

# MORTGAGE LENDING UPDATE

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## On Credit Reports and Credit Scores

Old habits die hard. I think this is true for everyone, even mortgage lenders. When I first got into this business, I was told, in no uncertain terms, that I could not give the customer a copy of their credit report. At that time, the only way for a consumer to obtain their credit information was to pay a fee (Get it? A FEE!) to the credit reporting agency or CRA (the three major CRA's are TransUnion, Experian and Equifax). I was told that I and my employer could be sued if I provided it (for free or otherwise). The basis of the suit would be that I had acted as a "credit reporting agency", because I was transferring (reporting) credit data to an individual who just happened to be the subject of that very data.

Right. I didn't get it either. I didn't advertise the fact, but I gave then and now can openly continue to give my customers copies of their credit reports. (To do otherwise, in my mind, is similar to a doctor telling you that your lab results are "bad...very bad" and then refusing to give you a photocopy of said lab results.)

I've heard that some lenders continue to hang on to the tired old "we could be sued" line as their reason not to provide copies of credit reports to their customers, the subject of those very reports. Well, Virginia, I could be sued for being too good looking, but it ain't likely. In December of 2003, the Fair and Accurate Credit Transactions Act (The FACT Act) to amend the Fair Credit Reporting Act (FCRA) was signed into law. Among other things, it requires disclosure of "the current credit score of the consumer or the most recent credit score of the consumer that was previously calculated by the credit reporting agency for a purpose related to the extension of credit."

We thus have an extra form in our stack of application documents entitled "Notice to the Home Loan Applicant – Credit Score Information Disclosure". From that disclosure: "In connection with your application for a home loan, the lender must disclose to you the score that a consumer reporting agency distributed to users and the lender used in connection with your home loan, and the key factors affecting your credit scores. The credit score is a computer generated summary calculated at the time of the request and based on information that a consumer reporting agency or lender has on file. The scores are based on data about your credit history and payment patterns."

"Credit scores are important because they are used to assist the lender in determining whether you will obtain a loan. They may also be used to determine what interest rate you may be offered on the mortgage. Credit scores can change over time, depending on your conduct, how your credit history and payment patterns change, and how credit scoring technologies change. Because the score is based on information in your credit history, it is very important that you review the CREDIT-RELATED INFORMATION THAT IS BEING FURNISHED to make sure it is accurate."

"Credit records may vary from one company to another. If you have questions about your credit score OR THE CREDIT INFORMATION THAT IS FURNISHED TO YOU, contact the consumer reporting agency at the address and telephone number provided with this notice, or contact the lender, if the lender developed or generated the credit score. The consumer reporting agency plays no part in the decision to take any action on the loan application and is unable to provide you with specific reasons for the decision on a loan application." (Emphasis is mine.)

From the Fair Credit Reporting Act (section 607c): "Disclosure of consumer reports by users allowed. A consumer reporting agency may not prohibit a user of a consumer report furnished by the agency on a consumer from disclosing the contents of the report to the consumer...."

Before you allow anyone, whether they are a car dealer, a furniture company, an appliance store or a mortgage lender, to pull a copy of your credit report, ask them if you will be provided a copy of the report. If their policy is to not provide the report to you, tell them your policy is to not allow them to pull it and walk away.

P.S. The credit score you may obtain directly from Experian, Equifax or TransUnion for a fee is not the same score they provide to lenders. Don't ask me why, it just isn't. Also, automobile dealers are provided different scores than are mortgage lenders and the only "really free" way to obtain your credit report is online at [annualcreditreport.com](http://annualcreditreport.com) or by calling 877-322-8228. And why do automobile dealers want to look at your credit before selling you a car? What has your credit score got to do with the price of their automobiles?

*David Griffin has been financing homes in Macon, Warner Robins and all of Middle Georgia since 1983 and is a member of the Mortgage Bankers Association of Georgia, [mbag.org](http://mbag.org). For an archive of past articles visit [mbag.org/ML\\_Update.html](http://mbag.org/ML_Update.html).(6/30/10)*