

RESCINDED # 363



Office of Thrift Supervision

Department of the Treasury

Deputy Director, Examinations, Supervision, and Consumer Protection

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Rescinded 1/4/2011 with the issuance of CEO 377. Click to link to CEO 377.

August 31, 2010

MEMORANDUM FOR: CHIEF EXECUTIVE OFFICERS

FROM:

Thomas A. Barnes

Deputy Director

Examinations, Supervision, and Consumer Protection

A handwritten signature in black ink that reads 'Thomas A. Barnes'.

SUBJECT:

Furnishing Information to Consumer

Reporting Agencies and Direct Disputes Regulation:

FCRA Examination Procedures

Section 623 of the Fair Credit Reporting Act (FCRA) was amended by the Fair and Accurate Credit Transactions Act of 2003 (FACT Act) to improve the way that institutions furnish information to consumer reporting agencies (CRAs) and handle direct disputes from consumers. The federal financial regulatory agencies¹ and the Federal Trade Commission implemented the FACT Act changes through final rules that were effective July 1, 2010.²

Section 1300 of the Examination Handbook contains procedures used by OTS examiners to assess compliance with the FCRA. The module on financial institutions as furnishers of information (Module 4) has been revised to include the requirements of the new rules.

Summary of Key Regulatory Provisions

Furnishing information to CRAs is voluntary. However, under the new rules, institutions that do so must have policies and procedures for furnishing information with accuracy and integrity. The rules also lay out the duties of institutions that receive disputes directly from consumers.³ The attached examination procedures address both of these areas.

¹ These agencies are OTS, the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, and the National Credit Union Administration.

² 74 Fed. Reg. 31484 (July 1, 2009). See 12 CFR 571.40 (version of the rules applicable to OTS-supervised institutions).

³ For more information on these rules, see [CEO Letter # 313](#) (July 17, 2009).

Reasonable policies and procedures for furnishing information. In developing the required policies and procedures, furnishers must consider the guidelines that are in Appendix E to the rule. The guidelines recommend that the policies and procedures fit the institution's activities, provide for reasonable investigations of disputes, use standard data reporting formats, maintain records for enough time to respond to direct disputes, review procedures upon transfers of accounts to prevent re-aging of information, and periodically review and update their practices for investigating and correcting information. Pursuant to the new rules, furnishers must also review and update their procedures periodically.

Direct disputes. When a consumer disputes information reported to a CRA directly with an institution, the institution must conduct a reasonable investigation of a direct dispute if it relates to consumer liability on the account, the terms of the account, the consumer's performance, or other information in a credit report regarding the account with the furnisher that bears on the consumer's creditworthiness and reputation. When an institution receives a direct dispute, it must review all relevant information that the consumer provided and report investigation results to the consumer. If the institution finds that it provided incorrect information to a CRA, it must provide the correct information to each affected CRA. An investigation is not required if the institution determines that the dispute is frivolous or irrelevant and sends the consumer a notice within five days of making that determination. The notice may be on a standard form and must include the reasons for the determination and identify information that the institution needs to investigate the dispute.

For additional information, please contact Suzanne McQueen, Consumer Regulations Analyst, at (202) 906-6459.