

# FAIR & ACCURATE CREDIT TRANSACTION ACT "FACT"

## EXECUTIVE SUMMARY

On December 4th, 2003 the Fair and Accurate Credit Transactions Act (FACT) was signed into Law. The Act amends the Fair Credit Reporting Act (FCRA) to enhance the ability of consumers to combat identity theft, to increase the accuracy of consumer reports, and to allow consumers to exercise greater control over their credit information. FACT also restricts the use and disclosure of sensitive medical information and employee investigation. The Act includes various effective dates for each provision, notwithstanding a majority of the Act will go into effect on December 1, 2004 while the employer provision will be effective on March 31, 2004. The Federal Reserve has proposed that FACT be incorporated into a new regulation, Regulation V (Fair Credit Reporting). The following outlines some of the key provisions:

1. The Act provides that consumers may obtain their credit report free of charge annually for researching unauthorized activity. In the instances in which a consumer credit file includes a fraud alert, these consumers may request two free copies of their credit report within a 12-month period. Credit bureaus must mail the credit reports to consumers by no later than three business days after the request.
2. The Act requires merchants to print no more than the last five digits of a credit/debit card number on the receipt or the expiration date.
3. The Act creates a national database system for reporting identity theft and/or fraud. Previously, consumers would be required to separately contact all of their credit card companies and/or credit bureaus to alert each one of a potential crime. Once the national database system is established, consumers will only need to contact the national database system to trigger a nationwide fraud alert concerning all their credit card accounts. Credit card issuers/banks and credit bureaus participation in the new national database system is mandatory.
4. The Act establishes a nationwide fraud alert system for consumers to place on their credit files. Credit bureaus that receive fraud alerts from customers will now be obliged to follow procedures to ensure that any future requests are by the true

consumer and not an identity thief posing as the consumer. Consumers will be able to request that a fraud alert be maintained in their credit file for a period of 7-years.

5. The Act enables active military personnel to place a special alert on their credit files when they are deployed overseas and must be maintained in their credit file for a period of not less than two years. Additionally, the Act requires that while the special alert is active in a credit file, a notice must be provided to military personnel each time there is an extension of credit and/or new credit applied. The military notice rule does not apply to open-end credit plans such as credit cards.

6. The Act requires banking regulators to create a list of red flag indicators for identifying identity theft. Additionally, regulators will be required to evaluate the use of these red flag indicators by banks in their compliance examinations and impose fines where the disregarding of red flags has resulted in loss to a customer.

7. The Act requires banks and/or credit bureaus take action before a customer knows a crime has occurred. Credit bureaus and/or banks must create a set of guidelines to recognize common identity theft patterns and develop procedures in stopping identity theft.

8. The Act requires credit bureaus to block the reporting of any information in a credit file that a consumer indicates as identity theft by no later than 4 business days after the request and/or written documentation support the claim.

9. The Act requires credit bureaus to reconcile consumer's addresses if a consumer requests a credit report using an address that differs substantially from the most recent address in the credit bureau's file. Credit bureaus must notify the requester of the discrepancy and reconcile the difference within 30 days.

10. The Act establishes new rules to ensure that banks make lending decisions on full and fair credit histories and not on discriminatory stereotypes.