

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

David Medine
Associate Director
Division of Financial Practices

March 22, 1999

Dear Ms. Harris:

This responds to your letter dated March 10, 1999, concerning the applicability of the Fair Credit Reporting Act ("FCRA") to the reporting by educational institutions of additional information to credit bureaus about defaulted student loans. You report that in some cases the new information corrects a report that was erroneous (*e.g.*, the loan was wrongly reported as delinquent, because a deferment authorized delayed repayment), and in others the subsequent information updates a report that was accurate when it was made (*e.g.*, the loan was correctly reported as delinquent, but has subsequently been paid). Further, you report that in some cases "the school no longer has a contractual relationship" with the credit bureau to which it reported the account originally. You ask if the school must report the updated information to the original credit bureau, and if that agency is required to accept the data. Based on the facts presented in your letter, we answer both questions affirmatively.

Section 623(a)(2) of the FCRA addresses the duty to correct and update information by "furnishers," or persons who furnish information to consumer reporting agencies ("CRA") such as credit bureaus. In particular, this section requires a person that "has furnished to a consumer reporting agency information that the person determines is not complete or accurate" to "promptly notify the consumer reporting agency of that determination" and provide any information needed to make it complete and accurate.⁽¹⁾ Thus, on its face, this provision requires a furnisher to provide corrected or updated information to the consumer reporting agency that it had reported to originally. A furnisher that reports current information to a different CRA has done nothing to "correct and update information" with CRA that possess the information that the furnisher has now determined is incomplete or erroneous. This duty extends to all student loan accounts reported to CRAs, regardless of whether they were accurate at one point, because the section requires the furnisher both to "update" accounts as well as to "correct" those that were erroneous when submitted to the CRA.

Section 607(b) of the FCRA requires CRAs to "follow reasonable procedures to assure maximum possible accuracy of information" in their consumer reports. It is our view that a CRA that refuses to accept updated and corrected information from a furnisher on student loan accounts, if it still maintains that information in its database, does not have in place "reasonable procedures" to comply with this section with respect to such accounts.

The opinions set forth in this informal staff letter are not binding on the Commission.

Yours truly,

David Medine

1. This duty applies only to a person that "regularly and in the ordinary course of business furnishes information to one or more consumer reporting agencies."