Credit Underwriting Onboarding

Overview

Part of the setup process for Acquisition Credit Alerts is to determine the credit underwriting criteria that determines the eligibility of the consumers who are being monitored. The credit underwriting criteria determined by your company's risk/legal/compliance team will result in the extension of a firm offer of credit (FOC) to any eligible consumers whom you pull credit for. The FOC reflects what they are being monitored for (such as a mortgage, auto loan, or credit card).

According to the *Fair Credit Reporting Act* (FCRA), any consumer who is monitored for Acquisition Credit Alerts is legally required to be offered the credit line that is predetermined by the lender. (Retention is exempt from an FOC because you already have an open line of credit with that consumer.)

To determine the credit underwriting criteria, we will need to fill out the Credit Underwriting Criteria Worksheet. TE prefers to start this process with an hour-long call with the lender's correct risk/legal/compliance/underwriting professionals and the TE Partnerships Team. During the call, the importance of membership IDs/suppression codes and how they work will be explained, your current provider of credit checks will be able to supply you with all of your membership IDs (which will then be used as suppression codes to suppress your own credit inquiries from the consumers whom you monitor).

The worksheet determines the risk tolerance for:

- credit score
- bankruptcy
- late payments

Once we review and select criteria, the worksheet is mailed to the lender before submission to the bureau. Once the criteria have been submitted, you can change your selections with the next enrollment if desired.

Related credit alert documents:

- *Mortgage Credit Insight FAQs*
- *Firm Offer of Credit Requirements*
- *Suppression Codes for Firm Offers of Credit*

Credit Underwriting and FOC FAQs

What is an FOC?

An FOC is an offer to a potential borrower that must be honored by the lender. The FOC must be for a specific dollar amount (for example, $50,000), and it is extended to a monitored consumer based on the pre-defined minimum credit criteria required by the lender. If a consumer pulls their credit for a mortgage and meets the minimum credit criteria, they are—according to the FCRA—legally required to receive the line of credit that they were being monitored for.

Does credit always have to be extended to the consumer who received the FOC?

If the consumer has something materially change on their credit profile after it is pulled, such as a debt-to-income ratio change, a material drop in their credit score, or a bankruptcy, then the line of credit does not have to be extended.

What are the implications of an FOC?

In accordance with the FCRA, a consumer who receives an FOC, for the most part is entitled to the parameters of the FOC, which is why the exact dollar amount is stated in the FOC.

What risk management concerns are there with an FOC?

It is logical for compliance and underwriting teams to be concerned about offering credit to a consumer that has not been fully vetted by their in-house underwriting team. That is why the consumers who are being monitored for credit alerts are subject to underwriting criteria that are set and signed off by the compliance and underwriting team.

For example, if you usually offer loans to someone with a credit score of 620, but want to make sure that you protect your company from a potentially less credit-worthy consumer, you can choose to only be alerted by consumers who have a credit score of 640. The underwriting criteria protect your company from taking on risky credit.