

Fair Credit Reporting Act (FCRA)

Description:

The Act protects information collected by consumer reporting agencies such as credit bureaus. Information in a consumer report cannot be provided to anyone who does not have a purpose specified in the Act. Companies that provide information to consumer reporting agencies have specific legal obligations, including the duty to investigate disputed information. Also, users of the information for credit, insurance, or employment purposes must notify the consumer when an adverse action is taken on the basis of such reports.

Dealer Relevancy:

- The FCRA is implemented through a number of regulations, or Rules, that apply to dealers.
- The Risk-Based Pricing Rule requires a Risk-Based Pricing Notice be provided to the customer if you or your third-party finance entity use(s) information from a credit report, such as a customer's payment history, to establish the price and other terms, specifically the Annual Percentage Rate (APR) of the credit being offered or extended.
- The FTC has issued specific guidance which states that the Risk Based Pricing Rule requirement applies to dealers whose third-party finance entity uses information from a credit report to establish the buy-rate. The dealer, not the third-party finance entity, is responsible for providing the notice.
- The Red Flags Rule applies to dealers that offer financing or that collect or process credit applications for third-party lenders. The Rule requires covered dealers to develop, implement, and maintain a written identity theft prevention plan.
- The Disposal Rule dictates that consumer personal private financial information, including consumer credit reports, be disposed of in a particular fashion. The Rule applies to both paper and digital information.
- Both the FCRA and the Equal Credit Opportunity Act require Adverse Action Notices be provided consumers in the event credit is denied. The FCRA notice requirements may be satisfied through appropriate use of sample notices defined by the ECOA.

FCRA



Covered entities:

BHPH

3rd Party Finance

Rulemaking Authority:

*CFPB

‡FTC

*CFPB with respect to Risk-Based Pricing Rule for BHPH dealers.

‡FTC with respect to Risk-Based Pricing Rule for non-BHPH dealers and with respect to Red Flags Rule and Disposal Rule for all dealers.