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# Privacy, Accuracy and Fairness of Sensitive Personal Information Enhanced for Consumers Under Amended Credit Reporting Statute

## Employers, Creditors and Credit Bureaus Have Major New Responsibilities

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FOR RELEASE

September 29, 1997

Beginning tomorrow an employer must get a job applicant's written permission before obtaining a copy of the applicant's credit report. Also, for the first time, creditors and others that furnish information to credit reporting agencies -- the companies that compile and disseminate credit information -- will have new duties under federal law to ensure the accuracy of the information they supply. Credit bureaus will have increased duties as well, especially in the way they handle disputes from consumers about information in their files. These important new consumer protections, contained in amendments to the [Fair Credit Reporting Act](#), were highlighted today at a press conference hosted by the Federal Trade Commission. The amendments, passed by Congress last year and effective Sept. 30, were designed to better ensure the accuracy and privacy of the information contained in consumer or credit reports. Attending today's press conference were Senator Richard Bryan (D-NV); representatives from the Board of Governors of the Federal Reserve System; the Associated Credit Bureaus; VISA; MasterCard; and Consumers Union. The bill to amend the FCRA was authored by Senator



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### Media Resources

Our [Media Resources](#) library provides one-stop collections of materials on numerous issues in which the FTC has been actively engaged. These pages are especially useful for members of the media.

Bryan and Senator Christopher Bond (R-MO).

"Tuesday will be a big day for consumers as they gain important new powers to fix errors found on their credit reports," Senator Richard Bryan said. "Any consumer who has gone through the process of getting errors on their reports fixed, knows how helpful these new rights will be. Finally, the burden of proof will be on the credit reporting agency, not the consumer, when mistakes are found on credit reports."

"This new law is long overdue," said Senator Christopher Bond. "I have met with many constituents over the years who have told horror stories of trying to fix mistakes on their credit reports. They have met with many of the same obstacles that millions of other consumers have faced -- months of waiting for their credit reports to be fixed, credit card companies who are unresponsive, and no one to talk to who will listen to their complaints. This legislation will make it easier for consumers to fight inaccurate credit information, and simply to get information about their credit history."

"Protecting consumers' credit records and ensuring their privacy is a critical component of consumer protection for state Attorneys General. Consumers deserve legislation that holds credit bureaus to the highest standards of accuracy and accountability," said Wisconsin Attorney General James E. Doyle, President of the National Association of Attorneys General. "Credit-related complaints remain a concern of consumers nationwide, ranking third on the national consumer complaint list that NAAG compiled earlier this year. We applaud the new amendments to the Fair Credit Reporting Act for protecting consumer rights in this important area and for continuing to ensure that states will still be able to guarantee consumer protections as well."

"In the past, consumers were often frustrated because they were denied credit or employment based on inaccurate information in their credit reports which they had trouble correcting," said Jodie Bernstein. "The new amendments to the Fair Credit Reporting Act expand consumers' rights by enhancing the accuracy, privacy and fairness of their credit reports."

Consumers told both Congress and the Commission that they had difficulty contacting personnel at the credit bureaus; that investigations of disputed information took too long; that they never learned the results of investigations; and that inaccurate information often reappeared on their consumer reports even after they had successfully disputed it with the credit bureau. The amended FCRA addresses each of these problems.

In addition, consumers also complained that the old FCRA imposed no responsibilities on businesses that reported information to credit bureaus concerning the accuracy of the data, and thus the law did not help with disputes with information providers. If the information in a credit report was wrong, the business had no obligation under the old FCRA to have reported accurate information or to have corrected mistakes. Now, for the first time, in addition to the duties imposed on credit bureaus, the law imposes legal duties on creditors and others that furnish information to credit bureaus regarding the accuracy of that information.

## **PRIVACY PROTECTIONS ENHANCED**

The new statute gives consumers added protections over the privacy of their credit bureau files and the sensitive information they contain. In addition to the requirement that employers must obtain an applicant's written permission before obtaining a credit report, employers who deny employment because of something in the applicant's report, now must provide the applicant with a copy of the credit report used before making the adverse decision, rather than just a post-denial notice that their report played a role in the denial. Consumers also now must consent to the release of any consumer report that contains medical information about them.

Consumers also gain protections against unsolicited credit and insurance offers, including the multiple credit card offers that many consumers receive on a daily basis. Under the old law, creditors and insurers were able to use the credit reporting agencies' file information as a basis for developing lists of consumers to whom they send offers. Under the new law, consumers can follow a simple procedure to "opt out" of inclusion on future lists. They can call a toll-free number that each bureau must establish (that will appear prominently on each offer), and have their name removed from these lists for two years; if they request, they will be sent a form that will allow them to take their names off of these credit bureau lists permanently.

## **ACCURACY AND FAIRNESS IMPROVED**

In order to enhance the accuracy and fairness of consumer reports, Congress imposed major new responsibilities on the credit reporting agencies and those businesses that report information to the credit bureaus.

## **New Duties for Creditors and Businesses Supplying Information to Credit Bureaus**

In practice, the most significant of the new obligations for creditors relate to information specifically disputed by consumers, whether to the credit bureau or directly to the creditor. When a consumer disputes information in his or her file with the credit bureau, the creditor now must do a number of things:

- Conduct an investigation.
- Review all relevant information.
- Report inaccurate or incomplete information to all national credit bureaus.

If the consumer reports directly to the creditor that the information it has furnished is inaccurate, the creditor may no longer report that information if it is in fact inaccurate. If the creditor continues to report any item disputed by the consumer, it must include a notation of its disputed status.

## **New Responsibilities for Credit Bureaus**

The amendments also impose new requirements on the credit bureaus concerning file information that is disputed by consumers. In response to consumers' complaints that documentation in support of their disputes was disregarded, the credit bureaus for the first time have to consider and transmit to the furnisher all relevant evidence submitted by the consumer.

In addition, whereas under the old FCRA, investigations had to take place within a

reasonable period of time, the new amendments establish a 30-day limit for the credit reporting agencies to resolve consumers' disputes. Also, consumers now will receive written notice of the results of the investigation within five days of its completion, including a copy of his or her credit file if it has changed based on the dispute. Once information is deleted, the credit bureaus can no longer reinsert it unless the entity supplying the information certifies that the item is complete and accurate and the credit bureau notifies the consumer within five days.

The new amendments require that national credit reporting agencies provide toll-free numbers with trained personnel accessible during normal business hours. They also increase the circumstances in which consumers can receive their credit histories without charge, and limit the fee to eight dollars (\$8.00) in other cases.

## **ENFORCEMENT STRENGTHENED**

The Federal Trade Commission is responsible for enforcing the FCRA. The new amendments now allow the agency to sue violators in most cases for up to \$2500 per violation, in addition to obtaining injunctive relief. States for the first time will be able to enforce the amended FCRA in federal or state courts on behalf of consumers in order to halt illegal conduct, and in certain cases to recover damages on behalf of state residents of up to \$1000 per violation.

## **FTC NOTICES PRESCRIBED**

As required by the amendments to the FCRA, the FTC has prescribed three notices that credit bureaus will use beginning tomorrow:

- A summary of FCRA rights to be provided to consumers with every credit report;
- A notice to be sent to users or purchasers of information regarding their responsibilities under the law; and
- A notice to be sent to furnishers of information (creditors) regarding their new responsibilities.

## **FTC PUBLICATIONS**

The FTC has produced two publications: "[Facts for Business, Credit Reports: What Information Providers Need to Know](#)" and "[Facts for Business, Using Credit Reports: What Employers Need To Know](#)." The FTC publishes a series of credit related brochures. For a complete list, write to Consumer Response Center, FTC, Washington, D.C. 20580 or call 202-326-2222.

**Copies** of the FTC press release, [the three notices](#), and the brochures are available on the Internet at the FTC's World Wide Web site at <http://www.ftc.gov> and from the FTC's Public Reference Branch, Room 130, 6th Street and Pennsylvania Avenue, N.W., Washington, D.C. 20580; 202-326-2222; TTY for the hearing impaired 1-866-653-4261. To find out the latest news as it is announced, call the FTC's NewsPhone at 202-326-2710.

## **CONTACT INFORMATION**

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Media Contact:

Victoria Streitfeld or Howard Shapiro

Office of Public Affairs

202-326-2718 or 202-326-2176

Staff Contact:

David Medine

Division of Credit Practices

202-326-322

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## FEDERAL TRADE COMMISSION

Headquarters:

600 Pennsylvania Avenue, NW

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