



Firm Offer of Credit Requirements

In accordance with the [Fair Credit Reporting Act](#) (FCRA), there are multiple requirements you must meet to legally monitor a consumer's credit.

To actively monitor a consumer for credit activity, the lender must be willing to offer credit to that consumer based on credit criteria that are pre-defined by the lender (such as minimum credit score, number of tradelines, debt-to-income ratio, tax liens, or bankruptcy).

Once the criteria are set, the credit file is monitored. If the consumer pulls their credit for another mortgage *and* they meet the pre-established lending criteria, then the lender, by law, is required to send a "firm offer of credit" this is how the lender establishes "[Permissible Purpose](#)".

According to the FCRA, [section 603, subsection \(f\)](#):

- (f) The term "firm offer of credit or insurance" means any offer of credit or insurance to a consumer that will be honored if the consumer is determined, based on information in a consumer report on the consumer, to meet the specific criteria used to select the consumer for the offer, except that the offer may be further conditioned on one or more of the following:
- (1) The consumer being determined, based on information in the consumer's application for the credit or insurance, to meet specific criteria bearing on credit worthiness or insurability, as applicable, that are established
 - (A) before selection of the consumer for the offer; and
 - (B) for the purpose of determining whether to extend credit or insurance pursuant to the offer.

While the FCRA does not explicitly state what the "offer of credit" has to be, there is ample case law establishing precedent. From the law offices of [Ballard Spahr](#):

A "firm offer of credit" is defined as "any offer of credit or insurance to a consumer that will be honored if the consumer is determined, based on information in a consumer report on the consumer, to meet the specific criteria used to select the consumer for the offer." A financial institution must extend credit to each individual on the prescreened consumer list under the terms of the firm offer. The firm offer must be unconditional; all a consumer must do to receive the credit is accept the offer.

However, the FCRA does not dictate what terms are required for a firm offer of credit; therefore how "firm" an offer of credit must be to satisfy the FCRA has primarily been determined by the courts. Although judicial interpretations may vary, a prudent financial institution should ensure that any firm offers of credit provide some meaningful value to the consumer. Offers that are determined to be merely "shams" for marketing will not be considered firm offers of credit. Additionally, although not a strict legal requirement, a financial institution should also consider whether to specify in solicitations sent to prescreened consumer lists any additional material terms that could impact the firm offer of credit.

To stay in compliance with the FCRA and credit bureau policies, Total Expert requires that a dollar amount be assigned to every firm offer of credit that Total Expert facilitates.