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## Section 1 General

### 1.1 Statement of Purpose

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[Sample Client] designed these policies and procedures to safeguard its legal responsibility to comply with applicable residential lending laws and regulations. The [board of directors](#) and senior management, through a sound [Compliance Management System](#), ensure the integration of these policies and procedures into the overall framework for product design, delivery, and administration across the residential lending origination and service life cycle. Management and employees utilize these policies and procedures to guide their daily responsibilities to effect mitigation of regulatory compliance risk within their job roles.

### 1.2 Objective

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The guidance in this guide applies throughout [Sample Client]'s operations with the objective to mitigate regulatory risk and [consumer](#) harm within the standards of [Sample Client]'s compliance program. [Sample Client] requires employees, contractors, and [third-party vendors](#) to comply with these policies and procedures.

### 1.3 State Law and Agency Guidelines

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Federal law may alter, affect, or preempt state laws that are inconsistent with the federal law. Preemption applies only to the extent of the inconsistency. A state law is not inconsistent if it is more protective of a consumer. Wherever state law or local regulations overlap and provide greater consumer protections than federal law or the requirements set out in this guide, [Sample Client] will comply with the more protective law or regulation and will consult with the appropriate legal counsel to set forth [Sample Client]'s policies and procedures for compliance.

In some instances, agencies may overlay guidelines that expand upon the requirements of federal law. [Sample Client] must be cognizant of agency guidelines and incorporate those guidelines into [Sample Client]'s policies and procedures.

## Section 2 Summary

The Fair Credit Reporting Act (FCRA), implemented by Regulation V, is a part of a group of acts, such as the Truth in Lending Act and the Fair Debt Collection Practices Act, which are contained in the Federal Consumer Credit Protection Act.

The FCRA contains significant responsibilities for business entities that are [consumer reporting agencies](#) and lesser responsibilities for those that are not. Generally, [financial institutions](#) are not considered to function as consumer reporting agencies; however, depending on the degree to which their information sharing business practices approximate those of a consumer reporting agency, they can be deemed as such. In addition to the requirements related to financial institutions acting as consumer reporting agencies, FCRA requirements also apply to financial institutions that operate in the following capacities:

- Procurers and users of information, such as credit grantors, purchasers of dealer paper, or when opening deposit accounts
- Furnishers and transmitters of information (by reporting information to consumer reporting agencies or other third parties, or to affiliates)
- Marketers of credit or insurance products
- Employers

### 2.1 Coverage

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The implementation of the FCRA generally applies to [persons](#) who obtain and use information about [consumers](#) to determine the consumer's eligibility for products, services, or employment; share such information among affiliates; and furnish information to consumer reporting agencies.

#### **Identity Theft Red Flags Rule**

The Red Flags Rule applies to [financial institutions](#) and creditors who in the ordinary course of business obtain consumer reports or provide information to a consumer reporting agency in connection with a credit transaction, while regularly conducting one of the following activities:

- Deferring payment for goods and services or billing customers
- Granting or arranging credit
- Participating in the decision to extend, renew, or set the terms of credit

## Section 3 Requirements

### 3.1 Consumer Reports

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Consumer reporting agencies have a significant amount of personal information about [consumers](#). This information is invaluable in [Sample Client]'s assessment of a consumer's creditworthiness. The FCRA governs access to this information to ensure [Sample Client] obtains it for permissible purposes and does not exploit it for illegitimate purposes.

The FCRA requires [Sample Client] to have a legally permissible purpose to obtain a consumer report.

#### 3.1.1 Permissible Purposes for Obtaining a Consumer Report

A consumer reporting agency is permitted to furnish [Sample Client] a [consumer report](#) only for the following circumstances:

- In response to a court order or Federal Grand Jury subpoena
- In accordance with the written instructions of the consumer
- To a person, including a [financial institution](#), that the agency has reason to believe intends to use the report as information for any of the following reasons:
  - In connection with a [credit](#) transaction involving the consumer, including extending, reviewing, and collecting credit
  - For employment purposes
  - In connection with the underwriting of insurance involving the consumer
  - In connection with a determination of the consumer's eligibility for a license or other benefit granted by a governmental instrumentality that is required by law to consider an applicant's financial responsibility
  - As a potential investor or servicer, or current insurer, in connection with a valuation of, or an assessment of the credit or prepayment risks associated with, an existing credit obligation
- To a person, including a financial institution, who otherwise has a legitimate business need for the information for any of the following reasons:
  - In connection with a credit transaction initiated by the consumer
  - To review an [account](#) to determine whether the consumer continues to meet the terms of the account

### 3.3.2 Requirements for Initial Fraud and Active Duty Alerts

When in receipt of a consumer report containing an initial fraud or active duty alert, [Sample Client] is prohibited from establishing a new credit plan or extension of credit in the name of the consumer, unless [Sample Client] utilizes reasonable policies and procedures to form a reasonable belief of the identity of the person making the credit request.

If the consumer report containing the initial fraud or active duty alert includes a telephone number to be used for identity verification purposes, [Sample Client] must contact the consumer at the telephone number or take other reasonable steps to verify the consumer's identity and confirm the application for new credit is not the result of identity theft.

### 3.3.3 Requirements for an Extended Fraud Alert

When in receipt of a consumer report or a credit score generated using the information in the file of a consumer that includes an extended fraud alert, [Sample Client] is prohibited from establishing a new credit plan or extension of credit in the name of the consumer, or issue an additional card on an existing credit account requested by a consumer, or any increase in credit limit on an existing credit account requested by the consumer, unless [Sample Client] contacts the consumer in person using the telephone number designated to confirm the request for new credit, an increase in credit limit, or the request for an additional card is not the result of identity theft.

### 3.3.4 Block of Information Resulting from Identity Theft

A consumer reporting agency must block the reporting of any information in a consumer's file that the consumer identifies as information that resulted from an alleged identity theft. If [Sample Client] was the [furnisher](#) of the blocked information, the consumer reporting agency will promptly send a notification to [Sample Client] stating the following:

- That the information may be a result of identity theft
- That an identity theft report has been filed
- That a block has been requested
- The effective dates of the block

## Section 4 Origination Compliance

### 4.1 Requesting a Consumer Report

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[Sample Client] must not request a [consumer report](#) unless the consumer report is obtained for a purpose for which the consumer report is authorized to be furnished.

Refer to [Permissible Purposes for Obtaining a Consumer Report](#) for complete requirements.

### 4.2 Address Discrepancy

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When a [consumer reporting agency](#) receives a permissible request for a consumer report from [Sample Client] with an address for the [consumer](#) that substantially differs from the addresses in the consumer's credit file, the consumer reporting agency will notify [Sample Client] of the discrepancy.

[Sample Client] must follow policies and procedures designed to enable [Sample Client] to form a reasonable belief that the consumer report relates to the consumer whose report was requested, and for responding to the consumer reporting agency's notice of [address discrepancy](#).

Refer to [Notice of Discrepancy in Address](#) for the requirements [Sample Client] must comply with for its policy and procedure guidance on this topic.

### 4.3 Consumer Medical Information

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[Sample Client] is prohibited from obtaining and using medical information in connection with any determination of the consumer's [eligibility, or continued eligibility, for credit](#). The statute contains no prohibition on [Sample Client] obtaining or using medical information for other purposes that are not in connection with a determination of the consumer's eligibility, or continued eligibility, for credit.

Refer to [Protection of Medical Information](#) for detailed requirements and exceptions.

## Section 5 Servicing Compliance

### 5.1 Requesting a Consumer Report

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[Sample Client] must not request a [consumer report](#) unless the consumer report is obtained for a purpose for which the consumer report is authorized to be furnished.

Refer to [Permissible Purposes for Obtaining a Consumer Report](#) for requirements.

### 5.2 Address Discrepancy

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When a [consumer reporting agency](#) receives a permissible request for a consumer report from [Sample Client] with an address for the consumer that substantially differs from the addresses in the consumer's credit file, the consumer reporting agency will notify [Sample Client] of the discrepancy.

[Sample Client] must follow policies and procedures designed to enable [Sample Client] to form a reasonable belief that the consumer report relates to the consumer whose report was requested, and for responding to the consumer reporting agency's notice of [address discrepancy](#).

Refer to [Notice of Discrepancy in Address](#) for the requirements [Sample Client] must comply with in their policy and procedure development.

### 5.3 Consumer Medical Information

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[Sample Client] is prohibited from obtaining and using medical information in connection with any determination of the consumer's [eligibility, or continued eligibility, for credit](#). The statute contains no prohibition on [Sample Client] obtaining or using medical information for other purposes that are not in connection with a determination of the consumer's eligibility, or continued eligibility for credit.