



Applicant Information

Things You Should Know About Residential Screening



Table of Contents

Your Responsibilities as a User of Consumer Reports.....	3
Applicant Information’s responsibilities.....	4
Databases.....	4
Address History.....	4
Criminal Databases.....	5
Credit Report.....	5
Eviction Search.....	6
FICO scores.....	6
Sexual Offender Search.....	6
Investigative reports generated by Applicant Information.....	7
Criminal Court Search.....	7
Employment Verification.....	7
References.....	8
Tenant Scorecard.....	8
What Information is Required?.....	8
The Application Process.....	9
Frequently Asked Questions.....	11
How to Read a Credit Report.....	13
What is a FICO Score?.....	15
NOTICE TO USERS OF CONSUMER REPORTS: OBLIGATIONS OF USERS UNDER THE FCRA.....	17

**WHILE THE INFORMATION IN THIS BOOKLET DEALS
WITH LEGAL ISSUES, IT DOES NOT CONSTITUTE LEGAL
ADVICE.**

**IF YOU HAVE SPECIFIC QUESTIONS RELATED TO
INFORMATION AVAILABLE IN THIS BOOKLET, YOU ARE
ENCOURAGED TO CONSULT AN ATTORNEY WHO CAN
INVESTIGATE THE PARTICULAR CIRCUMSTANCES OF
YOUR SITUATION.**



The purpose of Residential Screening

People purchase or lease a unit within your Association with the expectation of a given level of safety. Likewise, people expect stability in the community's appearance and character. Residential background screening helps an Association Board ensure its future financial and physical security.

Your Responsibilities as a User of Consumer Reports

As a requirement of obtaining and using information from Applicant Information, your Association Board is required to handle reports as confidential documents.

Confidentiality/Recordkeeping

Applicant Information reports are not considered public documents, and therefore cannot be released to other members of the Association. Reports often contain private financial information that needs to be treated accordingly. The information is not to be shared with other Associations, unit sellers, or other people without the express written consent of all of the applicant(s) in question.

Documentation that includes credit reporting/scoring needs to be kept for a minimum of five years.

Documentation that includes credit reporting/scoring can only be used once.

Adverse Action

By law you, as the end user of the report, are responsible for determining how to proceed with the information reported. If, based in whole or in part on information provided by Applicant Information, an Association Board decides to deny an applicant(s), or otherwise place conditions on acceptance, the Association Board needs to provide a notice to the applicant(s) as outlined in the Fair Credit Reporting Act (included at the end of this booklet starting on page 20).

The notice can be provided orally, electronically or in written form. Applicant Information recommends written notification. We have provided a template on our secure



website that will generate a legally compliant notice, personalized with your organization's and the applicant's information.

Applicant Information's responsibilities as a generator of investigative consumer reports

We are responsible for supplying accurate information in a timely fashion. If any other information is contested by the applicant(s), we are responsible to re-investigate the reported information and correct any mistakes that we make.

We are responsible to forward any contested facts provided by a National Consumer Reporting Agency (i.e., TransUnion, Equifax, Experian, etc.). If a correction is made, we are responsible for updating the affected report(s).

We are not responsible for correcting public records (court records, DMV files, tax assessor information, etc.). The applicant(s) need to handle any clarification directly with the reporting agency.

By law, we are prohibited from making a determination of how to act upon the report, or explain why the decision was made to the applicant(s).

Tools available

Databases

Address History – Obtained from credit bureaus and other sources of address history such as magazine subscriptions, organization memberships, etc. Also referred to as a “social security number trace”.

STRENGTHS – Addresses listed will be extensive, often including previous workplace addresses. Available in minutes, and can reach back decades.

WEAKNESSES – Because of the manner in which data is collected and matched, may produce false positives.



This means an address is reported that a person in fact may have never resided. Examples of this are relatives homes where they received mail, workplaces, or addresses mistakenly associated with the applicant.

SUMMARY – Useful to determine where to perform criminal court searches.

Criminal Databases – Databases that are compiled by commercial enterprises. Sources are city, county and state governments that authorize for the release/sale of criminal information (varies by agency).

STRENGTHS – Searches over 700 million criminal records in a few minutes. Also includes government most wanted lists and sex offender search from all 50 states and additional US Territories.

WEAKNESSES – Many government agencies prohibit release of information to commercial database providers. Only about 11% of total counties by count are included. Information is updated sporadically (monthly to yearly). Sometimes many results are returned for common names.

SUMMARY – The data results are considered a mile wide and an inch deep.

Credit Report – Commercially provided payment history compiled by one of three bureaus, namely Equifax, Experian or TransUnion.

STRENGTHS – Shows debt repayment over time.

WEAKNESSES – Young people and people that have paid bills via cash will be underreported or unreported. Different credit bureaus may have different accounts listed. Many periodic bills are not reported, such as rent payments.

SUMMARY – Gives a wide variety of financial transactions over time in a consistent fashion.



Eviction Search – (also called unlawful detainer) Eviction cases are contained within a commercially compiled database from court proceedings around the nation.

STRENGTHS – Can be reported in minutes.

WEAKNESSES – The information is skewed to more densely populated areas. There is also a delay in cases being compiled in the database.

SUMMARY – Useful, especially when the applicant has historically rented rather than owned property.

FICO Scores – A score that ranges from 300 to 850. Must be ordered in conjunction with a Credit Report. For a more detailed explanation, refer to pages 17-19 of this booklet.

STRENGTHS – Provides an objective, measurable risk management tool that shows the likelihood of debt repayment based on past activity. Simplifies interpretation of lengthy credit reports.

WEAKNESSES – Does not account for extraordinary life events, such as divorce, hospitalization, etc. that can affect a person's credit.

SUMMARY – Useful, especially when coupled with criminal searches and personal references.

Sexual Offender Search – a commercially compiled database of all US States and Territories' published Sexual Offender Registries.

STRENGTHS – All 50 States and US Territories are searched to determine if applicant is on a state's sexual offender list.

WEAKNESSES – Not all sexual offenders are required to register with a state's sexual offender list. State laws vary widely on who is listed, and for what period of time.



SUMMARY – The sex offender search can cover the entire United States in minutes.

Investigative reports generated by Applicant Information

Criminal Court Search

STRENGTHS – Provides the most current and accurate information available on an applicant’s criminal record. Sometimes referred to as a “police check”.

WEAKNESSES – There are over 10,000 courts in the United States. It is unfeasible to check every court. Individual courts may charge to access public records under their control.

SUMMARY – Combined with a Criminal Database Search and Address History, provides the best due diligence available.

Employment Verification

STRENGTHS – Provides the Association Board with insight to the applicant(s) current employment situation. A verification of current employment dates, job description, the anticipation of a layoff and the current compensation are verified.

WEAKNESSES – Many large employers have outsourced their employment verification to organizations that charge for the information. The information in third party verification systems is limited to what is supplied by the employing company, which can only be determined after paying for the information.

SUMMARY – Provides an independent verification of employment and possibly income.



References

STRENGTHS – Offers the opportunity for an Association Board to learn more about the lifestyle of the applicant(s). During this process, we often uncover the existence of pets not disclosed on an *Application for Occupancy*.

WEAKNESSES – The references are often close friends or even relatives that can be reluctant to disclose any information regarding applicants, even with written releases.

SUMMARY – Useful, especially when an Association has rules limiting number of occupants or pets.

Tenant Scorecard

STRENGTHS – Allows for objective application of qualification rules such as a FICO score greater than a given number, or no current delinquencies. Summarizes many of the other searches.

WEAKNESSES – The Association needs to determine what standards it wants to apply before use.

SUMMARY – Protects Associations from discrimination lawsuits by applying a consistent set of rules to all applicants.

What Information is Required?

In order for Applicant Information to perform a thorough investigation, there are key pieces of information that we will need to proceed.

Residential Application – The first line of defense for a proper investigation is a completed **Application for Occupancy**. Applicant Information provides your Association with **Applications for Occupancy** that capture all of the information required for our investigations.



Personal Identifiers – Application Information needs personal identifiers to help verify the accuracy of a possible name based record match. Our company policy is to match as many identifiers as are available in the source document. Identifiers that we commonly use include:

- **Social Security Number**
- **Social Insurance Number (for Canadians)**
- **Date of Birth in MM/DD/YYYY format**
- **Full legal name**
- **Maiden name (if applicable and married/remarried within the past 10 years)**
- **Mother's maiden name (only for Spanish speaking countries, to help distinguish people with the same name)**

The Application Process

Receipt of application by the Association

At the time a purchase contract or rental agreement is presented to the Association, you can provide the buyer/renter with an **Application for Occupancy**. If you receive back an incomplete application, do not accept it. An incomplete application will likely result in an incomplete report being returned to you.

Receipt of application by Applicant Information

Please enter the information on our secure website for best results. Alternatively, fax or mail the completed **Application for Occupancy** to our office.

Generation of report to Association

The Investigative process typically takes 2 – 4 business days, depending on the type of investigation(s). International investigations will take longer. Interim and final reports are always available 24 hours a day on our secure website. By request, we can fax completed reports.



Association Screening Process

In addition to Applicant Information's complete report(s), your Screening Committee may also require additional information such as a purchase contract, tax returns, or the like. Your choices at that point are to approve the application, approve with conditions, deny the application, or request more information.

Denial of application or approval with conditions

If the Association's Screening Committee or Board decides to deny or only approve the application with conditions, it is important to determine if any information provided by Applicant Information was used in making this decision.

If the Applicant Information provided information was used in whole or in part, then you must provide a *Notice of Disqualification*. Along with the *Notice of Disqualification*, you can provide a *Request for Disclosure* or a copy of the report that Applicant Information provided.

Correction of incorrect information (if required)

The purpose of the applicant(s) receiving a copy of their reports is to ensure that the report does not contain factually inaccurate information.

This same process is used if a person is denied a credit card, a loan for a car, or any other form of credit. The process allows for the correction of inaccurate information that may affect an Application.

Applicant Information re-investigates contested fact(s). By law, we have up to 20 days to complete the re-investigation, but typically complete the follow-up within several business days.

If there is an error or a modification was made, or we cannot verify the fact, we will report the correction to



Applicant(s) and the Association. We will also report to both parties if no correction is made.

Frequently Asked Questions

Is screening buyers, renters, or additional community residents legal?

Yes. The Federal Fair Credit Reporting Act is the governing national law that provides for the screening of credit transactions and criminal background checks. People buying or renting a unit in an Association are entering into a financial agreement with the Association for maintenance fees, special assessments, clubhouse fees, etc. They are also entering into a community that has an obligation to protect its current residents, employees, and associated guests.

Florida's Cooperative Ace (Homeowner's Act) FS 719.106 (1) (i) allows for the establishment of transfer fees. This coupled with previous Florida court rulings including *William vs. Feather Sound, Inc.* 386 So. 2nd (FL 2d DCA | 980) establish the rights and responsibilities for Associations to screen people affiliated with the Association.

In addition to the circumstances detailed above, an Association's organizational documents must specifically allow for a screening process.

Can we institute a policy of denying all people with arrests or convictions?

Only at your Association's peril. Because of historical arrest and prosecution disparities of certain groups, many local, state and federal housing agencies view blanket denials of those with criminal history as discrimination in fact.

All information Applicant Information provides should be evaluated in the context of the entire package of information provided regarding the applicant. For



example, an assault conviction 25 years ago has a different weight than the same type of conviction 1 year ago.

Can Applicant Information determine which applications to accept or deny?

Applicant Information is prohibited by the Fair Credit Reporting Act from making a determination of what to do with the report. The role of Applicant Information is to provide facts and explain the contents of the reports when requested.

Can I deny an application based on credit history?

Yes. The Association is taking a financial risk by having the applicant join the community. Unit owners are responsible for paying periodic maintenance dues, in addition to any special assessments that may arise. If the unit owner cannot pay the dues, who will?

Can I deny for a pending or past criminal record?

Yes. The Association has a responsibility to protect its residents and employees from reasonably foreseeable harm per Florida case of Williams v. Feather Sound, Inc., 386 So. 2d | 238 (Florida Appellate 2nd District | 980).

Can a report requested for residential occupancy be used for employment purposes?

No. Vastly different rules apply for pre-employment background checks and residential background checks. Please contact us for further information if you wish to conduct pre-employment background checks or drug testing.



Can we share the results of the report with the seller of a unit?

No. The Association is the end user of the report. Sharing of credit reports or other information violates your agreement with Applicant Information and could violate Federal and Florida law.

How long is a report considered reliable?

A report **generally** is considered to be valid for 30 calendar days. Within that time frame, things can change. After that time frame, another report will always need to be generated from scratch.

Can we deny all applicants based on the background report of one?

If the application names each applicant as co-applicants, then all applicants can be accepted or denied collectively.

Why is Applicant Information the background company of choice?

We helped create the background check industry, starting in 1979. We have over 1,000 employer and residential customers ranging from eight unit condominium complexes to multi-billion dollar international companies. Our company has completed over 500,000 background reports to date.

How to Read a Credit Report

A credit report will start with an abbreviated address history. It will next list employment information, which is often out of date.

If your report includes a credit score, it will be listed next. Up to four factors in determining the score will be listed in the order of impact.



A credit summary will be next, summarizing the detailed account information that follows. Various types of accounts are listed in the summary and accompanying details.

Trades are the total number of accounts listed. The trades are further broken down into groups. All accounts within a group are listed in the order of the most derogatory information being listed first.

Public Records – include bankruptcies, tax liens, and civil judgments may be reported for up to ten years on a credit report.

Collection Accounts – Accounts that are currently in collection and those that have been previously placed for collection but have been paid off.

Revolving Accounts – credit cards and store cards. This may include accounts that have been written off by the lender.

Open Accounts - Fixed term installment loans

Mortgages – loans on real estate

Payment reporting

- X – no report was received during that month
- 1 – pays as agreed
- 2 – pays late up to 30 days late
- 3 – pays late up to 60 days late

The scale increases by 30 day increments until a 9 is shown, indicating that the debt has been placed for collection.



What is a FICO Score?

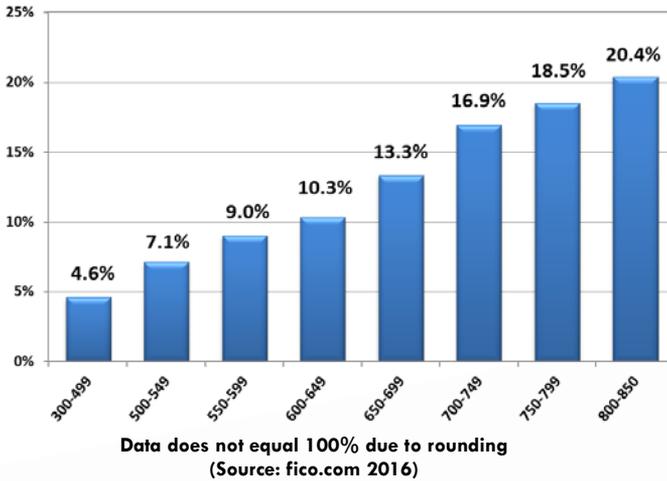
Fico scores range from 300 to 850. A score of 723 is the median for US consumers. The formula used to calculate FICO scores includes information based on several factors:

- **Approximately 35% on past payment history**
- **Approximately 30% on the amount currently owed to lenders**
- **Approximately 15% on the length of credit history**
- **Approximately 10% on the number of new credit accounts opened or applied for (fewer is better)**
- **Approximately 10% on the mix of types of credit accounts (mortgages, credit cards, installment loans, etc.)**

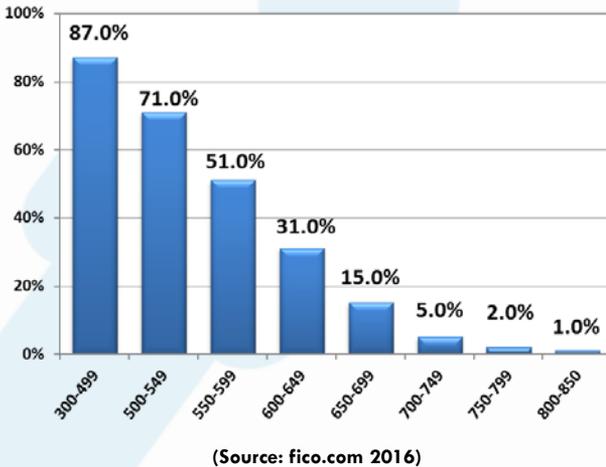
The distribution of scores nationwide, as of 2016, are shown on the next page. The corresponding delinquency rate for each range of score is also presented.



National Distribution of Fico Scores



Delinquency Rates by FICO Score



Appendix C to Part 601

Prescribed Notice of User Responsibilities

This appendix prescribes the content of the required notice.

NOTICE TO USERS OF CONSUMER REPORTS: OBLIGATIONS OF USERS UNDER THE FCRA

The Fair Credit Reporting Act (FCRA), 15 U.S.C. 1681-1681y, requires that this notice be provided to inform users of consumer reports of their legal obligations. State law may impose additional requirements. The text of the FCRA is set forth in full at the Consumer Financial Protection Bureau's Website at www.consumerfinance.gov/learnmore. At the end of this document is a list of United States Code citations for the FCRA. Other information about user duties is also available at the Bureau's Web site. Users must consult the relevant provisions of the FCRA for details about their obligations under the FCRA. The first section of this summary sets forth the responsibilities imposed by the FCRA on all users of consumer reports. The subsequent sections discuss the duties of users of reports that contain specific types of information, or that are used for certain purposes, and the legal consequences of violations. If you are a furnisher of information to a consumer reporting agency (CRA), you have additional obligations and will receive a separate notice from the CRA describing your duties as a furnisher.

I. OBLIGATIONS OF ALL USERS OF CONSUMER REPORTS

A. Users Must Have a Permissible Purpose

Congress has limited the use of consumer reports to protect consumers' privacy. All users must have a permissible purpose under the FCRA to obtain a consumer report. Section 604 contains a list of the permissible purposes under the law. These are:

- As ordered by a court or a federal grand jury subpoena. Section 604(a)(1)
- As instructed by the consumer in writing. Section 604(a)(2)
- For the extension of credit as a result of an application from a consumer, or the review or collection of a consumer's account. Section 604(a)(3)(A)
- For employment purposes, including hiring and promotion decisions, where the consumer has given written permission. Sections 604(a)(3)(B) and 604(b)
- For the underwriting of insurance as a result of an application from a consumer. Section 604(a)(3)(C)



- When there is a legitimate business need, in connection with a business transaction that is initiated by the consumer. Section 604(a)(3)(F)(i)
- To review a consumer's account to determine whether the consumer continues to meet the terms of the account. Section 604(a)(3)(F)(ii)
- To determine a consumer's eligibility for a license or other benefit granted by a governmental instrumentality required by law to consider an applicant's financial responsibility or status. Section 604(a)(3)(D)
- For use by a potential investor or servicer, or current insurer, in a valuation or assessment of the credit or prepayment risks associated with an existing credit obligation. Section 604(a)(3)(E)
- For use by state and local officials in connection with the determination of child support payments, or modifications and enforcement thereof. Sections 604(a)(4) and 604(a)(5)

In addition, creditors and insurers may obtain certain consumer report information for the purpose of making "prescreened" unsolicited offers of credit or insurance. Section 604(c). The particular obligations of users of "prescreened" information are described in Section VII below.

B. Users Must Provide Certifications

Section 604(f) prohibits any person from obtaining a consumer report from a consumer reporting agency (CRA) unless the person has certified to the CRA the permissible purpose(s) for which the report is being obtained and certifies that the report will not be used for any other purpose.

C. Users Must Notify Consumers When Adverse Actions Are Taken

The term "adverse action" is defined very broadly by Section 603. "Adverse actions" include all business, credit, and employment actions affecting consumers that can be considered to have a negative impact as defined by Section 603(k) of the FCRA – such as denying or canceling credit or insurance, or denying employment or promotion. No adverse action occurs in a credit transaction where the creditor makes a counteroffer that is accepted by the consumer.

1. Adverse Actions Based on Information Obtained From a CRA

If a user takes any type of adverse action as defined by the FCRA that is based at least in part on information contained in a



consumer report, Section 615(a) requires the user to notify the consumer. The notification may be done in writing, orally, or by electronic means. It must include the following:

The name, address, and telephone number of the CRA (including a toll-free telephone number, if it is a nationwide CRA) that provided the report.

A statement that the CRA did not make the adverse decision and is not able to explain why the decision was made.

A statement setting forth the consumer's right to obtain a free disclosure of the consumer's file from the CRA if the consumer makes a request within 60 days.

A statement setting forth the consumer's right to dispute directly with the CRA the accuracy or completeness of any information provided by the CRA.

2. Adverse Actions Based on Information Obtained From Third Parties Who Are Not Consumer Reporting Agencies

If a person denies (or increases the charge for) credit for personal, family, or household purposes based either wholly or partly upon information from a person other than a CRA, and the information is the type of consumer information covered by the FCRA, Section 615(b)(1) requires that the user clearly and accurately disclose to the consumer his or her right to be told the nature of the information that was relied upon if the consumer makes a written request within 60 days of notification. The user must provide the disclosure within a reasonable period of time following the consumer's written request.

3. Adverse Actions Based on Information Obtained From Affiliates

If a person takes an adverse action involving insurance, employment, or a credit transaction initiated by the consumer, based on information of the type covered by the FCRA, and this information was obtained from an entity affiliated with the user of the information by common ownership or control, Section 615(b)(2) requires the user to notify the consumer of the adverse action. The notice must inform the consumer that he or she may obtain a disclosure of the nature of the information relied upon by making a written request within 60 days of receiving the adverse action notice. If the consumer makes such a request, the user must disclose the nature of the information not later than 30 days after receiving the request. If consumer report information is shared



among affiliates and then used for an adverse action, the user must make an adverse action disclosure as set forth in I.C.1 above.

D. Users Have Obligations When Fraud and Active Duty Military Alerts are in Files

When a consumer has placed a fraud alert, including one relating to identity theft, or an active duty military alert with a nationwide consumer reporting agency as defined in Section 603(p) and resellers, Section 605A(h) imposes limitations on users of reports obtained from the consumer reporting agency in certain circumstances, including the establishment of a new credit plan and the issuance of additional credit cards. For initial fraud alerts and active duty alerts, the user must have reasonable policies and procedures in place to form a belief that the user knows the identity of the applicant or contact the consumer at a telephone number specified by the consumer; in the case of extended fraud alerts, the user must contact the consumer in accordance with the contact information provided in the consumer's alert.

E. Users Have Obligations When Notified of an Address Discrepancy

Section 605(h) requires nationwide CRAs, as defined in Section 603(p), to notify users that request reports when the address for a consumer provided by the user in requesting the report is substantially different from the addresses in the consumer's file. When this occurs, users must comply with regulations specifying the procedures to be followed, which will be issued by the Consumer Financial Protection Bureau and the banking and credit union regulators. The Consumer Financial Protection Bureau's regulations will be available at www.consumerfinance.gov/learnmore.

F. Users Have Obligations When Disposing of Records

Section 628 requires that all users of consumer report information have in place procedures to properly dispose of records containing this information. The Consumer Financial Protection Bureau, the Securities and Exchange Commission, and the banking and credit union regulators have issued regulations covering disposal. The Consumer Financial Protection Bureau's regulations may be found at www.consumerfinance.gov/learnmore.

II. CREDITORS MUST MAKE ADDITIONAL DISCLOSURES

If a person uses a consumer report in connection with an application for, or a grant, extension, or provision of, credit to a



consumer on material terms that are materially less favorable than the most favorable terms available to a substantial proportion of consumers from or through that person, based in whole or in part on a consumer report, the person must provide a risk-based pricing notice to the consumer in accordance with regulations to be jointly prescribed by the Consumer Financial Protection Bureau and the Federal Reserve Board.

Section 609(g) requires a disclosure by all persons that make or arrange loans secured by residential real property (one to four units) and that use credit scores. These persons must provide credit scores and other information about credit scores to applicants, including the disclosure set forth in Section 609(g)(1)(D) ("Notice to the Home Loan Applicant").

III. OBLIGATIONS OF USERS WHEN CONSUMER REPORTS ARE OBTAINED FOR EMPLOYMENT PURPOSES

A. Employment Other Than in the Trucking Industry

If information from a CRA is used for employment purposes, the user has specific duties, which are set forth in Section 604(b) of the FCRA. The user must:

- Make a clear and conspicuous written disclosure to the consumer before the report is obtained, in a document that consists solely of the disclosure, that a consumer report may be obtained.
- Obtain from the consumer prior written authorization. Authorization to access reports during the term of employment may be obtained at the time of employment.
- Certify to the CRA that the above steps have been followed, that the information being obtained will not be used in violation of any federal or state equal opportunity law or regulation, and that, if any adverse action is to be taken based on the consumer report, a copy of the report and a summary of the consumer's rights will be provided to the consumer.
- **Before** taking an adverse action, the user must provide a copy of the report to the consumer as well as the summary of consumer's rights. (The user should receive this summary from the CRA.) A Section 615(a) adverse action notice should be sent after the adverse action is taken.

An adverse action notice also is required in employment situations if credit information (other than transactions and experience data) obtained from an affiliate is used to deny employment. Section 615(b)(2)



The procedures for investigative consumer reports and employee misconduct investigations are set forth below.

B. Employment in the Trucking Industry

Special rules apply for truck drivers where the only interaction between the consumer and the potential employer is by mail, telephone, or computer. In this case, the consumer may provide consent orally or electronically, and an adverse action may be made orally, in writing, or electronically. The consumer may obtain a copy of any report relied upon by the trucking company by contacting the company.

IV. OBLIGATIONS WHEN INVESTIGATIVE CONSUMER REPORTS ARE USED

Investigative consumer reports are a special type of consumer report in which information about a consumer's character, general reputation, personal characteristics, and mode of living is obtained through personal interviews by an entity or person that is a consumer reporting agency. Consumers who are the subjects of such reports are given special rights under the FCRA. If a user intends to obtain an investigative consumer report, Section 606 requires the following:

- The user must disclose to the consumer that an investigative consumer report may be obtained. This must be done in a written disclosure that is mailed, or otherwise delivered, to the consumer at some time before or not later than three days after the date on which the report was first requested. The disclosure must include a statement informing the consumer of his or her right to request additional disclosures of the nature and scope of the investigation as described below, and the summary of consumer rights required by Section 609 of the FCRA. (The summary of consumer rights will be provided by the CRA that conducts the investigation.)
- The user must certify to the CRA that the disclosures set forth above have been made and that the user will make the disclosure described below.
- Upon the written request of a consumer made within a reasonable period of time after the disclosures required above, the user must make a complete disclosure of the nature and scope of the investigation. This must be made in a written statement that is mailed, or otherwise delivered, to the consumer no later than five days after the date on which the request was received from the consumer or the report was first requested, whichever is later in time.



V. SPECIAL PROCEDURES FOR EMPLOYEE INVESTIGATIONS

Section 603(x) provides special procedures for investigations of suspected misconduct by an employee or for compliance with Federal, state or local laws and regulations or the rules of a self-regulatory organization, and compliance with written policies of the employer. These investigations are not treated as consumer reports so long as the employer or its agent complies with the procedures set forth in Section 603(x), and a summary describing the nature and scope of the inquiry is made to the employee if an adverse action is taken based on the investigation.

VI. OBLIGATIONS OF USERS OF MEDICAL INFORMATION

Section 604(g) limits the use of medical information obtained from consumer reporting agencies (other than payment information that appears in a coded form that does not identify the medical provider). If the information is to be used for an insurance transaction, the consumer must give consent to the user of the report or the information must be coded. If the report is to be used for employment purposes – or in connection with a credit transaction (except as provided in regulations issued by the banking and credit union regulators) – the consumer must provide specific written consent and the medical information must be relevant. Any user who receives medical information shall not disclose the information to any other person (except where necessary to carry out the purpose for which the information was disclosed, or as permitted by statute, regulation, or order).

VII. OBLIGATIONS OF USERS OF "PRESCREENED" LISTS

The FCRA permits creditors and insurers to obtain limited consumer report information for use in connection with unsolicited offers of credit or insurance under certain circumstances. Sections 603(l), 604(c), 604(e), and 615(d). This practice is known as "prescreening" and typically involves obtaining from a CRA a list of consumers who meet certain preestablished criteria. If any person intends to use prescreened lists, that person must (1) before the offer is made, establish the criteria that will be relied upon to make the offer and to grant credit or insurance, and (2) maintain such criteria on file for a three-year period beginning on the date on which the offer is made to each consumer. In addition, any user must provide with each written solicitation a clear and conspicuous statement that:



Information contained in a consumer's CRA file was used in connection with the transaction.

The consumer received the offer because he or she satisfied the criteria for credit worthiness or insurability used to screen for the offer.

Credit or insurance may not be extended if, after the consumer responds, it is determined that the consumer does not meet the criteria used for screening or any applicable criteria bearing on credit worthiness or insurability, or the consumer does not furnish required collateral.

The consumer may prohibit the use of information in his or her file in connection with future prescreened offers of credit or insurance by contacting the notification system established by the CRA that provided the report. The statement must include the address and toll-free telephone number of the appropriate notification system. In addition, once the Consumer Financial Protection Bureau by rule has established the format, type size, and manner of the disclosure required by Section 615(d), users must be in compliance with the rule. The CFPB's regulations will be at www.consumerfinance.gov/learnmore.

VIII. OBLIGATIONS OF RESELLERS

A. Disclosure and Certification Requirements

Section 607(e) requires any person who obtains a consumer report for resale to take the following steps:

- Disclose the identity of the end-user to the source CRA.
- Identify to the source CRA each permissible purpose for which the report will be furnished to the end-user.
- Establish and follow reasonable procedures to ensure that reports are resold only for permissible purposes, including procedures to obtain:

- (1) the identity of all end-users;
 - (2) certifications from all users of each purpose for which reports will be used; and
 - (3) certifications that reports will not be used for any purpose other than the purpose(s) specified to the reseller.
- Resellers must make reasonable efforts to verify this information before selling the report.

B. Reinvestigations by Resellers

Under Section 611(f), if a consumer disputes the accuracy or completeness of information in a report prepared by a reseller, the reseller must determine whether this is a result of an action or omission on its part and, if so, correct or delete the information. If not, the reseller must send the dispute to the source CRA for



reinvestigation. When any CRA notifies the reseller of the results of an investigation, the reseller must immediately convey the information to the consumer.

C. Fraud Alerts and Resellers

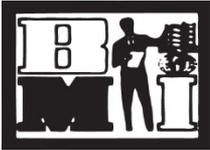
Section 605A(f) requires resellers who receive fraud alerts or active duty alerts from another consumer reporting agency to include these in their reports.

IX. LIABILITY FOR VIOLATIONS OF THE FCRA

Failure to comply with the FCRA can result in state government or federal government enforcement actions, as well as private lawsuits. Sections 616, 617, and 621. In addition, any person who knowingly and willfully obtains a consumer report under false pretenses may face criminal prosecution. Section 619.



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