



New FTC Regulations Affect All Employers Obtaining Employment Credit Reports

The Federal Trade Commission (FTC) recently passed new regulations surrounding the required steps taken when an address discrepancy is reported on a consumer report. The regulations detail specific requirements a user of consumer reports must follow when it receives a notice of an address discrepancy from a nationwide consumer reporting agency (CRA). Generally, "nationwide" CRAs include Experian, Equifax and TransUnion. These are the CRAs that provide consumer credit reports to background screening companies such as Accurate Background.

Who does this law affect?

This legislation impacts all organizations obtaining employment **credit reports** on job applicants and employees from Accurate Background.

When does this law go into effect?

November 1, 2008

* Additional "Red Flag" rules **delayed to December 31, 2010** for credit grantors and financial institutions.

Are there additional internal policies our organization must create to be compliant with this regulation?

Yes, your organization must create both:

- A policy regarding the steps you will take if you receive a notice of an address discrepancy from a nationwide CRA.
 - These notices are issued as a result of a substantial difference between the applicant's address that you provided to Accurate Background and the address returned on the credit report.
 - The term "substantial difference" has not yet been defined. It likely will not cover minor typographical differences between the two addresses, but any larger inconsistencies will likely result in a "notice of address discrepancy" being sent to your organization.
 - The Red Flag notices are clearly illustrated on the credit report provided by the nationwide CRA.
- Procedures for notifying the nationwide CRA of the confirmed address for the applicant.

Are there policy recommendations for confirming the applicant's address?

Basically, all users must implement procedures to deal with any notices of address discrepancy they receive from a nationwide CRA. These policies and procedures must be designed to help your organization confirm that the consumer report provided actually belongs to your applicant. The regulations give examples of types of reasonable policies:

1. Compare the information in the consumer report from the CRA with information that you:
 - a. Maintain in your own records such as employment applications, change of address notices or other applicant records
 - b. Obtain from third party sources
 - c. Obtain and use to confirm the applicant's identity pursuant to the requirements of the Customer Information Program (CIP) rules (for financial industry employers)
2. Verify the information in the consumer report from the CRA with the applicant directly. (This is the recommended method)
3. Verify the information using other "reasonable" means. Examples of other "reasonable" means have not been identified.

Are there certain criteria that must be met before notifying the nationwide CRA regarding a confirmed address?

Yes, your organization must only furnish the nationwide CRA with a confirmed address if the following criteria are met:

- Your organization can form a reasonable belief that the consumer report does in fact match the applicant on whom the report was requested in the first place.
- Your organization has a continuing relationship with the applicant.
- Your organization regularly and, in the course of business, furnishes information to the nationwide CRA who provided the original notice of address discrepancy.

Learn more about this new legislation

Click [here](#) to read an in-depth article regarding this topic written by Pamela Devata, a labor and employment attorney who specializes in the Fair Credit Reporting Act and background screening compliance.

Contact Accurate Background

For more information regarding this legislation and the services we can offer in confirming your applicant's address information, please contact Accurate Background at 800.784.3911 or customerservice@accuratebackground.com.

** Please note: There are additional "Red Flag" requirements for financial institutions and creditors under these regulations. These broader requirements apply to those entities maintaining and issuing consumer accounts such as personal credit card accounts, residential mortgage loans, utility accounts and other accounts for which there is reasonable foreseeable risk of identity theft. Entities that issue these types of consumer accounts should consult their legal counsel for guidance and recommendations regarding these specific requirements.*

Please note: The information provided above is strictly for educational purposes. It is not intended to be legal advice, either expressed or implied. Accurate Background recommends that you consult with your legal counsel regarding all employment regulations.