**Policy 11005: Adverse Action Requirements**

**Model Policy Revised Date: 05/13/2024**

**General Policy Statement:**

As required under the Fair Credit Reporting Act (FCRA) and Equal Credit Opportunity Act (ECOA), on each occasion where [[CUname]] (Credit Union) denies or increases the cost of credit or generally takes any adverse action against a consumer, the Credit Union must make certain disclosures depending on the source of the information. Credit Unions may use model adverse action notices in Appendix C of Regulation B (implements the Equal Credit Opportunity Act) to comply with the disclosure requirements of both Regulation V (implements the FCRA) and Regulation B.

1. **Definitions.**
   1. **Consumer Report.** A consumer report is any oral, written or other communication of any information by a consumer reporting agency (CRA) bearing on a consumer’s creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics or mode of living which is used or expected to be used or collected, in whole or in part, for the purpose of serving as a factor in establishing the consumer’s eligibility for:
      1. Credit or insurance to be used primarily for personal, family or household purposes;
      2. Employment purposes; or
      3. Any other permissible purpose.
   2. **Consumer Reporting Agency.**Any person who, for monetary fees, dues or on a cooperative non-profit basis, regularly engages, in whole or in part, in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties, and which uses any means or facility of interstate commerce for the purpose of preparing or furnishing consumer reports.
   3. **Adverse Action**. This term has the same meaning as in the Equal Credit Opportunity Act and means:  
      1. A denial or cancellation of, an increase in any charge for, or a reduction or other adverse or other unfavorable change in the terms of coverage or amount of, any insurance, existing or applied for, in connection with the underwriting of insurance;
      2. A denial of employment or any other decision for employment purposes that adversely affects any current or prospective employee;
      3. A denial or cancellation of, an increase in any charge for, or any other adverse or unfavorable change in the terms of, any license or benefit described in the FCRA; and
      4. Any action or determination that is:  
         1. Made in connection with an application that was made by, or a transaction that was initiated by, any consumer, or in connection with a review of an account under the FCRA; and
         2. Adverse to the interests of the consumer.
2. **Information Obtained from a CRA.**When information obtained from a CRA has any bearing on an adverse decision impacting the member, the following information must be disclosed orally, or in writing or electronically:  
   1. The name, address, and telephone number of the CRA that provided the report (including a toll-free number established by the CRA);
   2. A statement that the CRA did not make the adverse decision and is not able to explain why the decision was made;
   3. A statement outlining the consumer’s right to obtain a free disclosure of his/her file from the CRA if the consumer makes a request within 60 days; and
   4. A statement outlining the consumer’s right to dispute directly with the CRA regarding accuracy or completeness of any information provided by the CRA.
   5. The following information in writing or electronically if the credit score was specifically used in the determination:  
      1. The numerical credit score used by the Credit Union in taking any adverse action based in whole or in part on any information in a consumer report;
      2. The range of possible scores under the model used;
      3. All of the key factors that adversely affected the credit score of the consumer in the model used, the total number of which shall not exceed 4;
      4. The date on which the credit score was created; and
      5. The name of the person or entity that provided the credit score or credit file upon which the credit score was created.

1. **Reason for Action Taken.** As required under Regulation B, when taking adverse action against an applicant, the Credit Union must provide a statement of the reasons for the action taken. The Credit Union will use the sample reasons within regulation for adverse actions, when applicable. The statement of reasons must be specific and indicate the principal reason for the adverse action. Those reasons must relate to and accurately describe the factors actually considered or scored by the Credit Union. Therefore, additional and clear reasons will be used if they are not in alignment with the samples provided within regulation in order to provide a specific reason that accurately describes the factors considered in compliance with regulation.
2. **Information Obtained from Other Outside Sources.**When information obtained from an outside source other than a CRA has any bearing on an adverse credit decision, the Credit Union must either disclose the nature of the information or the member’s right to obtain the nature of the information, if a written request is filed within 60 days of the adverse action notice. The Credit Union *may*, but is not required to, disclose the source of the information.
3. **Information from the Credit Union’s Internal Records.**If the Credit Union relies on its own experience with a member to deny or increase the cost of credit, there are no disclosure requirements.
4. **Information Obtained from An Affiliate.** If the Credit Union bases an adverse action in whole or in part on information provided by an affiliate of the Credit Union, and includes information in addition to information solely related to the transactions or experiences between the member and the affiliate, the Credit Union must notify the member of the adverse action, including a statement that the member may obtain the information received by the Credit Union from its affiliate upon a written request from the member within sixty (60) days after the notice of the adverse action is given.   
   1. When a member submits such a written request within the required time frame, the Credit Union must respond within a reasonable time (5 days) by disclosing the nature of the information on which the denial of credit is based. There is no requirement to disclose the name and address of the party from whom the Credit Union obtained the information.
   2. If the member fails to submit a written request within the 60-day limit, the Credit Union has no obligation to provide the information.
5. **Providing Employment Adverse Action Notices**. Before taking any adverse action based in whole or in part on a consumer report, the Credit Union will provide the following to the consumer to whom the report relates (1) a copy of the report; and (2) a description in writing of the consumer’s rights.
6. **Timing.** The Credit Union will notify the applicant of adverse action within 30 days of:
   1. Receiving a complete credit application;
   2. Receiving an incomplete credit application; or
   3. After taking action on an existing account.
7. **Counteroffers.** After making a counteroffer to an application for credit if the applicant does not accept the counteroffer, the Credit Union must provide an adverse action within 90 days of making the counteroffer.