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## The Best Kept Secret in Lending, Bar None



### **How familiar are you with Regulation B of the Equal Credit Opportunity Act?**

Wait ,wait! Don't stop reading because I threw out an unfamiliar legal reference. What I'm about to tell you will change how you think about applying for credit, forever.

When you walk into a financial institution and apply for some sort of credit, you have to fill out an application. That application contains language giving the lender permission to pull your credit reports and scores. This gives them what's referred to in the Fair Credit Reporting Act (FCRA) as Permissible Purpose to get your credit data.

The lender pulls your credit reports and scores. Then they use that information to determine if they want to approve your application and under what terms. If they approve you, you're welcomed into the family.

If, however, they deny your application, you're sent on your merry way empty handed and a week or so later you get the rejection letter in the mail. That letter is called a "Notice of Adverse Action" and it provides you with notice of your right to get a free copy of the credit report the lender used to reject your application (after July 22 that notice will also include the score they used to deny you). You can either claim your free credit report, or you can do what most people do, which is nothing.

What I just described happens tens of thousands of times every single day. It has become the typical process of applying for credit. In fact, it has become so common that almost nobody knows that we, the applicants, actually are forgoing a very significant right.

## Shoebox Credit

Let's go back to Regulation B of the ECOA. Reg B requires that creditors, when evaluating the creditworthiness of an applicant, consider ANY information an applicant presents that reflects the applicant's creditworthiness. Further, at the APPLICANT'S request (that's you) creditors MUST consider credit information not reported through a credit bureau if it's a similar type of credit account that they would consider if it were to be reported through a credit bureau.

That was confusing, I know. Here's the low down: if you walk into a bank and apply for a loan and you hand the lender a shoebox full of receipts proving that you pay rent, cable, cell phone, insurance, electric power, natural gas, or any other credit obligation they MUST consider it per ECOA Reg B. What does that mean to you? It means you better go find a shoebox.

Don't feel bad if you didn't know all of this. Almost nobody knows their rights under Reg B. In fact, so few people know it that the National Credit Reporting Association says that they believe "ECOA Reg B has been conveniently forgotten by both the industry and the regulators at a cost to many credit challenged consumers."

"ECOA Reg B provides every American with the Federally protected right to build a credit history and credit score simply by paying everyday accounts on time, such as cell phone bills, rent and utilities," says Michael Nathans, President of Trycera Financial Credit Services. "A large segment of the population doesn't receive the most favorable rates or offers because they either don't have credit scores or their credit scores are too low. Having even one or two ECOA-qualified credit accounts added to your traditional credit reports and scores could change you from a denial to an approval, and save you thousands of dollars on an auto loan, for example."

The bottom line? The next time you walk into a bank, bring your cable bills and cancelled checks in a shoebox. Hand them to the loan officer and tell them you're choosing to leverage your rights under ECOA Reg B and you want them to consider your cable payment history. They'll look at you like you're crazy, but if they give the box back without considering the paperwork, they'll be violating Federal law.

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