



WHAT YOU NEED TO KNOW: New Rules about Credit Decisions and Notices *(updated July 21, 2011)*

Starting in 2011, many credit-seeking consumers will get more information about how their credit report or credit score can impact a lender's decision to grant credit and the terms under which credit is offered. New rules from the Federal Reserve and the Federal Trade Commission require lenders to provide new information to consumers under certain conditions.

What type of notice will I receive? Why?

Depending on the circumstances, when you apply for credit through a bank, credit union, or other lender, you may receive a notice from the lender with information about your credit report or credit score. For example, you might receive a notice:

When you apply for credit...

- In some cases, shortly after you apply for credit, you will get a **Credit Score Notice** that states your credit score and information about how your credit score compares to other consumers' scores. A lender would provide this notice to all credit applicants, whether you apply for a mortgage, auto loan, or another type of credit. This notice would be provided regardless of the terms of credit offered to you. (To see a sample Credit Score Notice, go to www.federalreserve.gov/consumerinfo/files/forms_h_4_20110112.pdf; to see a sample credit score notice for home loan applicants, go to www.federalreserve.gov/consumerinfo/files/forms_h_3_20110112.pdf.)

If you do not have a credit score, the lender's notice would identify the particular credit bureau that does not have a credit score available for you. (To see a sample notice when a credit score is not available, go to www.federalreserve.gov/consumerinfo/files/forms_h_5_20110112.pdf.)

If you have been denied or declined credit...

- If the lender used your credit score in any way in making its decision to grant credit, you will receive an **Adverse Action Notice**. This notice must provide your credit score and any related information. Check the credit score they have provided and the credit bureau that issued the score. If you feel there are any inaccuracies, contact the credit bureau to dispute that information. For instructions on how to dispute credit report and score errors, visit the Federal Reserve's Guide to Credit Reports and Credit Scores at www.federalreserve.gov/creditreports.



Useful Terms

credit score

A number that summarizes your credit record and history. The score is based on several factors, including whether you pay your bills on time, your current level of debt, the types of credit and loans you have, and the length of your credit history. Lenders and insurers use your credit score and information from credit reports to set loan and insurance rates.

credit report

A history of loan and bill payments, kept by a credit bureau and used by financial institutions and other potential creditors to determine the likelihood that your future debt will be repaid. Lenders and insurers use information from credit reports, along with your credit score, to set loan and insurance rates. Also called a credit history.



If you are offered credit on less favorable terms...

- You will receive a **Risk-Based Pricing Notice** from your lender. This is a new required notice that is issued by a lender when a consumer has applied for credit, the lender uses the consumer's credit score, and the consumer is offered credit on terms that are less favorable than the terms offered to other consumers. For instance, you may receive this type of notice if you are offered a loan with an annual percentage rate (APR) that is higher than the APR offered to other consumers who apply for that loan, and your credit score is used in any way in the underwriting process. (To see a sample Risk-Based Pricing Notice, go to www.federalreserve.gov/reportforms/formsreview/RegV_20110715_ffr.pdf#page=17.)

If the APR on an existing credit account is increased because the lender has reviewed your credit report or score...

- An **Account Review Risk-Based Pricing Notice** with credit score information will be sent to you if your APR on an existing credit account is increased based on a review of your consumer report and your credit score is used in the process. Some credit card issuers conduct periodic reviews of customers' credit reports. If there has been a change in your report since you initially applied for the card, the issuer may increase your APR. If the issuer used your credit score in any way in the account review process, you would receive this notice providing you with the credit report information that resulted in the APR increase. (To see a sample Account Review Notice, go to www.federalreserve.gov/reportforms/formsreview/RegV_20110715_ffr.pdf#page=19.)

What do the notices do for me?

These new notices give you the opportunity to check the accuracy of the information in your credit report. The notices identify the credit bureau that provided your credit report or credit score to your lender, allowing you to dispute any information that you believe is incorrect.

What should I do if I receive a notice?

1. **Review the notice.** If you receive any of these notices, read it carefully to make sure you understand how your credit report or credit score may affect the price you pay for credit. Ask the lender to explain anything in the notice that you do not understand.
2. **Obtain and examine your credit report.** If you receive a notice, and you are surprised by how your credit score compares to the scores of other consumers, you may want to get your free annual credit report from the credit bureau identified in the notice and review it for accuracy. (Go to www.annualcreditreport.com, to get more information about your free annual credit report.)
3. **Dispute any errors.** If you find errors in your credit report, you may dispute the information and request that the information be deleted or corrected. To do so, you should contact the credit bureau that provided the report.

For instructions on how to dispute credit report errors, visit the Federal Reserve's Guide to Credit Reports and Credit Scores at www.federalreserve.gov/creditreports.