

Credit Reporting

QUESTION: How does credit reporting work?

THE FACTS:

A driving force in our service to your Library is our careful protection of your patron relationships. Our success in recovering materials is very much a result of that fact. We appeal to good people to do the right thing by encouraging them, as gently as possible, to clear their obligations with the Library.

Our ultimate goal, of course, is to create sufficient urgency with the patron that he or she responds to our contacts by taking the desired course of action - returning materials and/or paying fines. Some patrons respond immediately following our first contact from their own sense of civic duty. Some respond a little later, after they've searched for, and found, misplaced materials. And some respond when they understand that an eventual consequence of failing to settle their account with the Library is to be reported to the three largest credit reporting agencies in the United States. Simply, the prospect of being credit reported is the leverage some patrons need to swing into action.

We know that sound credit is important to most patrons. They ask about it and are often concerned about what it means and how the process works. So the following information should be useful to Library staff in helping them understand the facts about credit reporting and how to avoid it.

- Credit reporting occurs only after UMS has had the patron's account for at least 120 days. Most traditional collection agencies credit report accounts after 2 - 4 weeks. We credit report only as a last resort. We want the Library to get its materials back, first and foremost, so we give patrons ample time and make numerous attempts to contact the patron before credit reporting.
- Referring the patron's account to UMS is not the same as credit reporting. UMS is a material recovery service. The fact that we have a patron's account does not impact the patron's credit in any way. Only after we have submitted the account to credit reporting agencies, is the patron's delinquency available to credit grantors such as mortgage companies and banks. That information is made available by the credit reporting agencies, not by UMS.
- In most cases, a patron with an unresolved Library debt will not be able to obtain credit for loans, credit cards, etc. However, once the debt has been resolved, the debt will show as "paid" on the patron's credit report and should not impede the patron's credit. In other words, the patron can resolve the credit related issue simply by resolving their account with the Library. However, it may take 4 - 6 weeks, for the paid debt to be reflected on the patron's credit report. If the patron is pending loan approval, UMS will fax verification to the patron that the debt has been cleared so that credit approval can be granted by the lender.
- Showing the debt as "paid" on the patron's credit report is not the same as "expunging" the debt from the patron's credit report. When a debt is expunged, it is removed entirely from the patron's record as though it had never been there. UMS has a contractual agreement with the credit reporting agencies to expunge only those accounts that were reported in error. For example, if the patron cleared the account at the Library and we never received the update, the

patron could be credit reported in error. In such a case, the credit reporting agencies would agree to expunge the patron's account. If the debt was valid, then it can only be shown as "paid." However, as previously mentioned, we have always found this sufficient to restore credit.

- If the patron has extenuating circumstances surrounding the debt, the patron has a legal right to submit a brief, written explanation for inclusion on the credit report. Credit reporting agencies are required by law to enter such explanations as part of the patron's credit file.
- Juvenile accounts are not credit reported because the parent or guardian is ultimately the responsible party for the juvenile's debt and because it simply protects patron goodwill for the Library when we avoid the image of credit reporting children.

SUMMARY:

Since our goal in servicing your Library is to protect your relationships with the patrons, we use credit reporting only as a last resort to create sufficient urgency to clear the account. Only a relatively few ever get to that point, but having the facts can help you alleviate patron anxiety and assist patrons in resolving their obligations to the Library.