



What Landlords Need to Know Using Consumer Reports

If you're a landlord, you may use consumer reports to evaluate rental applications – as long as you follow the terms of the Fair Credit Reporting Act (FCRA). The FCRA is designed to protect the privacy of consumer report information and to guarantee that the information supplied by the consumer reporting agencies (CRAs) is as accurate as possible.

What is a consumer report? A consumer report contains information about a person's credit characteristics, character, general reputation, and lifestyle. A report may also include information about someone's rental history, such as information from previous landlords or from public records like housing, court or eviction files. To be covered by the FCRA, a report must be prepared by a CRA – a company that assembles such reports for other businesses. The most common type of CRA is credit bureaus.

Landlords often ask applicants to give personal, employment and previous landlord references on their rental applications. Whether verifying such references is covered by the FCRA depends on who does the verification. A reference verified by the landlord's employee is not covered by the act, but a reference verified by an agency hired by the landlord to do the verification is covered.


The FCRA requires landlords who deny an application based on information in the applicant's consumer report to provide the applicant with an "adverse action notice." An adverse action is any action by a landlord that is unfavorable to the interests of a rental applicant. Common adverse actions by landlords include; denying the application, requiring a co-signer on the lease, and requiring an additional deposit that would not be required for another applicant.

When an adverse action is taken that is based solely or partly on information in a consumer report, the FCRA requires you to provide a notice of the adverse action to the consumer. The notice must include:

- The name, address, and telephone number of the CRA that supplied the consumer report, including a toll-free telephone number for CRAs that maintain files nationwide.
- A statement that the CRA that supplied the report did not make the decision to take the adverse action and cannot give the specific reasons for it.
- A notice of the individual's right to dispute the accuracy or completeness of any information the CRA furnished, and the consumer's right to a free report from the CRA upon request within 60 days of the adverse action.

The adverse action notice is required even if information in the consumer report was not the main reason for the denial, the increase in security deposit or rent, or any other adverse action. In fact, even if the information in the report plays only a small part in the overall decision, the applicant still must be notified. While oral adverse action notices are allowed, written notices provide proof of FCRA compliance.

Landlords who fail to provide required disclosure notices face legal consequences. The FCRA allows individuals to sue landlords for compensation in federal court. A person who successfully sues is entitled to recover court costs and reasonable legal fees. The law also allows individuals to seek penalizing reimbursement for deliberate violations of the FCRA. In addition, the Federal Trade Commission (FTC), other federal agencies and the states may sue landlords for non-compliance and get civil penalties. However, a landlord who unintentionally fails to provide a required notice in a remote case has legal protections, so long as he or she can demonstrate "that at the time of the... violation they maintained reasonable procedures to assure compliance" with the FCRA.

For more information about consumer reports and adverse action notices please contact ACUTRAQ Background Screening. Make sure you are complying with the law. 



Sarah Boyd is the customer service director of ACUTRAQ Background Screening. She joined ACUTRAQ in July, 2010, and has grown a great deal in the industry already! Sarah is a wife and the mother of two beautiful babies. She has a two year old daughter, and just had her baby boy in August of this year. Sarah enjoys working with people, blogging, and has recently adopted ACUTRAQ'S newsletter. She also enjoys attending church and church activities and spending quality time with her family.