



Glossary of Terms

Note: The following terms are defined as they relate to Consumer Reports for employment and tenant screening purposes (i.e. background screening).

Fair Credit Reporting Act (FCRA) - The federal law that regulates the collection, dissemination, and use of consumer information, including consumer credit information. The Fair Credit Reporting Act can be found at, 15 U.S.C. § 1681 et seq. and also electronically at www.ftc.gov.

Adverse Action (related to employment) - The two-step process an employer is required to follow anytime the employer intends to make an adverse decision with respect to the individual's employment if the decision is based, in whole or in part, on information contained in the Consumer Report.

- Step 1 (commonly "Pre-Adverse Action"): Prior to actually taking Adverse Action, the employer must provide the individual with a copy of the Consumer Report, the FTC document "A Summary of Your Rights Under the FCRA", and provide an opportunity for him/her to dispute inaccurate or incomplete information prior to a final decision being made.
- Step 2 (commonly "Adverse Action" or "Final Adverse Action"): Communicating with the individual that adverse action is being taken (i.e. the individual will not be hired, promoted, etc.), as explained in Section 615 of the FCRA.

Adverse Action (related to tenancy) - A one-step adverse action process communicating with the individual that adverse action is being taken as explained in Section 615 of the FCRA.

Authorization and Disclosure - Before an End-User (employer, landlord, etc.) may request a Consumer Report on an individual, the End-User must get the individual's consent. For an employment purpose, the employer must notify the individual in writing (disclosure) and the individual must grant permission for the report to be prepared (authorization). This is typically done via an electronic or actual (wet) signature. Authorization and Disclosure forms are often referred to as "consent forms" and "release forms."

Consumer - An individual who is the subject of a background check, often an applicant for employment or tenancy.

Consumer Report - A report or document containing one or more of the following pieces of information about an individual: credit standing, credit history, credit capacity, personal characteristics, character, general reputation, and/or mode of living. This information is primarily provided through verification of employment, references, education, licensure as well as criminal, motor vehicle, and credit report record gathering. The report is prepared by a third party and used by employers and landlords when considering the individual for employment or tenancy (but may be used for other permissible purposes as outlined in

the FCRA). Consumer Reports are often referred to as Background Investigations, Background Checks, Screening Reports, and other similar names.

Investigative Consumer Report - A Consumer Report that includes interviews with the individual's friends, neighbors, associates or former employers. Exception: In California, all Consumer Reports, except stand-alone credit reports, are considered "Investigative Consumer Reports."

Consumer Reporting Agency (CRA) - Business that assembles information on individuals at the request of a third party, i.e. their client (often an employer, landlord, etc.). CRAs are provided with certain information pertaining to an individual such as name, date of birth, social security number, address, etc. and use that information to gather additional information and compile its findings into a report to be used for employment purposes, tenancy and credit evaluation and other purposes.

- Note: Consumer Reporting Agencies are often referred to as "Background Screening Companies", credit bureaus are also considered Consumer Reporting Agencies (background screening companies are not, however, considered credit bureaus).

Credit Report - a Report consisting of an individual's credit history including, but not limited to, items such as payment history, liens, charge-offs, bankruptcies and other actions as well as outstanding balances held. Credit Reports are prepared by credit bureaus (see links below to the three primary credit bureaus) or their authorized agents and may be contained in a Consumer Report. Credit Reports obtained for employment purposes do not include a (FICO) score, while tenant credit reports may show the (FICO) score. A consumer may contact a credit bureau directly to dispute credit information the consumer believes is inaccurate.

Dispute - The consumer has the right to dispute inaccurate information in their consumer report. The FCRA requires consumer reporting agencies to reinvestigate the matter to confirm the information is accurate, delete or correct information that is inaccurate, and/or delete information which cannot be confirmed, usually within 30 days and free of charge. If the reinvestigation results in a change in the consumer report, the CRA must provide the individual and the End-User with an updated copy of the report.

End-User - An entity (employer, landlord, etc.) that requests a Consumer Report from a Consumer Reporting Agency for a permissible purpose (i.e. employment or tenancy).

Federal Trade Commission (FTC) - A federal agency whose oversight includes, amongst other things, consumer protection, including consumer reporting laws, and anticompetitive trade practices.

Permissible Purpose - The instances which the FTC has deemed acceptable for an End-User to obtain a Consumer Report. Employment and Tenancy are common types of permissible purposes.

Summary of Rights - A document prepared by the Federal Trade Commission intended as a resource for individuals which states their rights with respect to Consumer Reports. This document must be provided to an individual anytime the individual receives a copy of his/her report, including those instances where an adverse hiring/tenancy decision is made and a copy of the report must be provided. The official name of this document is "A Summary of Your Rights under the Fair Credit Reporting Act."