

August 11, 1997

S.E. Wichmann, Vice President
Columbia (SC) Teachers Federal Credit Union
P.O. Box 5846
Columbia, South Carolina 29250-5846

Re: Prescreening for Automobile Loans
Your letter dated July 15, 1997.

Dear Mr. Wichmann:

You have asked whether Columbia (SC) Teachers Federal Credit Union (Columbia FCU) may use the services of a credit reporting agency (CRA) to assist the credit union in identifying members for offers of pre-approved automobile loans. You did not provide any specific details about Columbia FCU's proposed prescreening program in your letter. While we have no objection to credit unions implementing such programs, you should be aware that there are several laws, some of which we note below, that may be applicable to these programs. To ensure compliance with the appropriate laws, Columbia FCU should consult with its attorney.

Prescreening occurs when a CRA compiles or edits a list of consumers meeting specific criteria of credit worthiness and provides that list to a creditor who then uses the list to make offers of credit. FCUs are permitted to establish prescreening programs provided such programs are in compliance with the Fair Credit Reporting Act (FCRA), the Equal Credit Opportunity Act (ECOA), or any other applicable laws.

FCRA is designed to promote accurate and fair dissemination and proper utilization of consumer credit information. 15 U.S.C. §§1681 et seq.; 16 C.F.R. Part 601. FCRA was amended recently, and the new amendments become effective on September 30, 1997. Columbia FCU should take particular note of the new amendments in Sections 1681a(l) and (m), 1681b(c), and 1681m(d) of FCRA which address the rules involving the prescreening of potential borrowers from CRA files.

ECOA is designed to make the extension of credit equally available to all creditworthy borrowers, and to prohibit discrimination based on race, color, religion, national origin, sex, marital status, age, and the receipt of public assistance income in all extensions of credit. 15 U.S.C. §§1691 et seq.; Regulation B, 12 C.F.R. Part 201. Columbia FCU should make sure that, under its prescreening program, borrowers are not treated differently based on one of the above prohibited bases or that the program does not have a disproportionately adverse impact on borrowers in one of the protected groups.

Sincerely,

Sheila A. Albin
Associate General Counsel

GC/NSW:bhs
SSIC 3213

97-0717

cc: Richard Arcia, Region III