Credit Builders ALLIANCE

National Consumer Assistance Plan (NCAP)

Key Provisions

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Understanding the NCAP

Among the many new changes brought about by the National Consumer Assistance Plan (NCAP), several will directly affect the information that appears on consumer credit reports and what they can do to address it. These changes are a great conversation starter for your clients around checking their credit reports regularly and reviewing them for accuracy!

Key Provisions:

Reforms to Debt Collection Practices

- Debt collectors must provide information about the original creditor and account type. This helps consumers understand where collection account information came from.
- Debt collectors cannot report debt that did not arise from a contract or agreement to pay, such as traffic tickets, parking tickets and library fines.
- Creditors cannot report medical debts that are less than 180 days old.
- Medical bills that have been reported but are later paid by insurance must be deleted from the credit report.

Requirements for Data Furnishers

- Data furnishers must meet minimum requirements for reporting borrower ID information to reduce errors.

Reforms to Credit Bureau Duties

- Credit Bureaus now have more stringent requirements for handling consumer disputes.
- Credit Bureaus will provide a second free annual credit report following a dispute resolved in the consumer's favor.
- Due to the high potential for inaccuracy, Credit Bureaus will remove civil judgments and tax liens from credit reports. (Other public records, in particular, bankruptcies, will continue to be reported.)

DEFINITION:
NCAP: What is it?

- A comprehensive series of initiatives designed to enhance the accuracy of credit reports and make the process of dealing with credit information easier and more transparent for consumers.
- The NCAP comes out of a settlement between the three major credit bureaus and the New York State Attorney General and 31 other states in 2015.
- The NCAP provisions implementation period takes place over a period of about three years, from 2015-2018.

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For Consumers

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How will the NCAP impact consumers?

Overall, these changes will mostly have a favorable outcome for consumers. Some may see:

- ✓ Reduction in errors
- ✓ Elimination of negative info
- ✓ Improved dispute process
- ✓ Improved understanding of report content, by coach/ customer

Due to the extended implementation period, consumers should not expect automatic changes nor should all consumers expect to benefit. For example, consumers should still closely monitor reports to identify medical bills that have been reported prematurely, incorrect borrower information, or other errors.

Are there any potentially negative consequences?

In particular, with the removal civil judgments and tax liens from the credit report, coaches, clients (and some lenders) may not have a comprehensive picture of debt/obligations when reviewing the credit report alone. In addition, customers may assume that civil judgments and tax liens that don't appear on the credit report are no longer owed, which could lead to legitimate collections activity down the road.

What are best practices for coaches to help their clients in light of these changes?

- Encourage and support regular review of the credit report.
- Encourage clients to always supply complete personal identifying information when completing loan applications.
- Ask clients to self-report outstanding public records that they know of.
- Don't assume that clients are always aware of outstanding public records.
- Find out how to search local public records databases.
- Consider purchasing LexisNexis RiskView, which provides alternative data points, including public record data to review risk assessment.

Preventing Errors: Best Practices for Consumers

- **Use full name, date of birth and Social Security Number (SSN) consistently on applications**
- **Update lenders of change of address or phone number**
- **Do not supply an ITIN when asked for a SSN**
- **Inform lenders when a SSN is acquired or changed**

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For Data Furnishers

Understanding your responsibilities under the NCAP

The NCAP requires data furnishers to comply with new borrower ID specification and other key requirements in order to ensure the accuracy of borrower information reported to credit bureaus.

Minimum Borrower ID Requirements

- Intended to help the bureaus better match data to consumer files.
- Any accounts opened on or after 9/15/17 must have:
  - ✓ Full name (first, middle, last, generation)
  - ✓ Full Social Security Number and Date of Birth
  - ✓ If full SSN is not available, full DOB is required
  - ✓ An ITIN cannot be used in place of a SSN
- After the compliance deadline has passed (9/15/17), accounts that are not in compliance may be rejected by the bureaus.

Tips to Ensure Compliance and Accuracy

- Review and update your policies and procedures to ensure that you are routinely collecting appropriate borrower ID information.
- Review the Credit Reporting Resource Guide (CRRG) for more information and to ensure that you are reporting borrower information correctly.
- If you have any questions about your ability to comply with borrower ID requirements, including concerns about your loan software, contact CBA at training@creditbuildersalliance.org.

HELPFUL LINKS to learn more

Search CBA Learning Library for tools and resources covering:

- Metro2 Reporting
- Credit Building without a Social Security Number

National Consumer Assistance Plan Website
nationalconsumerassistanceplan.com

Consumer Data Industry Association
cdiaonline.org

Visit CBA's Learning Library for more tip sheets, tools, and resources on a variety of Credit Building topics!

cbatraininginstitute.org