Customer Intelligence – Compliance FAQ

What is a Firm Offer of Credit (FOC)?

A Firm Offer of Credit (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 *Fair Credit Reporting Act* (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 (DTI) 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.

Is the FOC required?

This is a requirement by Equifax in order to stay in compliance.

Can cost center logic be used with the print FOC letter for branding purposes?

With print FOC letters, there is no flexibility with branding. Many of our customers use email as the primary format for FOC; you have flexibility with emails that include the branding you want. The only time that a print FOC is used is a backup for when the initial email bounces.

Is there anything TE can do to prevent updating items in the platform after go-live that would bring us out of compliance?

It is crucial that you create a framework internally to ensure that you stay in compliance when changing settings, unpublishing journeys, and so on. TE will work with you to help outline those items during implementation.

How are the number of alerts controlled?

You are only sending FOCs to those people who have met the criteria. You are selecting and choosing the number of alerts that you will receive based on the criteria you choose.

How do we handle loan officers who have left our company?

This comes up often with our customers in many contexts (not only Customer Intelligence). Since the contacts remain with the departing LO in Encompass, those contacts will remain with that LO in TE unless someone does something with them in TE. You would need to make a decision in TE on how you want to disperse these contacts to other users. You are able to change ownership of the record from the old LO to another user, however, the new owner of the contacts will not get any loan updates for loans that are currently in process because that change is not happening in your LOS.

How are credit underwriting criteria determined?

The credit underwriting criteria are determined by your company's risk/legal/compliance team.

Why are the credit underwriting criteria important?

The credit underwriting criteria determine the eligibility of the consumers being monitored. This results in the extension of an FOC to any consumers whom you pull credit for. The FOC reflects what they are being monitored for (such as a mortgage, auto loan, or credit card).

What determines the lender's risk for who will be offered a Firm Offer of Credit?

- credit score and DTI
- bankruptcy and tradelines
- SSN and fraud selections
- liens and judgements

What are Acquisition Triggers?

These are leads, including former customers and any consumers that have initiated contact with the lender at some point. The lender monitors these consumers based on the lender's underwriting criteria; when a consumer matches the lender's criteria, a FOC is sent to the consumer.

What are Retention Triggers?

These are current customers of the lender with an active loan. These consumers already have an active line of credit with the lender, which means that they do *not* require an FOC. These consumers will trigger an alert on any mortgage credit inquiry (without selecting underwriting criteria), because they are an active customer.

Are Retention Triggers available?

Yes, but the only available retention triggers are ones without an FOC. You can also sign up for both Acquisition and Retention triggers, with the understanding that all consumers that trigger an alert will receive an FOC.