Askee: John

QUESTION: Our Corporate HQ is considering adding this statement to our credit application: If this Application is not fully approved or if any other, adverse action is taken with respect to the Applicant's credit with BMUSA LLC. Applicant has the right to request within 60 days of BMUSA LLC notification of such adverse action, a statement of specific reasons for such action, which statement will be provided within 30 days of said request. Is this stipulation now mandated by Federal Law? I thought that this only pertained to consumer transactions, not business to business

RESPONSE: All of this has to do with the Equal Credit Opportunity Act (ECOA), Regulation B, of which pertains to business creditors.

If a company denies open account unsecured credit, applicants have rights in that they cannot be discriminated against. This law has been on the books for over 20 years. There are a number of nuances related to the handling and management of the required procedures within the law that business creditors should be aware of.

The statement proposed is much more detailed than it needs to be. I should also add the approved statement that I will give you in a moment does not have to be displayed on your credit application. That is a logical place for it to be displayed but it can be printed on your company's terms and conditions, order acknowledgements, invoices or any other regular routine document you produce and send to customers.

The proper, approved statement is: "The Equal Credit Opportunity Act (ECOA) prohibits credit grantors from discriminating against credit applicants based on race, color, religion, national origin, sex, marital status, or age. The Federal Trade Commission administers compliance with ECOA". There are steps or procedures that should be followed if credit is denied or removed from a customer.

The posting of this statement allows the denied applicant to contact the FTC with any questions they may have if they feel they have been denied credit wrongfully.

It can be a complicated law to understand. However, the bottom line is the verbiage given allows a company to comply with federal regulations that otherwise are a pain in the behind. Complying at the minimal level is what is recommended.

If your corporate headquarters purpose is to comply with ECOA Reg B, what I have indicated is all you need to state in writing. If their purpose is other than that, I am not sure of the value of the verbiage without knowing more about the matter.