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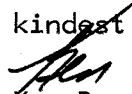
Mr. Garfinkel;

Many thanks for the nice telephone chat. This column will run sometime next week. It is not copyrighted and you are welcome to quote any part of it.

Please note § 604 (3) (E) - - this is what protects the credit bureaus against virtually all illegal access.

I will be in Washington D.C. for the Consumer Assembly March 15 and 16th this is sponsored by the Consumer Federation of America. It would be a pleasure to meet you.

With kindest Regards!

  
Ken Benner, Pres. ACCA, Inc.

## CREDIT REPORTING - THEN & NOW

by Ken Benner

(St. Paul)—Less than 25 years ago, the degree to which a credit reporting agency was doing its job was based upon the amount of negative information it could develop. It was generally agreed among lenders that anyone applying for credit would bias his application by "forgetting" to include certain adverse information like overdue loan balances, past-due rent, orthodontists' bills and so on.

In those days, poorly paid workers sitting in dimly lit sweatshop backrooms would feverishly clip newspaper notices of bankruptcies, divorces, arrests, etc. and manually file all this in individual credit files. Additional information was added from the individual's application for a loan, credit card or job.

Users of this type of information generally rated an application on a numerical scale — so many points for marital status, respectability of neighborhood, race, age, type of employment, length of residency etc. If you were a doctor, professor, lawyer or other member of a "respectable" profession — your application was promptly approved. If you were a divorced mother, widow, painter, minister, or (as in my case) a radio newswriter — you were cast as "itinerant" and thus received a few negative points on your credit worthiness scale. (One bureau manager explained to me that ministers belonged in this category because "they are generally poorly paid and are always seeking contributions.")

Rare indeed was the individual who could get access to his credit file to determine the legitimacy of the information it contained. To do so generally required him to find a friendly banker who was a credit bureau member, and pay the bankers fee for the access. Credit bureaus generally threatened their customers with cancellation of membership for this type of unauthorized access.

Seldom was there concern by an individual for the information in his credit file unless he had been harmed by it in some way. When he pursued legal action to correct false or misleading information in his file, the credit bureaus avoided lawsuits by claiming; "we merely report information supplied to us by others — we do not originate the information we report and will be pleased to correct any misinformation we have." The difficulty for the individual accessing his file in the first place made this a very rare obligation for any bureau to ever have to fulfill.

Then came the Fair Credit Reporting Practices Act (FCRA) which was intended to protect the individual by guaranteeing him the right to review his file periodically (for a price), restrict access of the information to those with "a legitimate business purpose" (which it does not), and generally forced some of the more careless credit bureaus to clean up their act. —This was about twenty years ago.

Since that time, to discourage you from access to your file, the bureaus now charge a hefty price (typically 15 to 35 dollars) for you to see it. However, they also will allow you access without charge if you are denied credit as a result of the information they have provided a lender and will correct any information that you can prove is false. While this appears to protect the individual — it is actually a tactic to enhance a credit bureau's reputation with its clients, i.e. lenders, law enforcement agencies, insurers and others, by placing the burden of proof upon the individual.

✓ Lobbyists representing the credit reporting industry effectively destroyed any privacy effectiveness of the FCRA by adding to the "permissible purposes" for credit file access the phrase "legitimate business purpose". That little phrase has negated ANY enforcement of the FCRA. For example; Swifty-Sam the Used Car Man has "a legitimate business purpose" to access to your credit file without your permission or knowledge if he wants to determine if you are credit-worthy enough to be approached by one of his salesmen. Of course with each access to their files, the credit bureaus make money, and thus it behooves them to make their files available to as many "customers" as they can.

Credit bureaus also sell "prescreened" lists of their more credit-worthy files to anyone willing to pay their price. These are sold to insurance companies, credit-card issuers, etc. —this is how we get all those so called "Pre-approved" credit offers in the mail. Incidentally, someone erroneously receiving your pre-approved card can use it to charge against your name and you will know nothing about it until you get the bill. It is then your responsibility to prove you neither ordered nor received the items you are being charged for. This is almost impossible if the thief used your credit card with a telephone or computer-modem to make the purchases.

What prompted this column was the recent article on U.S. Vice

Pres. Dan Quayle in Business Week which resulted from an editor gaining on-line computer access to Quayle's credit file. The editor claimed he had a legitimate right to Quayle's file in connection with some hiring he planned to do. If it's that easy to gain access to the Vite-President's file — think of how easy it is for someone to get into your file.

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