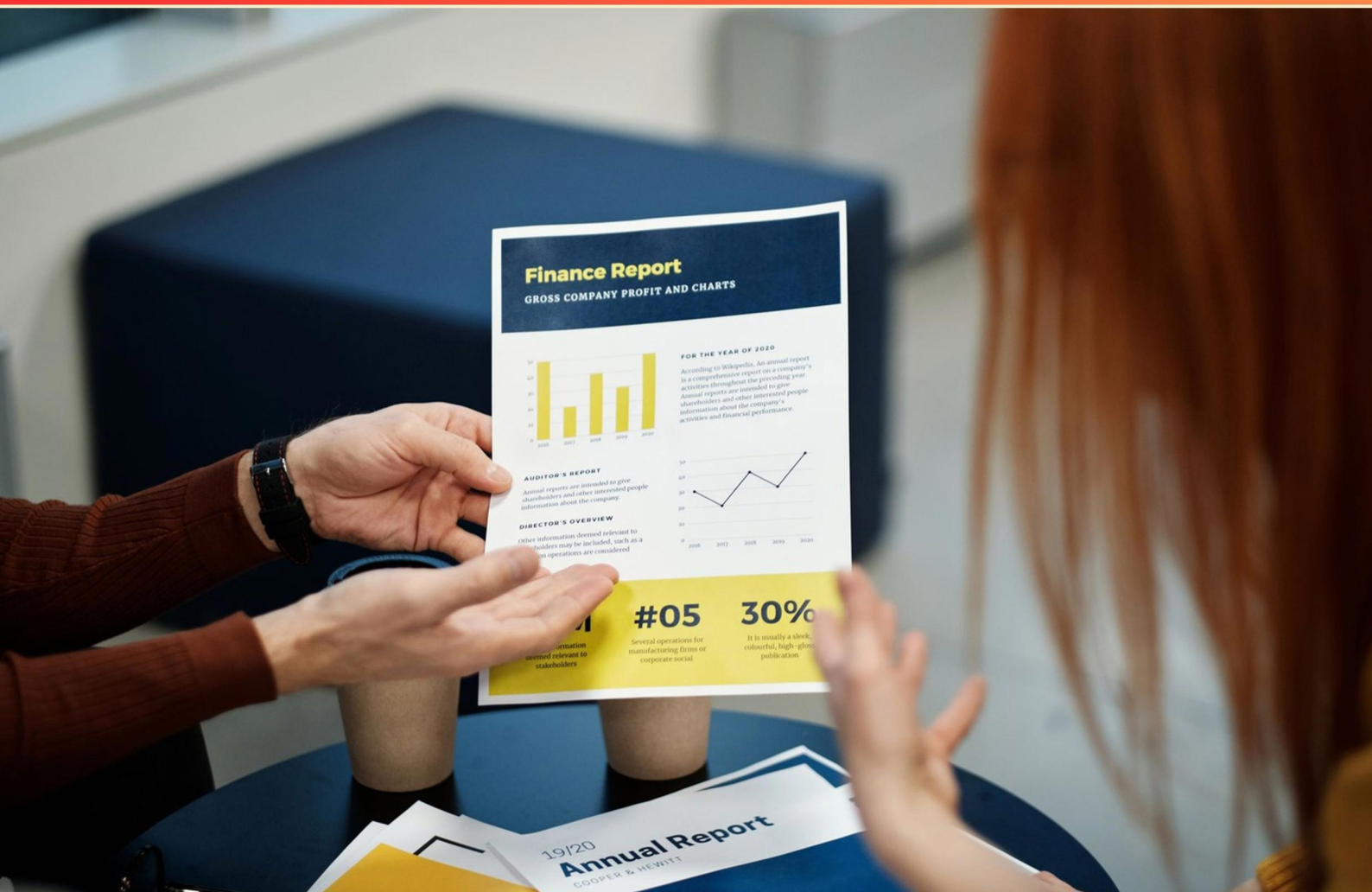


FAIR AND ACCURATE CREDIT TRANSACTIONS (FACT) ACT PRACTICE EXAM (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. How does state law interact with FACT Act provisions?**
 - A. Federal protections are optional and state laws always override.
 - B. State laws always supersede federal protections.
 - C. There is no interaction; they operate independently.
 - D. Federal protections set a baseline, and state laws may impose stricter requirements; where both apply, the more protective standard generally governs.
- 2. What is a permissible purpose to access a consumer report under FACTA?**
 - A. A valid reason to access a consumer report for marketing purposes
 - B. A reason to access a consumer report for evaluating a credit or employment application
 - C. A valid reason to access a consumer report for checking a neighbor's credit
 - D. A reason to access a consumer report solely for entertainment
- 3. The FCRA requires that any prospective user of a consumer's information have a permissible purpose to obtain a:**
 - A. adverse action notice
 - B. consumer report
 - C. employment history
 - D. credit file
- 4. Which entity is responsible for notifying the consumer when negative information is furnished to a nationwide consumer reporting agency?**
 - A. The financial institution that furnishes the information
 - B. The consumer reporting agency
 - C. The consumer
 - D. The government
- 5. Which statement describes consumer opt-out rights in affiliate marketing under the FACT Act?**
 - A. Affiliates are never allowed to share consumer information for marketing.
 - B. Opt-out rights apply only to non-affiliates; affiliates can share without opt-out.
 - C. Consumers may opt out of sharing information with affiliates for marketing purposes.
 - D. Opt-out rights only apply if the consumer requests a specific type of report.

- 6. How long does an active duty alert last?**
- A. 1 year
 - B. 6 months
 - C. 2 years
 - D. 3 years
- 7. What is a fraud alert and why would it be placed?**
- A. It indicates a good credit history
 - B. It reduces credit limits automatically
 - C. It requires lenders to verify identity before extending credit
 - D. It blocks all credit applications
- 8. Which of the following is NOT a permissible purpose for accessing consumer reports?**
- A. Credit underwriting
 - B. Employment decisions
 - C. Using the report to verify identity with improper authorization.
 - D. Tenant screening
- 9. What right does a consumer have under the FACT Act regarding information in a credit file?**
- A. The right to dispute inaccurate or incomplete information; the CRA must reinvestigate and correct or delete items found to be inaccurate within a reasonable time.
 - B. The right to obtain a one-time free copy of the report each year.
 - C. The right to sue the furnisher for any error immediately.
 - D. The right to limit the reporting of nonfraudulent information.
- 10. How does FACTA affect consumer rights when there is identity theft?**
- A. Enhanced rights (fraud alerts, free credit reports, and identity theft prevention requirements) to detect and respond.
 - B. Reduced privacy protections.
 - C. No changes to consumer rights.
 - D. Mandatory reporting to police only.

Answers

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1. D
2. C
3. B
4. A
5. C
6. A
7. C
8. C
9. A
10. A

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Explanations

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1. How does state law interact with FACT Act provisions?

- A. Federal protections are optional and state laws always override.
- B. State laws always supersede federal protections.
- C. There is no interaction; they operate independently.
- D. Federal protections set a baseline, and state laws may impose stricter requirements; where both apply, the more protective standard generally governs.**

Federal protections establish the baseline for consumer protections under the FACT Act. States may enact stricter protections, and when both apply to the same situation, the more protective standard governs. This ensures consumers gain stronger protections from state laws without reducing federal protections. For example, if the federal act sets a minimum requirement, a state could require a longer fraud alert or additional safeguards, and that stricter state rule would prevail.

2. What is a permissible purpose to access a consumer report under FACTA?

- A. A valid reason to access a consumer report for marketing purposes
- B. A reason to access a consumer report for evaluating a credit or employment application
- C. A valid reason to access a consumer report for checking a neighbor's credit**
- D. A reason to access a consumer report solely for entertainment

Access to a consumer report is allowed when there is a legitimate reason to use it, such as evaluating an individual's application for credit or employment. This is a clear, proper permissible purpose under FACTA/FCRA, because lenders and employers rely on these reports to make informed decisions about extending credit, hiring, or other related actions. The other choices don't fit the permissible purposes. Checking a neighbor's credit or using a report for entertainment would violate the privacy protections of the FCRA. Marketing can be permissible only if the consumer has given prior express written consent for the report to be used for marketing; without that consent, it's not a valid permissible purpose.

3. The FCRA requires that any prospective user of a consumer's information have a permissible purpose to obtain a:

- A. adverse action notice
- B. consumer report**
- C. employment history
- D. credit file

The main idea here is that the FCRA lets someone pull a consumer report only when there is a permissible purpose. That permissible purpose must authorize obtaining the report itself, not just other outcomes or data related to it. So the thing you're allowed to obtain is the consumer report—the document that contains the person's credit history and other data collected by the reporting agency. The other options describe things that happen after a decision is made (adverse action notice) or pieces of information that may appear in the report (employment history, credit file), but they don't authorize pulling the report.

4. Which entity is responsible for notifying the consumer when negative information is furnished to a nationwide consumer reporting agency?

A. The financial institution that furnishes the information

B. The consumer reporting agency

C. The consumer

D. The government

Under the Fair Credit Reporting Act, the furnisher of information—the bank, lender, or other entity that provides negative data about the consumer to a nationwide credit reporting agency—must notify the consumer when that information is reported. This direct notice, typically within 30 days, gives the consumer awareness of what is being reported and an opportunity to review or dispute if needed. The obligation sits with the furnisher, not the reporting agency, the consumer, or the government. The agency simply maintains and shares data; it does not bear the notification duty for furnishment.

5. Which statement describes consumer opt-out rights in affiliate marketing under the FACT Act?

A. Affiliates are never allowed to share consumer information for marketing.

B. Opt-out rights apply only to non-affiliates; affiliates can share without opt-out.

C. Consumers may opt out of sharing information with affiliates for marketing purposes.

D. Opt-out rights only apply if the consumer requests a specific type of report.

Under the FACT Act, consumers have a say in how their information is used for marketing within a company and its related entities. The key idea is that you can limit the sharing of your information with a company's affiliates for marketing purposes. The correct statement reflects this: you may opt out of sharing your information with affiliates so they can use it for marketing. This means if you don't want an affiliated company to use your data to market products or services, you can stop that sharing. Why this is the best answer: it directly states the consumer's right to prevent affiliate sharing for marketing, which is exactly what the opt-out provision covers. The other options imply absolute bans, limit opt-outs to non-affiliates, or tie opt-outs to a specific type of report, none of which align with how affiliate marketing opt-outs are defined under the FACT Act.

6. How long does an active duty alert last?

A. 1 year

B. 6 months

C. 2 years

D. 3 years

Active-duty alert is a protection under the FACT Act that makes lenders verify identity more carefully when a service member is on active duty. The alert is placed on the consumer's credit report and lasts one year from the date it's activated; during this year, creditors must take extra steps to confirm the person's identity before extending new credit. If the service member remains on active duty, the alert can be renewed to extend coverage beyond the initial year, but the standard duration most exams focus on is one year. Therefore, the correct answer is one year.

7. What is a fraud alert and why would it be placed?

- A. It indicates a good credit history
- B. It reduces credit limits automatically
- C. It requires lenders to verify identity before extending credit**
- D. It blocks all credit applications

A fraud alert is a flag on your credit report that prompts lenders to take extra steps to verify your identity before approving new credit. This precaution helps protect you if your personal information has been compromised, making it harder for someone else to open accounts in your name. It doesn't imply your credit history is good or bad, it doesn't automatically reduce your credit limits, and it doesn't block all credit applications. If you want to block new credit more comprehensively, you'd use a security freeze, which is a separate tool.

8. Which of the following is NOT a permissible purpose for accessing consumer reports?

- A. Credit underwriting
- B. Employment decisions
- C. Using the report to verify identity with improper authorization.**
- D. Tenant screening

Access to consumer reports is allowed only for specific permissible purposes and with proper authorization. This framework exists to protect privacy and prevent misuse of sensitive information. The scenario that uses a report to verify identity when there is improper authorization is not allowed because you don't have a legitimate, consent-based purpose to access the report, and there's no proper basis under the FCRA to justify that access. In contrast, credit underwriting, employment decisions (with the required consent), and tenant screening are considered permissible purposes when conducted in accordance with the law and with the proper disclosures and authorizations. So the actions that involve verifying identity without proper authorization fall outside what is allowed.

9. What right does a consumer have under the FACT Act regarding information in a credit file?

- A. The right to dispute inaccurate or incomplete information; the CRA must reinvestigate and correct or delete items found to be inaccurate within a reasonable time.**
- B. The right to obtain a one-time free copy of the report each year.
- C. The right to sue the furnisher for any error immediately.
- D. The right to limit the reporting of nonfraudulent information.

Disputing and correcting information in a credit file is a fundamental protection under FACTA. When a consumer spots information that seems inaccurate or incomplete, they can file a dispute with the credit reporting agency. The agency must investigate the item, working with the furnisher, and complete the reinvestigation within a reasonable time. If the item is found to be inaccurate or incomplete, the agency must correct or delete it from the consumer's file and notify any parties that received the information. The result of the investigation must be communicated to the consumer, and a corrected report can be sent to those who accessed it during the relevant period. This directly affects what information appears in the credit file. There is also a related right to obtain a free annual credit report, but the focus of this question is on disputing and ensuring the accuracy of information in the file.

10. How does FACTA affect consumer rights when there is identity theft?

- A. Enhanced rights (fraud alerts, free credit reports, and identity theft prevention requirements) to detect and respond.**
- B. Reduced privacy protections.
- C. No changes to consumer rights.
- D. Mandatory reporting to police only.

FACTA strengthens consumer protections when identity theft occurs by giving you practical ways to detect and respond. It lets you place fraud alerts on your credit file, which prompt lenders to take extra steps to verify your identity before opening new accounts. You can also obtain free credit reports from the major credit bureaus—one report from each bureau every year, and more if fraud is suspected—so you can monitor for unauthorized activity. In addition, FACTA imposes identity theft prevention requirements on financial institutions, requiring programs to detect, respond to, and prevent identity theft, such as identifying suspicious activity and notifying you promptly. Together, these provisions expand your rights and tools to catch and mitigate identity theft. It doesn't reduce privacy protections, it isn't a no-change scenario, and it doesn't mandate reporting identity theft only to police.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://factact.examzify.com>

We wish you the very best on your exam journey. You've got this!

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