



Secondary Use in the Mortgage Industry

When a credit report is ordered by one lender and then forwarded (typically via electronic systems) to another entity as part of the lending process, this is known as Secondary Use.

Beginning in 2007, the three national credit repositories (aka credit bureaus), Experian, Trans Union and Equifax, started requiring that all mortgage credit reporting agencies such as Advantage Credit track and report the Secondary Use of consumer credit data by lenders.

The national credit repositories created Secondary Use policies to ensure compliance with the FCRA, promote the protection of consumer privacy, ensure that the bureaus receive compensation for multiple uses of their credit data, and enhance data security. More importantly, however, these policies also ensure that consumers have visibility to the businesses that are accessing and viewing their credit reports.

Are Secondary Use fees in addition to the Reissue fees?

Yes. The Secondary Use fee is in addition to all standard reissue fees assessed, for example, by the GSEs for DU/DO and LP underwriting. However, a reissue charge could apply without an accompanying Secondary Use fee if there was no sponsoring lender involved in the underwriting.

What about shopping around a loan to multiple lenders? Will I incur Secondary Use Fees with each?

Simply put, yes. The process requires that each and every lender obtain a report through a soft inquiry, and be recognized as a Secondary User. This means that you will be charged for every instance of Secondary Use.

Secondary Use Examples:

- Mortgage brokers obtain a consumer's report, and then provide a copy of that consumer's report to a wholesale (or sponsoring) lender via an automated underwriting system (AUS). This results in a Secondary Use inquiry and Secondary Use fees assessed by the national credit bureaus and passed on by the mortgage credit reporting agency.
- Secondary Users request a copy of the original credit report from Advantage Credit, resulting in the posting of a soft inquiry and a Secondary Use fee charged to the Secondary User.
- Mortgage brokers shop the loan around to several different lenders, each of which accesses the credit report for review. Each "sharing" of the credit report results in a Secondary Use inquiry and Secondary Use fees assessed by the national credit bureaus and passed on by the mortgage credit reporting agency.
- A lender underwrites a FHA loan through Fannie Mae's DU systems, without identifying a sponsoring lender. Secondary Use has occurred as the Department of Housing & Urban Development (HUD) is required to be tracked and reported to the national credit repositories as Secondary Use. In this example, if there were a sponsoring lender, an additional instance of Secondary Use would have occurred, including an additional fee for Secondary Use.