your plans to have children.

Credit for Couples

Spouses have the right to have their credit histories listed separately, including the accounts they use jointly. Married women have the option of using their birth name or married name. In the case of couples who jointly established credit, but whose credit appears in the name of only one spouse, the other partner has the right to rely on that credit history as well.

Divorced Individuals

If you pay or receive alimony, child support, or maintenance, you can be asked how these items affect your income. However, if you do not plan to use this income to repay the loan for which you are applying, you do not have to list it on your application.

Age

Creditors can ask how old you are in order to be certain you have reached legal age to enter into contracts. They can also consider your age to estimate how long you will continue to work. However, age cannot be used to deny credit to those 62 or older (in the case of credit-scoring systems) or to those applicants whose age exceeds that required for credit insurance.

Changed Circumstances

The terms of your credit cannot be changed simply because your life circumstances do. For example, the length, interest, or other features of loans cannot be changed; you cannot be forced to reapply for a loan; and you cannot be terminated because you change your name or marital status, reach a certain age, or retire.

Applicant Notification

Lenders must notify credit applicants of their decision within 30 days after the application is completed. If credit is denied, the creditor must provide a written statement that includes the action taken, reason for denial (or how to request it), the applicant’s rights, and the name and address of the enforcing federal agency. If you believe that discrimination has taken place, you have the right to file suit. If creditors are found to have discriminated unfairly, they can be held liable for actual damages and punitive damages up to $10,000.

Fair Credit Billing Act

The Fair Credit Billing Act provides for the prompt correction of errors on open-end credit accounts (department store credit accounts, for example) and protects consumers' credit ratings while they are settling disputes.

Under this law, if a consumer is disputing a charge, creditors cannot report the consumer's account as delinquent. This applies to open-end credit instruments, such as credit cards, revolving charge accounts, and overdraft checking. Consumers who question an item are responsible for notifying the creditor in writing within 60 days of receiving the bill. The creditor must acknowledge the notice within 30 days and may not do anything to damage the consumer's credit rating while the item is in dispute.

Fair Debt Collection Practices Act

The Fair Debt Collection Practices Act promotes the fair treatment of consumers by prohibiting debt collectors from using unfair, deceptive, or abusive practices.

This act applies to professional debt collectors who collect on loans they did not originate. Though it technically does not apply to banks, department stores, and other lenders who collect their own debts, no reputable lender is permitted to use such practices.

1. Debt collectors are permitted to contact people other than the debtor only to locate the debtor or make a reasonable effort to communicate with the debtor about the debt.
2. After making contact, debt collectors are required to send written notice informing the debtor of the amount of the debt, the name of the creditor, and the fact that the debt will be considered valid unless disputed within 30 days.
3. Debt collectors are prohibited from harassing, oppressing, or being abusive in collecting a debt. This includes using threats or obscene language, publicizing the debt, making annoying or anonymous telephone calls, and misrepresenting the identity of the collector, the status of the debt, and the consequences if it is not paid.

If debt collectors violate the Fair Debt Collection Practices Act, consumers can sue for actual and punitive damages.