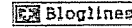
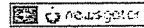


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You Might Be Surprised By What Triggers Credit Bureau Actions

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Have you ever had a credit card company suddenly lower your credit line in spite of your sterling payment record?

Have you wondered how every mortgage lender in the world is aware that you have been shopping for a good refinance opportunity? Or why your current mortgagee, the company that didn't spell your name right on last month's statement, is suddenly your new best friend?

The answer is **credit "triggers,"** a highly profitable sideline for all of the big three credit collection bureaus, (and business financial analyst Dun & Bradstreet is also a player) although one of them seems to be exploiting their product with great intensity over the last few years.

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Lenders (and others, more about this later) can subscribe to a trigger service with one or more credit bureaus. Depending on the parameters that the subscriber chooses, and there are over a dozen to choose from, it will be instantly notified if there are changes in the credit profile of current customers. These triggers may be employed by subscribers as risk alerts, collections assistance, and more recently as marketing opportunities.

In collections, for example, a triggering event might be a change in a person's or business's credit history such as a payoff of some delinquent debts that might indicate renewed liquidity or information on a new location for a missing debtor.

A risk alert trigger would be one that indicates that a customer is taking on substantial additional debt or begins to exhibit a pattern of late payments or even of minimum payments on a number of accounts. This is the type of trigger that can result in reduced or even closed credit lines or a sudden increase in interest rates.

Triggers have been available to lenders for years although new technology is morphing them into a totally new type of product, one that can be customized by combining a number of parameters and is available to subscribers nearly instantly. Experian permits a lender to submit a list of names (probably from its current portfolio) to be monitored when for credit shopping or can ask that a list of names (not necessarily existing customers) that match a specified profile be generated on a regular basis. Marketing, risk, and retention triggers are now available on a daily, weekly, up to quarterly cycle.

It is in the marketing area that Experian at least has begun to strongly push its trigger products. While the marketing sector has been around for several years, the sales targets have changed and that could be disconcerting, particularly to the consumer *shopping for a mortgage loan*.



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The credit bureaus have provided trigger service to mortgage servicers for some time; and in the throes of the refinancing frenzy this was a popular product. A servicer wanted to know if a customer was seeking additional credit in order to approach him and try to retain the mortgage business themselves through a refinance or to cross-sell other products such as mortgage insurance or credit cards. As the refinancing boom has waned, however, the credit bureaus are now offering the trigger services to all comers. In other words, they are selling **mortgage trigger leads**.

Experian touts its product on its website thusly: "you can quickly and precisely find credit worthy customers with recent credit activity who are most likely to respond to your specific offer... And who are the kind of credit worthy customers you would like to attract."

In other words, if your mortgage customer is shopping around to refinance, we will alert you so you can take action to retain that business. And we will also notify you if a total stranger who meets your parameters of location, credit score, etc. appears to be seeking financing.

Perhaps the borrower will get a better deal - in the words of the Lending Tree ad - "when banks compete you win." But there are a couple of **troubling aspects**. First of all, the lender who is initially seeking your business is paying for the credit report that triggers the trigger putting his very own mortgage lead on the open market to be sold as a credit trigger lead for profit to his competitors. Second, it is yet another in the endless examples of how an individual's privacy is ignored every day.

Edward D. Murphy, writing for the Portland Press Herald and Maine Sunday Telegram did an excellent report on this practice in mid-June. He maintains that all three of the big credit bureaus - TransUnion and Equifax in addition to Experian, are selling these kinds of trigger list leads. As stated above, we found only Experian actively marketing the product on line.

Edwards quotes a mortgage broker in Maine who is opposed to the practice of selling these leads as saying that brokers in Maine would typically pay about \$15,000 to sign up for the service plus another \$10,000 to \$12,000 per month for the lists.

The law requires that anyone contacting a consumer from such a lead do so with a firm offer of credit and Experian's website specifies that requirement for lead purchasers. The Edward's article, however, quotes a consumer agency head in Maine as saying the calls to consumers are "more in the nature of fishing expeditions...tell us what you're looking for and we'll see if we're doing better."

We are also unclear as to how the mortgage broker who purchases the lead gets around the **Do Not Call regulations** that allow very few exemptions but one is a prior relationship between the caller and his target.. Is a borrower's involuntary relationship with the credit bureau enough to satisfy this requirement?

There are also ads online for several companies marketing leads that sound very much as though they must be coming straight from a credit bureau. One of the most visible marketers advertises thusly:

"(Our Products) are ideal for:

- Automotive lenders
- Banks
- Credit card issuers
- Mortgage and home-equity lenders
- Retailers

Now you can dramatically increase the response rate to your pre-approved credit offers by reaching consumers at the precise time they actively are shopping for credit. With (our product), you can identify opportunities as they occur and make firm credit offers, as often as daily, to consumers who meet your credit criteria."

One has to figure that these sales leads are available not only to lenders but also to companies who then resell them, probably in smaller packages to those seeking leads.

Credit Report Mortgage Leads

We will try to get some answers from the credit bureaus about some of these issues.

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