

## Office of the City Treasurer

### CREDIT REPORTING POLICY

The Office of the City Treasurer, Delinquent Account Collections Program has reported accounts to various credit reporting agencies since prior to 1990. The purpose of reporting information on delinquent accounts is to provide relevant credit information to potential creditors evaluating a consumer's credit history, increase the consequence of delinquent payment to reduce payment delays, provide an additional method of notifying citizens of outstanding amounts, and to aid staff in locating citizens with delinquent debts owed to the City.

#### WHAT IS REPORTED

The Delinquent Account Collections Program reports all unpaid accounts to [Experian](#). In most cases, accounts are reported to this consumer credit reporting agency if they are not paid in full or otherwise resolved within 60 days of referral for collection. Outstanding accounts are reported as status 97 (Charge off). If an account is paid after that period, the credit reporting entry is subsequently modified to an Account Status of 13 (Paid) with the appropriate Payment Rating Code [see table] and the balance updated. The Delinquent Account Collections Program reports and updates information monthly with this agency.

There is no specific legal or contractual restriction to deleting the information once an account is paid. However, the [Consumer Data Industry Association](#) (CDIA), the organization responsible for creating and maintaining credit reporting industry standards, has included the following instruction in the guidelines for the METRO2 standardized credit information reporting format used by the Delinquent Account Collections Program:

Payment Rating Codes	
0	Current
1	30-59 days past due
2	60-89 days past due
3	90-119 days past due
4	120-149 days past due
5	150-179 days past due
6	180 or more days past due

*It is imperative that only inaccurate accounts be deleted from the credit reporting agencies' files. In order to maintain the accuracy and integrity of the consumer files, historical consumer credit information must be reported in a factual and objective manner. Paid derogatory accounts, such as collections, should be reported as paid; they should not be deleted.*

Consistent with that standard, the Delinquent Account Collections Program does not remove previously reported credit information after an account is paid. The credit information is updated to the status of Paid with the appropriate payment rating code, accurately reflecting both the payment and account history.

## LEGAL REQUIREMENTS

Both the Federal Fair Credit Reporting Act and California State Civil Code Sections 1785, et al, place requirements on all parties involved in furnishing, reporting and using credit information. The following items are important to ensure we are in compliance with the relevant law:

- All information reported must be accurate
- Notice of potential reporting must be sent to the citizen prior to the reporting of derogatory credit information
- Investigating and reporting disputes

## NOTICE

At least 30 days prior to reporting negative or derogatory credit information to a credit reporting agency, California Civil Code (CCC) Section 1785.26 requires that the creditor notify the affected consumer of the creditor's intent to do so. Notice can be by first class mail sent to the consumer's last known address and may be included in a notice or statement sent to the consumer for another purpose. All accounts referred for collection are sent an initial collection notice which includes the required notification. In addition, most other notices sent out by the Delinquent Account Collections Program include some warning regarding credit reporting. The text in all initial notices currently includes the language:

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*As required by California Civil Code Section 1785.1 et seq, you are hereby notified that a negative credit report reflecting on your credit record may be submitted to one or more credit reporting agencies if you fail to resolve this matter immediately.*

## EXCEPTIONS

Credit information will be removed or deleted in the following circumstances:

- The account is canceled from collections, placed in a canceled status, or if the reporting of the information was in error.
- While an account is in a "Hold" status for investigation. Once the investigation is complete, the credit information may be re-reported dependant on the outcome of the investigation.
- If, after an account is paid and removal of the derogatory information is requested by the citizen, it is determined that all of the following are true:
  - The initial notice was returned by the post office undelivered.

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- If a subsequent notice containing the required notification was mailed and not returned undelivered, then full payment was received within 60 days of the mailing of that notice.
- If, after an account is paid and removal of the derogatory information is requested by the citizen, the citizen substantiates beyond a reasonable doubt that all of the following are true:
  - At the time the initial notice was mailed, the mailing address used was not a valid address for delivery of mail.
  - If a subsequent notice containing the required notification was mailed to a valid address for mail delivery, then full payment was received within 60 days of the mailing of that notice.

## DISPUTED CREDIT INFORMATION

CCC Section 1785.1 et seq, includes a procedure for disputing information included in a consumer's credit report. The consumer must contact the credit reporting agency to dispute the information. The credit reporting agency then sends a verification request to the creditor to confirm the information reported. The Delinquent Account Collections Program investigates and responds to these verification requests upon receipt. If the creditor fails to respond within the time allowed, the credit reporting agency removes the disputed information from their records. The creditor must complete their investigation and respond to the credit reporting agency, and the credit reporting agency must complete their investigation and respond to the consumer within 30 days of the consumer's dispute. The disputed status of an account is also reported to the credit reporting agency when a consumer disputes an account directly with the Delinquent Account Collections Program. Once notified of the dispute, disputed status information is included with other credit information updates sent to the credit reporting agency in the following monthly credit reporting cycle.

On occasion, information reported for one consumer, may appear on another consumer's credit report. If the information reported is accurate, there is nothing that the Delinquent Account Collections Program staff can do to correct this problem. To resolve such problems, consumers must contact the agency reporting the information inaccurately and dispute the information through them. This most commonly occurs when two or more individuals with the same name (last name and first three letters of first name) live or have lived at the same address.

For additional information on consumer credit reporting, citizens should be referred to:

- [Consumer Data Industry Association](#)

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Reference:

<u>CALIFORNIA CIVIL CODE - CONSUMER CREDIT REPORTING AGENCIES ACT</u>	
GENERAL PROVISIONS	<a href="#"><u>1785.1-1785.6</u></a>
OBLIGATIONS OF CONSUMER CREDIT REPORTING AGENCIES	<a href="#"><u>1785.10-1785.19.5</u></a>
REQUIREMENTS ON USERS OF CONSUMER CREDIT REPORTS	<a href="#"><u>1785.20-1785.22</u></a>
OBLIGATIONS OF FURNISHERS OF CREDIT INFORMATION	<a href="#"><u>1785.25-1785.26</u></a>
REMEDIES	<a href="#"><u>1785.30-1785.36</u></a>
COMMERCIAL CREDIT REPORTS	<a href="#"><u>1785.41-1785.44</u></a>