

METRO 2 COMPLIANCE

**TRAINING FROM A
CREDITOR'S PERSPECTIVE**

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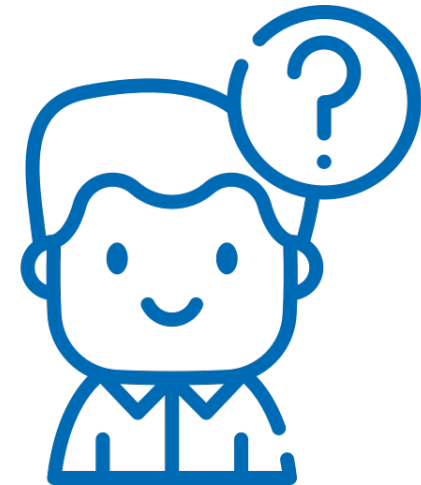


**Welcome to
METRO 2 Compliance Training by
The Credit Consultants Association**

There is a lot of chatter surrounding Metro 2 in our industry. It's been said that Metro 2 is the only way to perform credit repair. "If you are not using Metro 2, then you are cheating your clients," as those using the method believe.

Also, we would often hear the following questions from members and those seeking training:

- *Do you offer metro 2 training or letters?*
- *What letter should I use for this or that issue? Should I get a Metro 2 letter?*
- *Can someone give me a Metro 2 Letter?*
- *Can someone teach me Metro 2?...*
- *Why are Metro 2 letters so expensive? Do you know a company that offers a discount on these letters?*



"We are not here to share anything regarding anyone else's training or be negative regarding them; we are just interested in sharing our findings after gaining access to how some furnishers operate and third-party vendors in the credit servicing systems."

What we will share as an association is that we have received complaints in 2018 and 2019 from consumers on member consultants. They shared how they were harmed because one using those letters dropped their scores. Also, how positive accounts were being deleted from their credit reports. One member stated that a client was seeking to sue them because their scores dropped after sending one of those letters. Again, we have no proof to share in this regard, just the complaints. But, there could be other factors in these cases.

The Metro 2 letters we have seen have keywords that can draw attention. Especially since letters are scanned, such phrases or verbiage may get a furnisher's attention, or the letter tagged for considerations to take action.

What our findings will share is what we saw up close and the issues that created concerns for data furnishers and their **Dispute Analysts**.

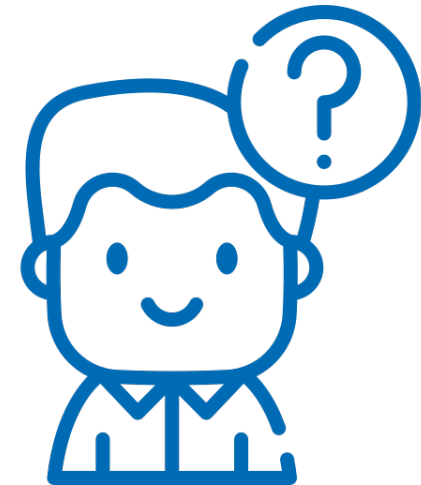
Topics that will get their attention. These analysts have the following experience: Years of primary experience working with FCRA, Credit Bureau Disputes, C.R.A.'s, and e-OSCAR. In-depth knowledge of state and federal laws and agencies applicable to collections, including the Fair Debt Collections Practices Act (FDCPA), the Dodd-Frank Act (UDAAP), and the Consumer Financial Protection Bureau (CFPB). Ability to create and analyze reports and data upon demand. They should be FCRA Certified, Have CDIA Certification in Metro 2, or FCRA compliance. They must have the ability to analyze data to identify trends and spot compliance issues from a large volume of data.

WHAT ARE METRO 2 LETTERS?

Metro 2 is only a **shortcode** for reporting data.....

Baffled!

We respond to clear and precise disputes.



**Is Metro 2 The
Determining Factor
As To What Goes Into
Consumer Reports?**



The information is almost always reported using a standard electronic data reporting format issued by a trade association: the Consumer Data Industry Association (CDIA). This format is called Metro 2 and consists of multiple fields and shorthand codes. The Metro 2 manual (the Credit Reporting Resource Guide) and other CDIA ad hoc guidance set out instructions on using the Metro 2 format.

Metro 2 Format - Header Record

The Header Record is the first segment of a credit reporting file. It contains information necessary to identify the reporting entity or agency. It also identifies the credit bureau the file has been produced for and the reporting date.

In the image below, the fields in the Header Record are partitioned and identified. Actually, this is one long string of data in the reporting file.

Record Size	CCA	Equifax	Experian	
0560	HEADER			
Trans Union	Activity Date	Date Created	Program Date	Revision Date
5555555555	08202002	09202002	05101999	06142001
Reporter Name	Reporter Address			
YOUR BUSINESS NAME HERE	LINE ONE OF			
YOUR ADDRESS LINE TWO OF YOUR ADDRESS LINE	THREE OF YOUR ADDRESS			
1234567890				
Reserved				
COMTECH SYSTEMS INC.			11.3.1.1	

Two important questions:

01

What is a furnisher's liability for failing to supply information in compliance with Metro 2?

02

When does such non-compliance with the Metro 2 format lead to the furnisher violating the Fair Credit Reporting Act?

Metro 2, is considered the standard format for the credit reporting, and is essentially ubiquitous; in other words, it is simply a universal process of reporting.

Metro 2 Format - Header Record

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Reporter Name          Reporter Address
|YOUR BUSINESS NAME HERE   |LINE ONE OF
YOUR ADDRESS LINE TWO OF YOUR ADDRESS LINE
THREE OF YOUR ADDRESS
|1234567890|

Reserved
|COMTECH SYSTEMS INC.          11.3.1.1
```

It has been designed, so that information vital to the preparation of accurate consumer reports is identified and defined in a manner to facilitate the routine provision of accurate and complete information. **Nevertheless, Metro 2 remains only a private industry guide.**

Metro 2 Format - K1 Segment

The K1 Segment contains the name of the Original Creditor and the Creditor Classification code. This segment must be included whenever an account is reported by collection agencies, debt collectors, factoring companies and others. This information is reported to help consumers identify the source of accounts when they appear on credit reports. Without the original creditor names, consumers may not know what the accounts represent.

In the image below, the fields in the K1 Segment are partitioned and identified. Actually, this is one long string of data in the reporting file.

Segment | Creditor Name

|K1|WESTCOAST INDUSTRIES LTD. |

|Creditor Classification 01/02/03/04/05/06/07/08/09/10/11/12/13/14/15 |

|04|

So, if a data furnisher does not follow the Metro 2 format, does this violate FCRA?

The answer is NO!

There are several dozen court decisions. Most of them have held that **Metro 2 is not a "national, legally enforceable standard" that does not create per se liability for any furnisher that merely fails to adhere to its protocols:** *Giovanni v. Bank of America, N.A.*

Sheridan v. F.I.A. Card Servs., Jones v. Experian Info. Solutions, Inc. are a few.

Yes, some have used the metro 2 format to defend their case. And a few have been legally successful to a point, but only considering the circumstances surrounding that particular case. BUT, whether a creditor or other furnisher can be held liable for its failure to comply with the Metro 2 format strongly depends on whether or not the **deviation from the reporting format would significantly mislead potential creditors and other users of a consumer report.**

The concerns when challenged are as follows:

- Identity Theft
- Mixed or merged file
- Mislabeling Consumers. Such as being labeled a terrorist in their credit reports
- Improper delinquency date
- Out of date entries
- EOCA code concerns as to the contractual responsible party of the account
- Improper Account status or Condition codes -that will make entries inaccurate or misleading
- Violating the regulating laws concerned them greatly: such as the Fair Credit Reporting Act ("FCRA"), Truth in Lending Act ("TILA"), Fair Credit Billing Act ("FCBA"), and Dodd-Frank Act (UDAAP)
- Claims of data conformity. (By the way, an excellent second round challenge letter) – Regarding the Eleventh Circuit FCRA decision, [Marchisio v. Carrington Mortgage Services, L.L.C.](#), ___ F.3d ___, 2019 WL 1320522 (11th Cir. Mar. 25, 2019) Furnishers for their widespread practice of engaging in a mere "data conformity" review of disputed information, rather than conducting the required reasonable investigation. 15 U.S.C. § 1681s-2(b) reasonable investigation standard

Lawsuits are filed on these types of concerns, and we noticed that these topics received lots of attention when submitted via **Automated Credit Dispute Verification form (ACDV)**, e.g., eOscar. We were told that there were policies in place that took actions at the C.R.A. level on received disputes without reaching their system. E.g., automatic deletions, removals or updating balances to zero, and other updates.

It's important to know that legally, whether one **has legal standings** is paramount. This means that only if a consumer has been harmed based on what was reported in their credit report gives them grounds to sue. Just because a balance is incorrect will not in itself win a lawsuit. Credit Reports are historical records of your accounts and payments. Therefore, if that balance was correct but not updated at one point, it is not a violation per se. If you were not damaged because of the inaccurate information is usually the determining factor to whether you have a legal case **(but always seek the advice of a competent attorney** on these matters). Yes, the information reported must be accurate, and it can be challenged as such, and one could receive a possible deletion, or the account simply updated.

If you are going to write letters, just know that anything that can create a legal challenge for C.R.A.s and furnisher is the only thing that has weight. If any of the furnisher's concerns listed above are in a dispute letter, especially if the consumer use case law, we noticed they managed to get noticed. Some received deletion or fully updated account data reported. Some technicalities can work on behalf of a consumer, but furnishers and C.R.A.s are **ONLY** concerned about legal challenges, not a Metro 2 letter. They do want to follow the formatting standard to help with their reporting accuracy.

It has been shared that those using the Metro 2 method have a process; they will Freeze and suppress the consumer data, upload the letters to individual credit bureaus, fax the letters, and send it via mail. Maybe this process works. We are not here to share any particulars. But we will say that if your letters emphasize what we shared above as concerns of these data furnisher, this most definitely can trigger a strong reply and even deletions. In some cases, records are fully updated, corrected, or deleted. **BUT ONLY** if they felt that the letters did not come from a credit repair company. They usually had ways to determine this internally because they could not ignore a letter unless they were sure.



Metro 2
From A
Furnisher's
Perspective



WHAT IS METRO 2?

Metro 2 is a format for Credit Reporting.

It is a standard format for all businesses reporting credit data to the four major credit bureaus. Equifax, Experian, Innovis & Transunion. This format was created in 1997 by the Consumer Data Industry Association (CDIA).

This universal credit reporting format is important for lots of reasons.

Metro 2 format:

- Provides one standard format for reporting to all four major credit bureaus.
- Is a lot easier to understand and use than other formats.
- Meets the requirements of the Fair Credit Reporting Act (FCRA) and Fair Credit Billing Act (FCBA).
- Allows credit information to be added and mapped to the consumer's file with greater consistency.
- Accommodates cycle report of data, which allows more timely updating of the credit file.
- Allows complete identification information to be reported for each consumer, including co-debtor, co-signers...each month that improves the ability of consumer reporting systems to match to the correct consumer.
- Improves accuracy with four-digit year fields
- Allows reporting of consumer payment history up to 24 months.
- Provides businesses the ability to report detailed information at both the account and consumer level.



FURNISHER'S RESPONSIBILITIES

Reporting credit information on consumers is sensitive data.



The issues of accuracy and completeness of information and fairness to consumers and must be a concern of credit grantor, you the furnisher. Federal and state laws already regulate certain aspects of credit reporting. In order to protect your ability to conduct business without the further intervention of external forces, you must participate in the accuracy process.

Both credit grantors and consumers depend on consumer reporting agencies to acquire and maintain accurate credit histories. This can only be accomplished if the provider of consumer data, you the furnisher understands the tools that are available and adheres to the standards for credit reporting.

Metro 2 automated data reporting includes:

- Industry Standards
- Metro 2[®] Format
- Metro 2[®] Validation /Implementation Checklist
- Automated Universal Data Process
- Automated Consumer Dispute Verification



EVEN THOUGH METRO 2 IS A STANDARD FORMAT FOR REPORTING DATA, BASED ON COURT LAW

The CDIA Credit Reporting Resource Guide Is Not The Authority!

Calvin v. Mich. First Credit Union,

No. 19-cv-11519, 2020 U.S. Dist. LEXIS 123322 (E.D. Mich. July 14, 2020)



Errors in the way a furnisher is reporting an account in contrary to the CDIA guide is not enough reason to win a lawsuit. The CDIA guide is not the authority. Therefore, Metro 2 format is just a standard.



SETTLES V. TRANS UNION, LLC

Inaccurate current pay status - theory was soundly rejected.

In Settles, the plaintiff was overdue on his account by 120 days when his account was closed. His credit report showed that his account was closed, and the account balance was \$0. However, the pay status reflected 120 days past due. The plaintiff brought suit claiming that this was materially misleading because the account could not be past due while also having a \$0 balance. The court held that the reporting was not inaccurate or misleading. The court noted that it must look at the accuracy of the report as a whole, taking into account relevant context. It listed several cases holding that reporting historical data is not inaccurate.

This decision and others like it underscore that the inclusion of accurate historical account information on credit reports is allowable and not misleading, even when the current account information is different from the historical information and may even appear contradictory on its face.



TRANSUNION LLC V. RAMIREZ

You must prove injury!



On June 25, 2021, the Supreme Court revisited the issue of Article III standing for the first time since *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540 (2016). In *TransUnion LLC v. Ramirez*, No. 20-297, 2021 WL 2599472, -- S. Ct. -- (2021), the Court clarified that if a plaintiff does not suffer a real harm and the risk of future harm never materializes, there is no concrete harm and no standing to assert a damages claim. The Court further held that “every class member” is required to meet this heightened standard for a concrete harm, which precludes “**no injury**” class actions in federal courts moving forward. The Court, therefore, reversed judgment on the claims of more than 6,000 putative class members whose *internal* credit reports contained an inaccuracy but were never published to any third party.

IN THIS TRAINING

Addressing Furnishers Systems

- The furnisher's experiences with the Fair reporting act
- e-OSCAR and the new FCRA compliance



The steps to take to get in compliance:

- The first step is that Furnishers must get their servicing system up to speed from a furnishing perspective to report data properly.
- The next step is to create a technical specification guide.
- Lastly, from a technology perspective is to be sure that it is working correctly



Responding

To

Disputes



TYPES OF DISPUTES

- Disputes received from the CRAs;
- Direct Disputes from the consumer
- Joint Credit Disputes



Responding to Disputes through E-Oscar & Metro 2

The process of investigating a consumer's dispute with one of the CRAs is a multiple step process:

- The consumer requests a credit report from one of the CRAs.
 - Upon reviewing their credit report, if the consumer believes an item on the report is incorrect, they then submit a formal dispute directly with the CRA that is reporting the alleged incorrect information.
 - The CRA conducts its own investigation to determine if the information being reported is in fact incorrect and something that they can correct based on the information provided by the consumer.
- NOTE: The CFPB's recent crackdown on CRAs have led to an increase in disputes being passed on directly to DF's that may have in the past been investigated and responded to by the CRAs.



Responding to Disputes through E-Oscar & Metro 2

- If the CRA does not have sufficient information to resolve the dispute it will then forward that dispute to the data furnisher who reported the information that is now being disputed.
- The DF conducts a reasonable investigation and notifies the CRA of the results.
- The CRA updates the consumer's credit file based on the DF's response.



Responding to Disputes through E-Oscar & Metro 2

- The system that is used to transmit information between the CRAs and the DF is called e-Oscar.
- e-Oscar is a web-based automated system that allows CRAs and DFs to create and respond to a consumer's credit dispute.
- e-Oscar runs on the Metro 2 system which is the standard format created to report credit information. The Metro 2 system provides standard reporting codes.
- e-Oscar also enables DFs to send “out-of-cycle” updates to the CRAs.
- e-Oscar primarily supports ACDVs and AUDs for the reporting of information.



Responding to Disputes through E-Oscar & Metro 2

- When a consumer submits an on-line dispute with one of the CRAs, they may provide a narrative of the dispute and why the current information being reported is incorrect.
- Whether or not the consumer chooses to provide a narrative, they must select one or two reason codes that represent the nature of the dispute.
- Disputes can still also be made via mail or over the telephone and in those instances the CRA receiving the dispute will assign an appropriate code to reflect the nature of the dispute.



Responding to Disputes through E-Oscar & Metro 2

- Once received the CRA will conduct an internal review to determine if the dispute is frivolous.
 - A frivolous dispute could include a dispute that is resubmitted without new information that has already been previously resolved.
- Disputes over names, addresses, and Social Security numbers that can easily be verified with consumer information and are typically resolved internally without the need to submit the dispute to the DF.
- Disputes that cannot be resolved internally are forwarded through e-Oscar to the DF with the dispute codes through ACDVs.



Responding to Disputes through E-Oscar & Metro 2

- Once the DF receives the ACDV, pursuant to the Furnisher Rule the DF must diligently and timely investigate the information received from the CRA along with the furnisher's own records.
- Based on the DF's investigation they will select one of four (4) responses based upon their findings. Those responses include the following:
 - Verify the information is accurate
 - Modify the account/trade line information
 - Delete the account
 - Delete the account due to fraud



Responding to Disputes through E-Oscar & Metro 2

Limitations do exist with the e-Oscar system in that documents provided by the consumer in making their dispute cannot be transmitted as an attachment.

- TIP TO DF: Establish a thorough process for reviewing disputes beyond the information contained in the ACDV, such as communicating with third-party vendors such as legal counsel or collection agencies handling an account.



Responding to Disputes through E-Oscar & Metro 2

- After receiving a ACDV from the CRA, the DF must complete its investigation within thirty (30) days of the CRA's receipt of the dispute from the consumer.
 - The CRA must forward the consumer dispute within five (5) days of receiving the dispute.
 - Failing to respond to a dispute is not a sufficient investigation as far as the CFPB is concerned as it does not constitute a reasonable investigation.
 - A failure to respond to a dispute within thirty (30) days means the CRA must delete the disputed information.



Responding to Disputes through E-Oscar & Metro 2

A majority of DFs are responding to an ACDV within 0-7 days of receipt of a dispute. Some were not responding at all.

- The failure to respond to a dispute within 30 days has dropped substantially.

- DF TIP: When developing a policy for responding to consumer disputes, a DF should dictate that an investigation be initiated and completed in a timely fashion. Establish a check list that includes the date that the investigation began and the date that it was completed. So long as a thorough investigation is completed, there is no reason why that investigation cannot be initiated and completed in a timely fashion.



Responding to Disputes through E-Oscar & Metro 2

- A good place to begin an investigation into a consumer's dispute is to compare the following information on file for the consumer against the information in the consumer's dispute:
 - Consumer name, address, and Social Security number;
 - Account number;
 - Account payment history;
 - Account servicing notes;
 - Loan documents; and
 - Deferral, modification, and extension history.



Responding to Disputes through E-Oscar & Metro 2

- If it appears that there is an inaccuracy it is important to report and correct that inaccuracy with the CRA as a failure to do so would constitute a violation of the FCRA.
- TIP: Consider sending a letter to the consumer to acknowledge receipt of the dispute and the correction of any inaccuracies.



Responding to Disputes through E-Oscar & Metro 2

- It is vital to establish a coherent and consistent policy in regards to responding to a consumer's credit dispute.
- Part of any overall policy should include regular training and identification of key staff members to ensure that consumer disputes are completed in a timely and efficient manner so as to ensure that an investigation is diligent and reasonable.
 - Regularly seek updates as to the current status of the FCRA and its regulations by monitoring the CFPB's website at www.consumerfinance.gov
 - The CFPB website is easily searchable. The CFPB will surely continue to issue updates/advisories /bulletins about the FCRA and the obligations of DFs in responding to consumer disputes.



Establishing a Comprehensive AUD Policy

An ACDV is an **Automated Credit Dispute Verification** form that is used by the credit reporting agencies to communicate consumer disputes to lenders and collection agencies

- An AUD is used for out-of-cycle updates to a member's credit history.
- An AUD is initiated by the DF.
- AUDs once completed are then submitted to e-Oscar so that the information can be transmitted to the CRAs.



Establishing a Comprehensive AUD Policy

- When completing an AUD, the DF chooses from a series of codes that reflect the status of the member's information.
- Codes can address situations ranging from the length of time an account is delinquent, to a charge off, to a closure.



Responding to Direct Disputes

- An AUD should be completed when an event occurs that dictates a modification/correction to a consumer's credit report such as a settlement or a payoff of a delinquent account.
- The other time an AUD is used is when the consumer directly makes a dispute with the data furnisher.
 - TIP: Direct disputes can come in many forms. The CFPB and FTC recommend using the format provided on the FTC website.
<https://www.consumer.ftc.gov/articles/sample-letter-disputing-errors-credit-reports-business-supplied-information>
 - TIP: A DF should consider and respond to any correspondence from a consumer that even remotely suggests there is a problem with their credit report.



Responding to Direct Disputes

- **Key points of the Direct Dispute Rule include:**

- The consumer must submit a dispute notice to the DF at the address as indicated by the DF on the consumer's credit report or as indicated in a clear and conspicuous location as specified by the DF for receiving disputes or any business address.
- The consumer dispute notice must include sufficient information to identify the account in question and all supporting documentation or other information reasonably required to support the dispute.
- The DF must conduct a reasonable investigation within thirty (30) days of receipt.



Responding to Direct Disputes

– **A direct dispute can only challenge certain information contained in a consumer's credit report including:**

- The consumer's liability on an account such as if there is identify theft, joint or individual liability, or whether the consumer is only an authorized user.
- The terms of the account such as principal balance, scheduled payment amount, or the credit limit amount.
- The consumer's performance on the account such as correct payment status, high balance, payment date, and amount or the date an account was opened or closed.
- Any other information that impacts the member's creditworthiness and credit standing.



Responding to Direct Disputes

- **There are exceptions to the Direct Dispute Rule that do not require an investigation including:**

- The consumer's identifying information such as name, address, and Social Security number
- The identify of past or present employees
- Public record information supplied by the LNRDRS system
- Information related to fraud alerts or activity
- Information provided by another DF
- The DF has a belief that the dispute is submitted on behalf of the consumer or submitted on a form provided by a credit repair organization

- **A DF must notify the consumer by mail within five (5) days after making a determination that a dispute is frivolous or irrelevant and must include the reasons for the determination and identify any information required to investigate the disputed information.**



Responding to Direct Disputes

- The specific nature of the Direct Dispute Rule requires implementation of a comprehensive policy for responding to a consumer's direct dispute.
- Failure to report and properly complete an AUD could result in liability if inaccurate information is transmitted.
- Failure to reasonably investigate permissible direct disputes may result in liability.



Joint Credit Disputes

- The specific nature of the Direct Dispute Rule requires implementation of a comprehensive policy for responding to a consumer's direct dispute.
- Failure to report and properly complete an AUD could result in liability if inaccurate information is transmitted.
- Failure to reasonably investigate permissible direct disputes may result in liability.



Joint Credit Disputes

- Although a loan may be joint, it is important to accurately report that account for each consumer as each consumer has their own credit file with the credit reporting agencies.
- Situations where issues commonly arise with joint credit occur when one of the consumer files for bankruptcy or the joint account holders file for divorce and enter into marital settlement agreement.



Joint Credit Disputes

- **Bankruptcy:**

- When one member files bankruptcy, the filing should be picked up by the LNRDRS system as it searches the bankruptcy filing system known as PACER.
- The bankruptcy should only be picked up for the member that filed it and not the non-filing member.
- The status line of the bankrupt member will state that the account is included in the bankruptcy but will not be reflected as bankrupt for the non-filing member.
- The status of the account for the non-bankrupt member should reflect the current account status at the time of the bankruptcy filing.




Joint Credit Disputes


- **Divorce:**

- Divorce situations can also create confusion when reporting a joint member's account.
- Quite often divorcing spouses will enter into a marital settlement agreement that defines how joint obligations are to be paid.
- A marital settlement agreement has no bearing on the actual obligation with the credit union, rather it is a contract between the divorcing spouses/members.
- Short of refinancing the obligation into one member's name or otherwise reaching an agreement with the credit union to remove one member's name from the loan, the joint obligation will remain no matter what the marital agreement states.
- It is important to accurately report the correct status of the account in a divorce situation no matter what is going on with the divorce and no matter what is or is not paying on the account.





**SECTION 2
CREDIT
REPORTING
RESOURCE
GUIDE (CRRG)
UPDATES**



INTRODUCTION AND CREDIT REPORTING OVERVIEW

Key Terms

FCRA

Fair Credit Reporting Act

- Enacted in 1971 to promote the accuracy, fairness and privacy of information in the files of consumer reporting agencies
- Outlines furnisher requirements for reporting with accuracy and integrity

CRA

Consumer Reporting Agency

- Collects and aggregates account and consumer information on a monthly basis to create credit reports describing a consumer's credit worthiness
- Three major CRAs: Experian, Equifax, and Transunion

Furnisher

- Institution which provides consumer credit information on a monthly basis to CRAs

CDIA

Consumer Data Industry Association

- Trade association of furnishers which Develops the annual Credit Reporting Resource Guide

CRRG

Credit Reporting Resource Guide

- Published annually by the COIA and provides the industry standard on how to report in Metro 2[®] format

Metro 2[®]

- Defined format for how data furnishers provide account and consumer level information for CRAs to process and interpret
- Fields communicate customer demographics and payment history

e-OSCAR[®]

- Industry wide disputes management system that houses indirect disputes. Online Solution for Complete and Accurate Reporting - developed by the major CRAs

CFPB

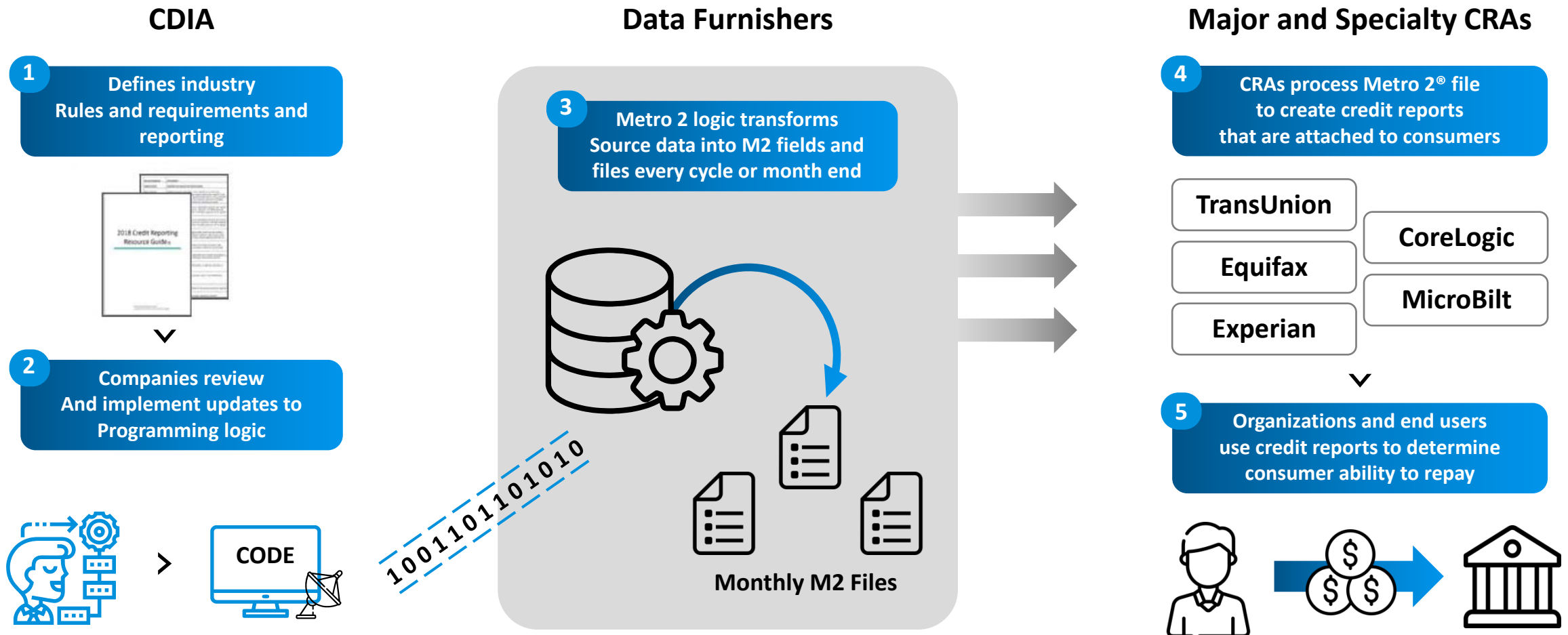
Consumer Financial Protection
Bureau

- Regulatory agency with power to enforce provisions of FCRA
- Focus has been on ensuring furnisher's report accurately to prevent consumer harm; respond appropriately to disputes received

FURNISHING OVERVIEW

Credit Reporting Life Cycle

Credit reporting includes the submission of account payment history and consumer information to Consumer Reporting Agencies in Metro 2[®] format as per the Guide circulated by the CDIA.



FURNISHING OVERVIEW

Accuracy and Integrity

The requirements of the FCRA and Fair and Accurate Credit Transactions Act (FACTA) of 2003 can be broken down to four main "pillars":

Permissibility

Usage

Fraud & Identity Theft

Furnishing

FURNISHING OVERVIEW

Accuracy and Integrity

§660.2 "Furnishers" are organizations that report information monthly on consumers to at least one CRA for inclusion in a credit report++. Furnishers are bound by the rules outlined in the FCRA.

In order to **furnish with accuracy**, Furnishers should use the industry standard furnishing formats, such as Metro 2®.

§660.2 ACCURACY

Information provided correctly about account or relationship:

Reflects the terms of and liability for the account or other relationship

Reflects the consumer's performance and other conduct with respect to the account or other relationship

Identifies the appropriate consumer

§660.2 INTEGRITY:

Information provided about account or other relationship with the consumer:

- ✓ Is substantiated by the furnisher's records at the time it is furnished

- ✓ Is furnished in a form and manner that is designed to minimize the likelihood that the information may be incorrectly reflected in a consumer report

- ✓ Includes the information in the Bank's possession about the account or other relationship that the Bureau has

- ✓ Determined that the absence of which would likely be materially misleading in evaluating a consumer's creditworthiness, credit standing, credit capacity, character, general reputation, personal characteristics. or mode of living

INTRODUCTION AND CREDIT REPORTING OVERVIEW

Major Sections of the Law/ Regulations

FCRA §605(h) and §617: Responsibilities of furnishers of information to CRAs

- Duty to Provide Accurate Information
- Duties upon Notice of Dispute
- Negative Information Notice
- Address Discrepancies

FCRA §611: Procedure for CRAs in Case of Disputed Accuracy

- Reinvestigations of Disputed Information
- Statement of Dispute
- Notification of Customer Dispute in Subsequent Consumer Reports
- Notification of Deletion of Disputed Information

FCRA §6058, §61 S(e), §61 S(f), §622(a)(6): ID Theft/ Fraudulent Activity

- Duties of Furnishers Upon Notice of ID Theft Related Information
- ID Theft Red Flag Rules

INTRODUCTION AND CREDIT REPORTING OVERVIEW

Major Sections of the Law/ Regulations

FCRA §1022 Appendix E (a-m): Specific Components of Policies and Procedures

- A** • Establishing and implementing a system for furnishing information
- B** • Using standard data reporting formats and standard procedures
- C** • Maintaining records for a reasonable period of time
- D** • Establishing and implementing appropriate internal controls
- E** • Training staff that participates in activities related to furnishing
- F** • Providing for appropriate and effective oversight of relevant service providers
- G** • Furnishing information about consumers to CRAs
- H** • Deleting, updating, and correcting information in the furnisher's records
- I** • Conducting reasonable investigations of disputes
- J** • Designing technological and other means of communication with CRAs
- K** • Providing CRAs with sufficient identifying information in the furnisher's possession
- L** • Conducting a periodic evaluation of its own practices
- M** • Complying with applicable requirements under the FCRA and its implementing regulations

REGULATORY ENVIRONMENT

Penalties for Non-Compliance

The penalties and consequences of non compliance can be severe.

1

Private Action

No private right of action for accuracy, but;

Private right of action for failure to conduct a reasonable investigation of an indirect dispute:

- Actual Damages, costs and attorney's fees
- Civil Penalties of \$100 - \$1,000

2

Federal Enforcement (CFPB)



Regulatory agencies, including the CFPB, can bring enforcement action under the Consumer Financial Protection Act for violations of a federal consumer law (including Credit Reporting)



Penalty Amounts (12 U.S. Code § 5565):

- Any violation (i.e. including unintentional ones) **up to \$5,000 per day**
- Recklessly engages in a violation **up to \$25,000 per day**
- Knowingly violates a Federal consumer law **up to \$1,000,000 per day**



Mitigating factors include the gravity of the violation, the losses to consumers, and the history of previous violations

REGULATORY ENVIRONMENT

Recent CFPB Enforcement Actions

Fine: TBD



FCO Holding. Inc. - Sept 25 2019

CFPB filed a complaint over the failure to maintain written policies and procedures regarding the accuracy and integrity of information furnished and for handling disputes. The CFPB's complaint seeks money for damages and a civil penalty.

\$5M fine



Security Group. Inc. - June 13 2018

Must implement reasonable policies and procedures on reporting to consumer report companies and review and correct all tradelines furnished to CRAs, in addition to a **\$5,000,000 penalty**

\$4.4M payout
\$4.4M fine



CitiFinancial Servicing. - Jan. 23 2017

\$4,400,000 to consumers for incorrectly reporting settled accounts as being charged off and not properly investigating disputes within the required time frame, along with other RES PA and Dodd-Frank violations, in addition to a \$4,400,000 penalty

\$1.1M fine



Conduent Business Services - Nov. 20 2017

\$1,100,000 civil penalty for a software errors that led to incorrect consumer information sent to credit reporting bureaus and for failing to notifying all auto lender clients about the known issues

\$4.6M fine



Chase -Aug 2 2017

Must implement reasonable policies and procedures on reporting to consumer report companies, to consumers who filed disputes, and to denied deposit account applicants, in addition to \$ 4,600,000 in fines

\$17.6M payout
\$5.5M fine



TransUnion and Equifax - Jan. 3 2017

Over \$17,600,000 -to consumers for deceiving consumers about the cost and usefulness of credit scores and credit products, in addition to **\$5,500,000 in fines**

\$0.4M payout
\$3.6M fine



Wells Fargo -August 22 2016

\$3,600,000 civil penalty in addition to \$410,000 refund of late fees for misapplying borrower payments, misleading borrowers, illegal fees, and failing to correct inaccurate borrower information furnished to CRAs

\$0.4M payout
\$3.6M fine



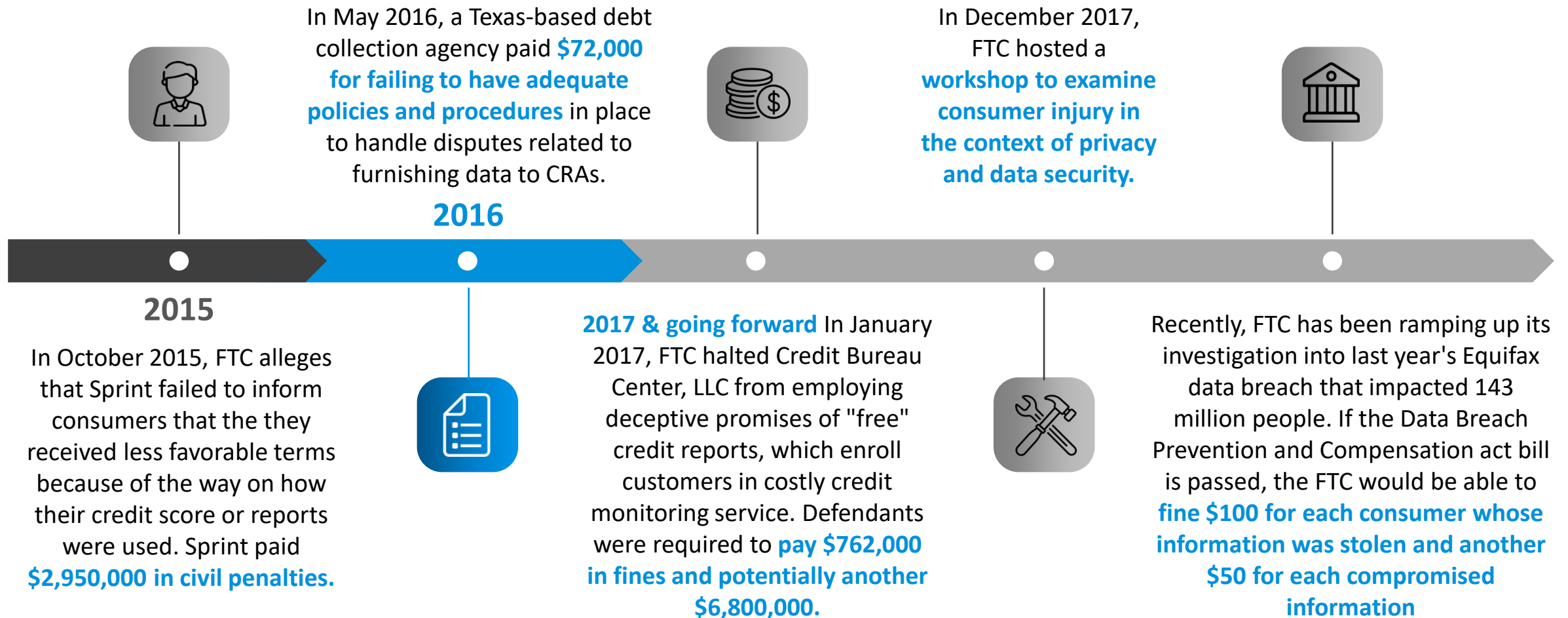
Wells Fargo -August 22 2016

\$3,600,000 civil penalty in addition to \$410,000 refund of late fees for misapplying borrower payments, misleading borrowers, illegal fees, and failing to correct inaccurate borrower information furnished to CRAs

REGULATORY ENVIRONMENT

FTC FCRA Actions

Until mid 2017, the main focus of FTC FCRA actions has been on the implementation of adequate policies and procedures related to the use of credit report information. However, due to recent data breaches and the potential consequences these could have for consumers, the FTC's focus appears to have shifted toward data security and the implementation of associated incentives.



REGULATORY ENVIRONMENT

CFPB FCRA Complaint Examples

Consumers appear to most frequently complain about **(1) dispute investigations and (2) inaccurate information in their credit report**

Received 2/1/2016

Bankruptcy

"The bankruptcy on my credit report is listed as a Chapter XXXX when a Chapter XXXX was filed on that date. I have asked for them to correct it through the investigation process and **Experian either reports back to me that the information is 'verified' and/ or refuses to investigate it.**"

Received 9/8/2017

Equifax Branch

"Equifax mishandled and failed to protect my personal information, which puts me (and millions of other people) at risk of identity theft. This is unconscionable as Equifax is **supposed to increase my ability to protect myself** against these kinds of threats, and **instead they exposed my critical personal information to criminals and thieves.**"

Received 3/21/2018

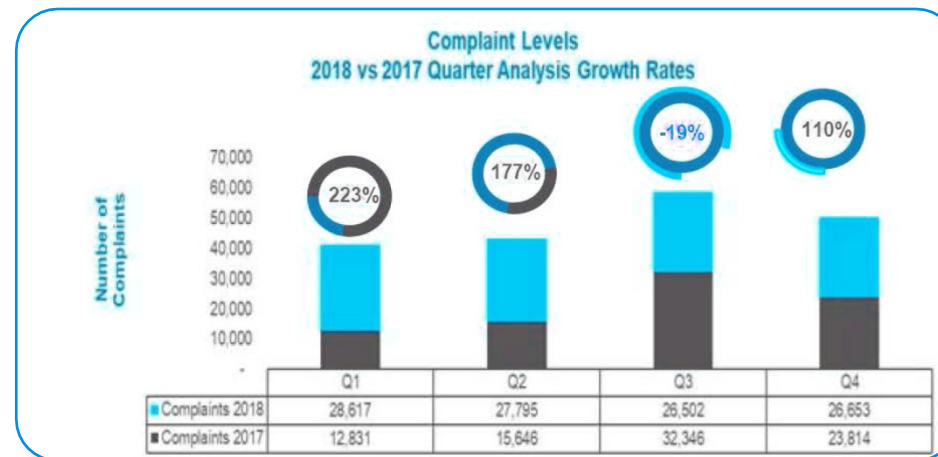
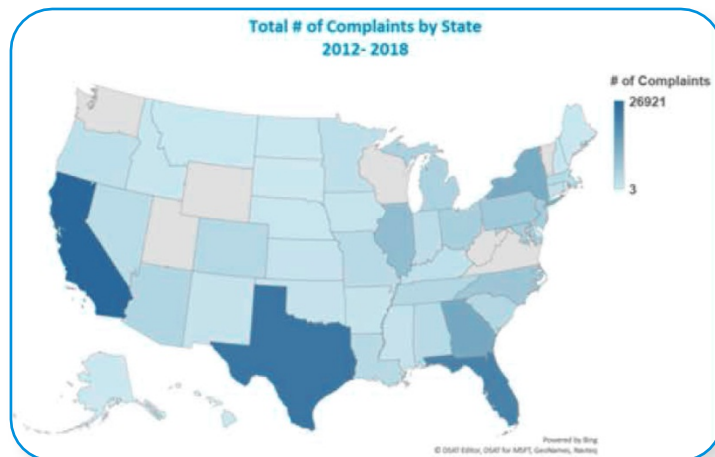
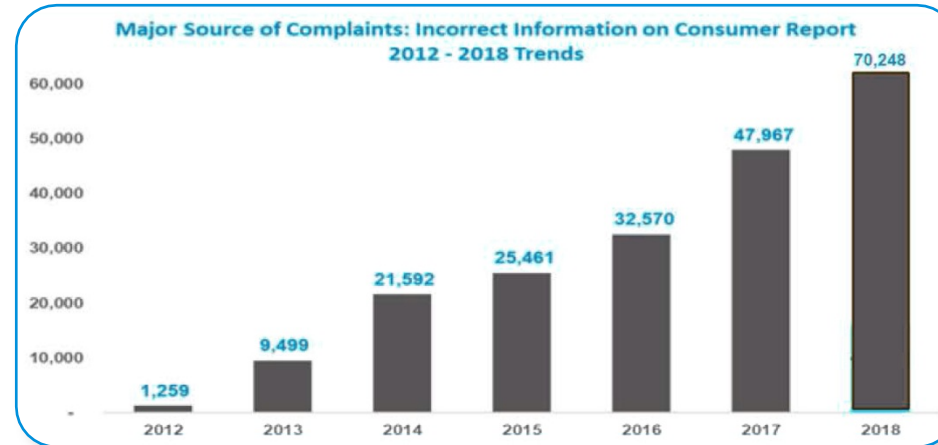
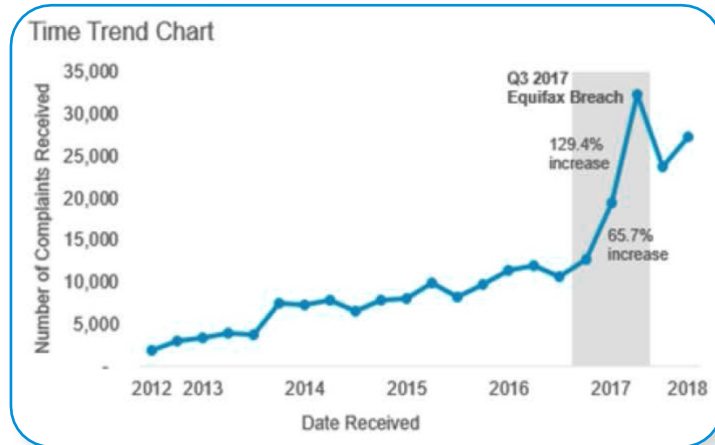
Dispute


"I have **repeatedly disputed the accuracy of reported debt to Transunion...** They do not notify me at all not by paper letter or electronic. When I spoke to TransUnion they simply said they verified the account was mine, no mention of the balances date of accuracy nothing. **My lifestyle is being impacted by their negligence to report my credit file accurately.** FTC laws are suppose to protect consumers from this type of activity and behavior."

CFPB COMPLAINTS ANALYSIS - CREDIT REPORTING


Credit Reporting Complaints to the CFPB Continue to Increase

Recent CFPB consumer complaint information outlines the continued relevancy of the FCRA and credit reporting to the general public and therefore to regulators:





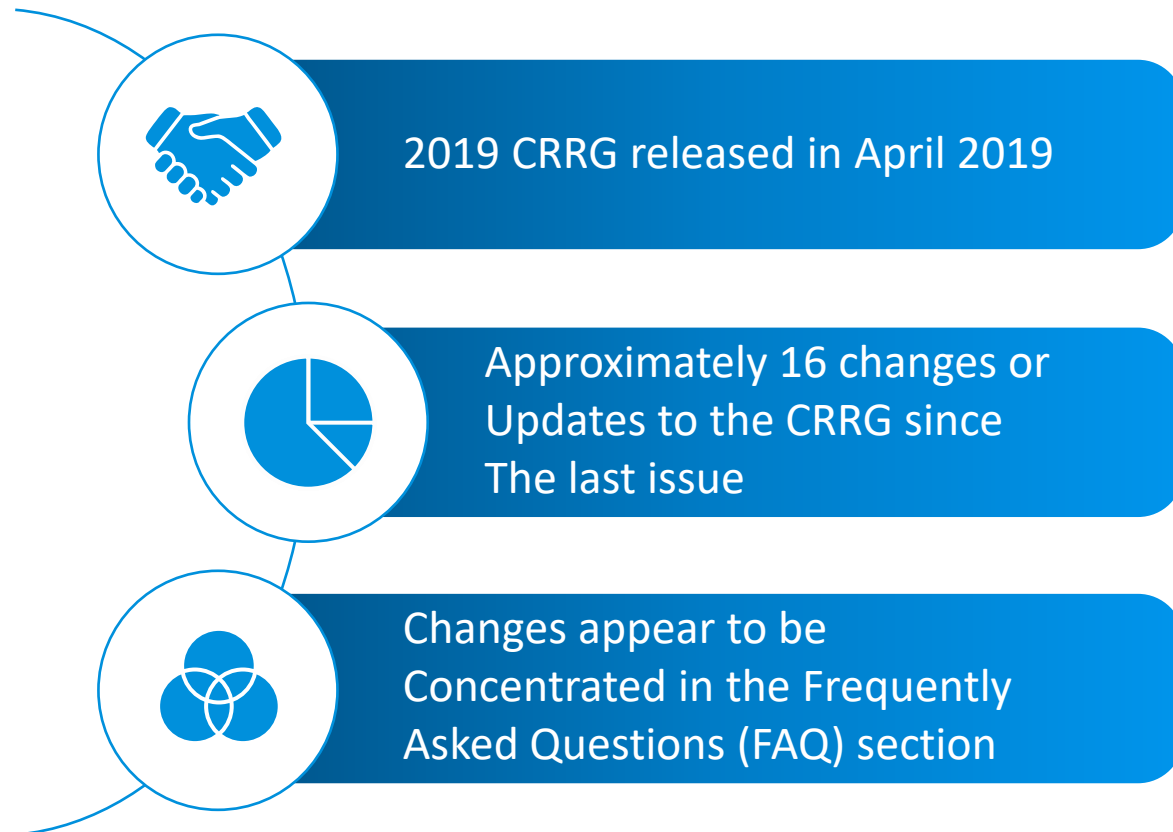
**SECTION 3
CREDIT
REPORTING
RESOURCE
GUIDE (CRRG)
UPDATES**



2019 CRRG UPDATES

Summary of Key Updates in 2019 CRRG

The CRRG is typically updated and released each year with updates for reporting guidelines and scenarios. Normally, the annual updates are in **response to feedback or reporting inconsistencies raised over the past year** to the COIA. Guidance can also be added to address specific gaps or altered guidance (more significant changes).



2019 CRRG Updates/ Changes

- Most changes appear to be clarifications on terminology or alignment between different requirement sections
- Furnishers may need to review and update policies and procedures for alignment (wording)
- 2019 CRRG updates do not appear to substantively change reporting approaches - most furnishers should not have significant changes

2019 CRRG UPDATES

General CRRG Clarifications

Most updates appear to be general clarifications which should not cause major reporting changes, but **furnishers should consider updating policies and procedures for alignment** and to provide clarification to specific scenarios

ACCOUNT STATUS

- Clarified when Mortgages **do not** go through a foreclosure proceeding that are charged-off and subsequently paid, that **Account Status 64** should be reported
- **Account Status 96** (repossession) should no longer be reported with **Special Comment Code BJ** (obligation satisfied).
- **Impacted Sections:** Mortgage Lending and Exhibits 6 & 7 (**Special Comment Codes**)

SCHEDULED MONTHLY PAYMENT AMOUNT

- Clarified when the balloon payment comes due, it should be incorporated in the **SMPA** for the reporting period in which it is due
- **Impacted Sections:** Field Definitions - Base Segment

K1 SEGMENT

- Updated **Original Creditor Name** field to include reporting of affinity name
- **Impacted Sections:** Record Layouts, Field Definitions - K1 Segment, Debt Buyer/Third Party Collection Agency Reporting Guidelines

K4 SEGMENT

- Added additional row for consistency that contains applicable information for reporting Specialized Payment Indicator= 02
- **Impacted Sections:** Mortgage Lending

2019 CRRG UPDATES

Topic #1: Date of Account Information and Date Closed

Date of Account Information and Date Closed reporting guidance were added to the FAQ.

Example: FAQ #46: How should accounts that have been transferred be reported?

2018 CRRG

Report the following Base Segment fields as specified for the transferred account:

- Date Closed = date the account was transferred.



2019 CRRG

Report the following Base Segment fields as specified for the transferred account:

- **Date of Account Information = date the account was transferred. If the account is reported in subsequent reporting periods, freeze the Date of Account Information as of the date the account was transferred.**
- Date Closed = date the account was transferred. **If the account was closed prior to being transferred, report the original date the account was closed.**

2019 CRRG UPDATES

Topic #2: New Frequently Asked Questions and Answers (FAQ) #68 Added in the CRRG

FAQ #68: Question: How should an account be reported when it is updated more than one time during a given monthly reporting period; e.g., an account that is moved to recovery?

FAQ #68 Answer:

- Date of Account Information = **most recent date of update**
- Account Status Code = **new code that applies to the most recent update**
- Payment History Profile = **Freeze the PHP as it was reported in the first update of the monthly reporting period. In subsequent reporting periods, the PHP should be updated/incremented normally.**

2019 CRRG UPDATES

Revised Bankruptcy Guidance Updates

2019 CRRG Revised Bankruptcy Guidance updates were released on September 6, 2019. Updates were made throughout Exhibit 11, FAQ #27 28.

Effective Date of Changes

- Changes outlined in the Revised Guidance will not go into effect until 2020

Consumer Information Indicator

- CII Reporting guidance has been updated throughout the 2019 CRRG Revised Bankruptcy Guidance Updates
- **CII Codes I – P and Z** will become **obsolete for reporting** as of April 2020

Simplified Alternative Method

- Many of the updates will allow furnishers to choose a simplified alternative approach to reporting bankruptcy accounts “**as of the Date of Account information**”

The next four slides will highlight a few key changes from the Revised Bankruptcy Guidance Updates

2019 CRRG REVISED BANKRUPTCY GUIDANCE UPDATES

Topic #1: Date of Account Information and Date Closed

Account Status and Amount Past Due simplified through an alternative timing approach to report status and amount past due.

Metro 2[®] account level field information should be reported **as of the Date of Account Information**

2018 CRRG BANKRUPTCY GUIDANCE

Account Status

- Status at the **time of petition**

Amount Past Due

- Amount as of the **time of petition**

>

2019 CRRG REVISED BANKRUPTCY GUIDANCE

Account Status

- Status as of the **date of account information**

Amount Past Due

- Amount as of the **date of account information**

Above is a general discussion of changes. The rules vary slightly depending on Bankruptcy Chapter and if one or all borrowers file Bankruptcy

2019 CRRG REVISED BANKRUPTCY GUIDANCE UPDATES

Topic #2: Consumer Information Indicator Guidance

Consumer Information Indicator reporting guidance for **BK dismissed or withdrawn** was updated to a different Consumer Information Indicator. Clarification of how to report other Metro 2[®] account level field information was added.

Example: FAQs 27 & 28: How should an account be reported when all or some borrowers associated with the account filed BK Chapter 7, 11, 12, or 13?

2019 CRRG

BK Dismissed; or BK Withdrawn.

- **CII = I / J (BK Chapter 7 / 11 Dismissed) or K / L (BK Chapter 12 / 13 Dismissed)**
- **CII = M / N (BK Chapter 7 / 11 Withdrawn) or O / P (BK Chapter 12 / 13 Withdrawn)**
- **Account information as it applies going forward**

>

2019 CRRG Revised Bankruptcy Guidance

BK Dismissed; or BK Withdrawn.

- **CII = Q (Removal Value)**
- **All other Metro 2[®] account level field information should be reported as of the Date of Account Information**

2019 CRRG REVISED BANKRUPTCY GUIDANCE UPDATES

Topic #3: Consumer Information Indicator Updated Guidance

Consumer Information Indicator clarified to indicate how to report the reaffirmation of debt rescinded by adding the specific reporting values to the FAQ

Example: FAQ #27(b): How should an account be reported when one borrower filed Bankruptcy Chapter 7 or 11 and the other borrower did not?

2018 CRRG

Reaffirmation of Debt Rescinded

Note: After reporting CII 'V' for all Filers, if the bankruptcy has been discharged, discontinue reporting the account. If the bankruptcy has not yet been discharged, continue reporting the account and Filers with the applicable CII.



2019 CRRG

Reaffirmation of Debt Rescinded

Note: After reporting CII 'V' for all Filers, **in the following monthly reporting period**

- if the bankruptcy has been discharged, **report the applicable discharge CII (CII = E or F)**, then discontinue reporting the account going forward.
- If the bankruptcy has not yet been discharged, continue reporting the account and Filers with the applicable CII. **(CII = A or B).**
If the bankruptcy is discharged in the same monthly reporting period that the Reaffirmation of Debt is Rescinded, report the applicable discharge CII (CII = E or F). Do not report CII 'V'.

2019 CRRG REVISED BANKRUPTCY GUIDANCE UPDATES

Topic #4: ECOA Updated Guidance

ECOA reporting guidance for **Bankruptcy** was updated throughout the 2019 CRRG Revised Bankruptcy Guidance. **ECOA Code T** should not be reported with Authorized users (**ECOA Code 3**) on accounts included in a bankruptcy petition.

Example: FAQs 27 & 28: How should an account be reported when all / some borrowers associated with the account filed Bankruptcy Chapter 12 or 13?

2019 CRRG

Monthly BK Filed.

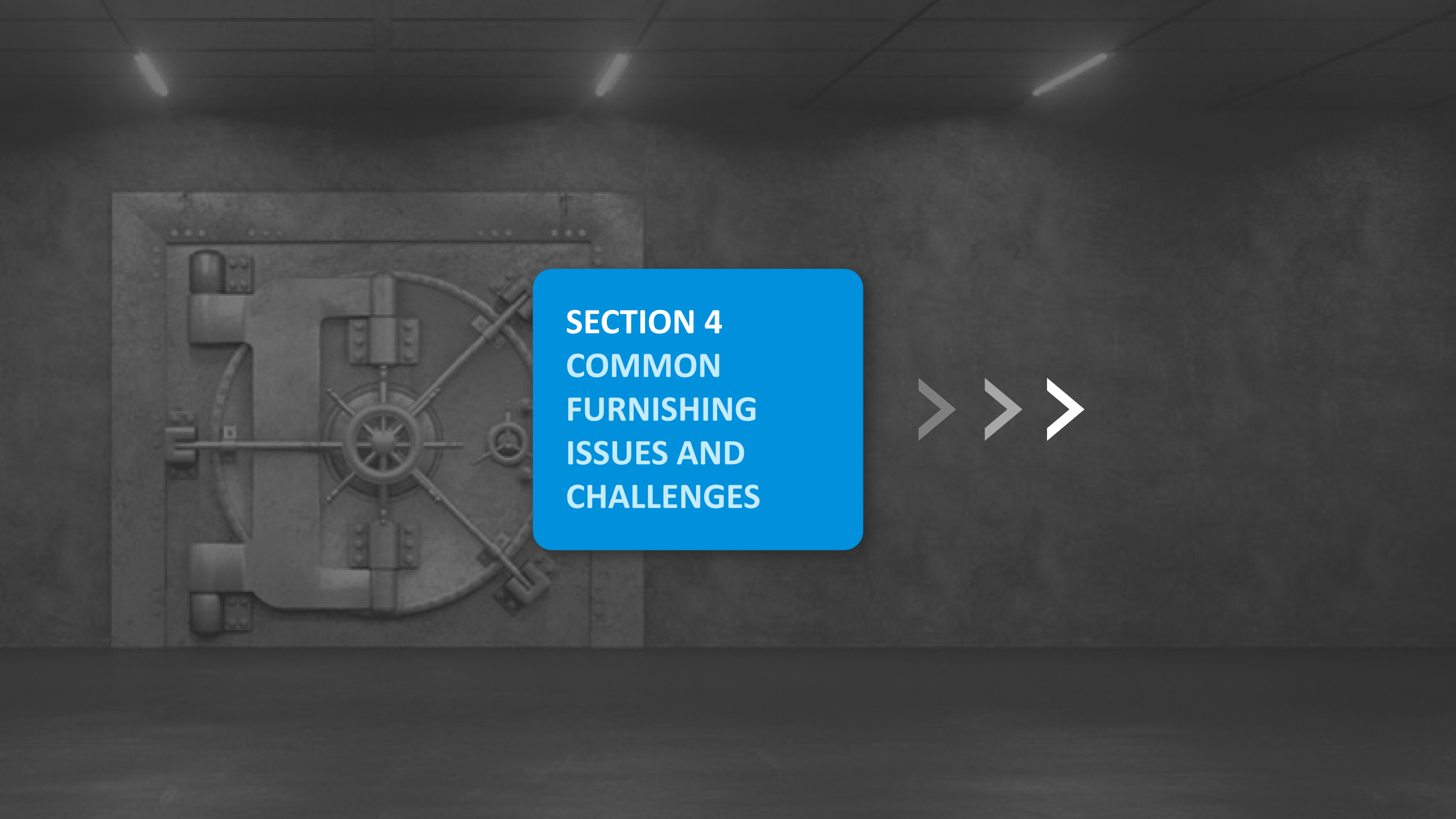
Note: Authorized Users (ECOA Code 3) on accounts included in a bankruptcy petition **should either be terminated (ECOA Code T) or deleted (ECOA Code Z)** from the account because they are not contractually liable for payments.

>

2019 CRRG Revised Bankruptcy Guidance

Monthly BK Filed.

Note: Authorized Users (ECOA Code 3) on accounts included in a bankruptcy petition **should be deleted (ECOA Code Z)** from the account because they are not contractually liable for payments.



**SECTION 4
COMMON
FURNISHING
ISSUES AND
CHALLENGES**



THIRD PARTY VENDOR MANAGEMENT

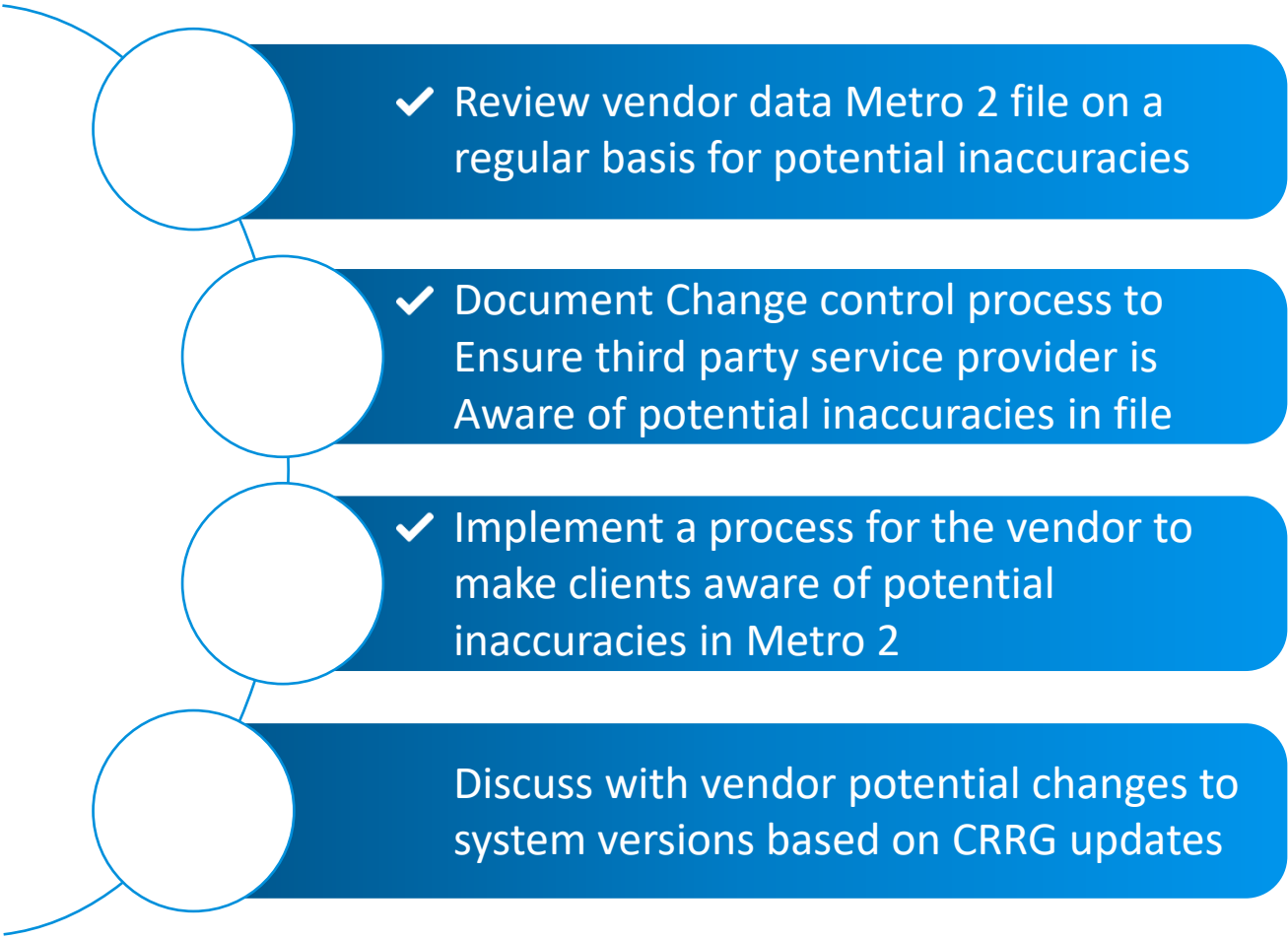
Common Issues and Solutions When Working with Third Party Vendors

Best practices for evaluating the accuracy of the monthly furnishings when a third-party vendor generates and transmits the Metro 2 file.

Common Issues with Third Party Vendors:

- Lack of transparency /communication with vendor on system updates;
- Communication issues between furnisher and vendor on potential reporting inaccuracies; and
- Lack of documentation on vendor system or vendor management

Solutions to Consider:



✓ Review vendor data Metro 2 file on a regular basis for potential inaccuracies

✓ Document Change control process to Ensure third party service provider is Aware of potential inaccuracies in file

✓ Implement a process for the vendor to make clients aware of potential inaccuracies in Metro 2

Discuss with vendor potential changes to system versions based on CRRG updates

THIRD PARTY VENDOR MANAGEMENT

Best Practices for Quality Control of Metro 2 File

ANALYZE

Servicing System to Metro 2 File Review, Metro 2 File to CRA Soft Pulls

- Test a sample of tradelines and compare servicing system information to Metro 2 file
- Compare and analyze Metro 2 files generated by vendor and identify errors / inaccuracies
- Review CRA Reject Reports to identify high frequency error types

1

FOCUS

Risk Rank and Prioritize Identified Furnishing and Disputes Issues

- Determine appropriate approach and methodology for ranking issues based on severity, impact, and scope
- Determine necessity of remediation (look back correction) for identified issues

2

ACT

Remediate Issues and Implement Corrective Action

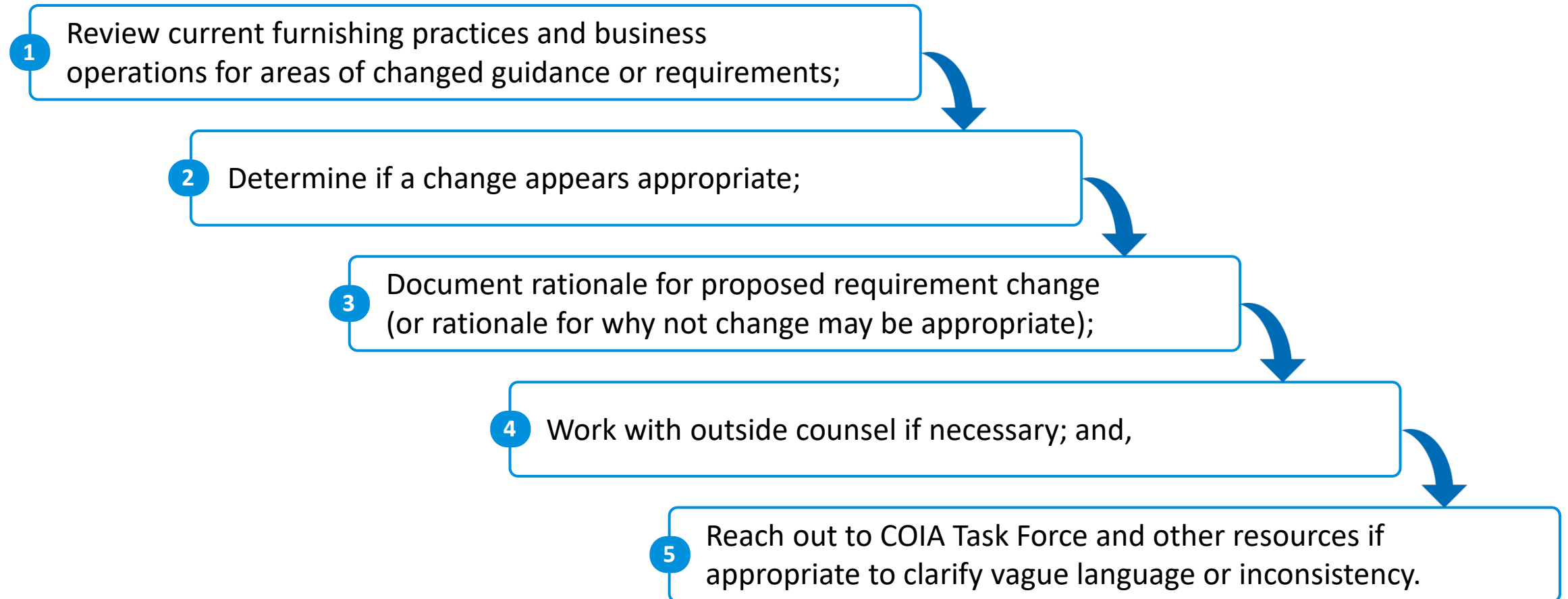
- Develop and complete action plan for remediation of issues based on risk ranking
- Perform quality check on remediation efforts to determine effectiveness of actions taken

3

CRRG UPDATES

Next Steps and Furnishing Approach Updates

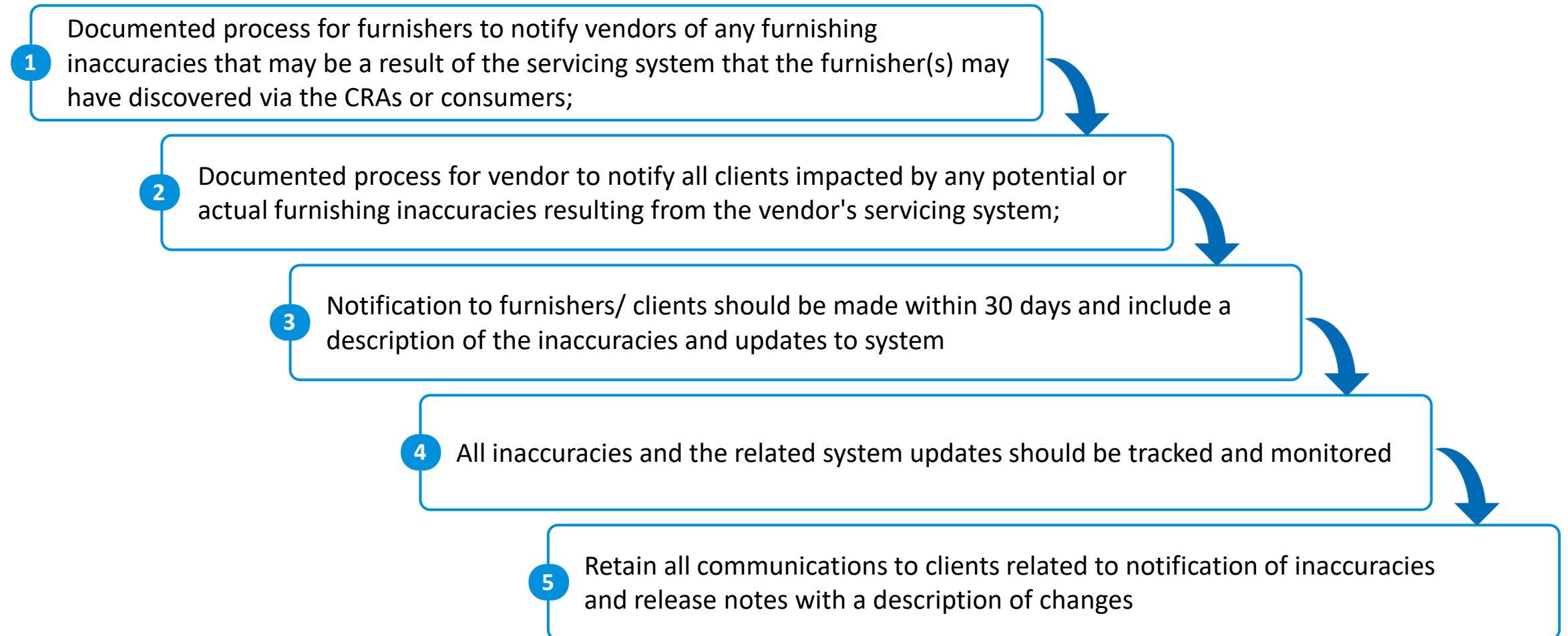
Data Furnishers should **employ a regulatory change management approach** to review updates applicable to their portfolio/ product/ industry and take the following high level steps to determine level of effort for changes required and to develop action plans:



THIRD PARTY VENDOR MANAGEMENT

Steps to Ensure Clients are Aware of System Updates and Inaccuracies

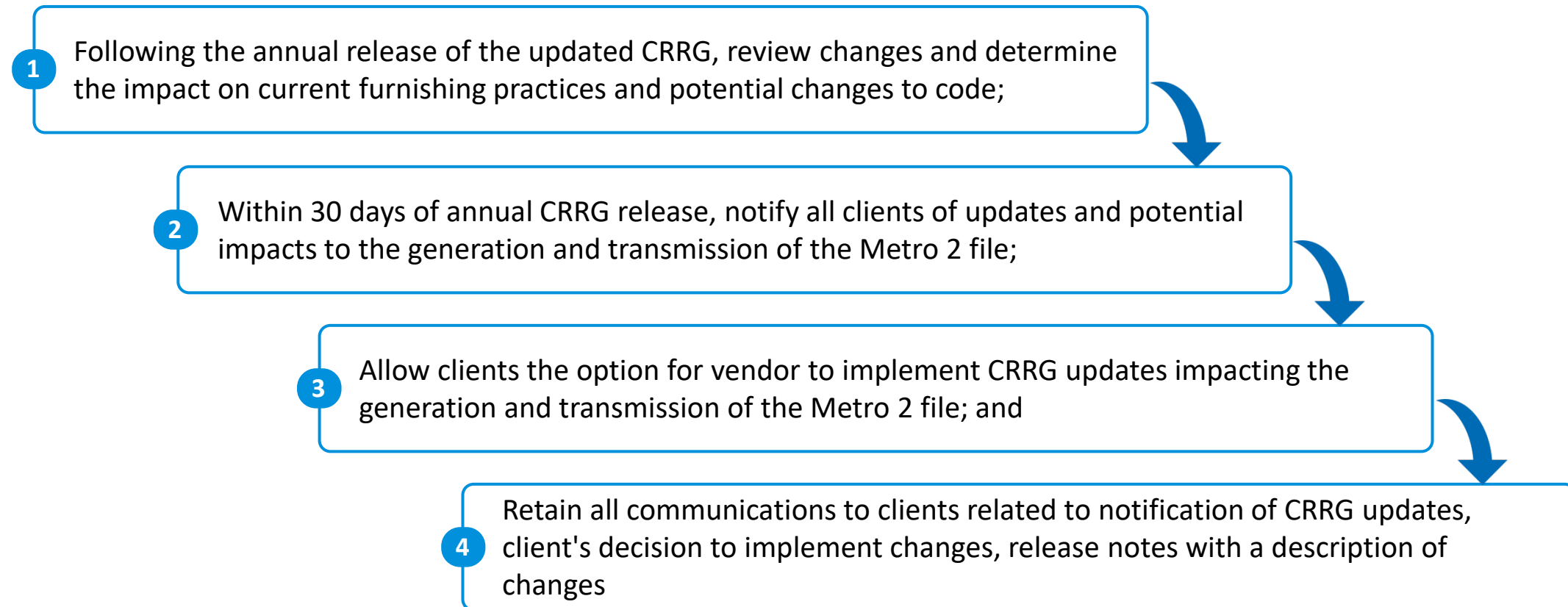
As a best practice, vendors should employ a timely regulatory change management approach to ensure clients are **aware of any inaccuracies** in the servicing system:



THIRD PARTY VENDOR MANAGEMENT

Notification of Servicing System Updates

As a best practice, vendors should employ a timely regulatory change management approach to ensure clients are **aware of updates to the CRRG** impacting the generation or transmission of the Metro 2 file:

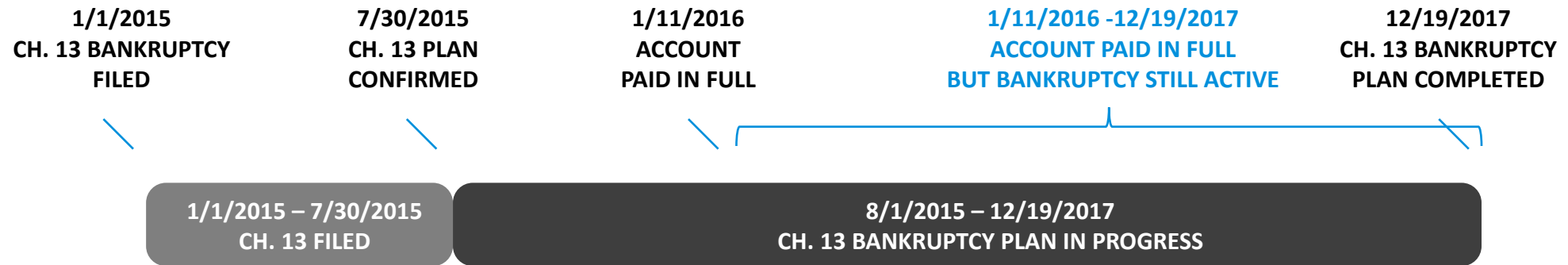


FURNISHING ACCOUNTS IN BANKRUPTCY

Scenario 1: Account Paid in Full During Bankruptcy

Scenario

Account is paid in full while consumer is still in active bankruptcy. However, the chapter of bankruptcy and status of the account indicates that the Account Status should be "frozen" as of the filing date until BK is resolved.



Furnishing Challenges

Reporting Concerns:

- Reporting a new / different closed Account Status would not follow Guide requirements to report the status "as of the bankruptcy filing date" if the account has all filers and/or Chapter 12 or 13;
- Reporting the account as "open" would be inaccurate, as the account is actually paid in full and the consumer has no remaining financial obligation to the creditor / trade line.

Impact on Furnishing / Servicing:

- Depending on chapter of bankruptcy, account could potentially be reported as open for an extended period after the account is actually paid in full (additional burden to servicer);
- May need to track BK status for an account that is PIF and servicer is no longer actively servicing.

FURNISHING ACCOUNTS IN BANKRUPTCY

Scenario 1: Account Paid in Full During Bankruptcy

Scenario

Account is paid in full while consumer is still in active bankruptcy. However, the chapter of bankruptcy and status of the account indicates that the Account Status should be "frozen" as of the filing date until BK is resolved.

Furnishing Challenges

Option 1 -Report as PIF, Stop Reporting

Consider whether to stray from the Guide and report the account's true status:

- Report CII as normal
- Report Account Status 13, report Current Balance \$0
- Halt reporting in ensuing periods

Option 2 -Follow CRRG until BK has Concluded

Follow the Guide reporting requirements, which will:

- Continue reporting the status as of filing date, Current Balance as \$0
- Continue tracking the account and reporting for as long as the bankruptcy is active

Option 3-Hybrid Approach

Work with outside counsel to develop an alternative option, which could include:

- Report CII of 'Q' and stop reporting
- Change Account Status to '13' (PIF) but continue reporting as long as CII is open / active
- Payment Rating -accurate or '0'?

FURNISHING REPOSSESSION ACCOUNTS

Scenario 2: Outstanding Balance after Voluntary/ Involuntary Surrender

Scenario

An outstanding balance remains following the sale of merchandise {e.g. vehicle) after a voluntary surrender/ involuntary repossession. Account Status 97 (charge off) should not be reported until the consumer has been given an opportunity to make payments on the remaining balance.

Furnishing Challenges

Reporting Concerns:

- It is unclear when the account should be reported as charged-off with Account Status 97 in the subsequent months after voluntary/ involuntary surrender;
- Furnishers may not have a policy to address when or if repayment plans are created in these scenarios;
- Furnishers may not have a policy outlining how much time a borrower is given to pay off the remaining balance before the account is reported as Account Status 97; and
- Furnishers must determine if there will be different reporting policies for voluntary vs. involuntary scenarios.

Impact on Furnishing / Servicing:

- Account Status 97 must not be reported until the consumer has been given opportunity to make payments on the remaining balance;
- The lack of clearly defined business rules for this scenario may result in inconsistent/ inaccurate reporting, resulting in consumer disputes/ complaints; and
- Due to the complexity of reporting requirements related to voluntary and involuntary surrender scenarios, business rules should be reviewed regularly to ensure consistency.

FURNISHING DISPUTED ACCOUNTS

Scenario 3: Reporting Compliance Condition Codes

Scenario

Furnisher receives a direct dispute which is **investigated and resolved within the same reporting period** which it was received.

Potential Reporting Options

Option 1 - Delete CCC

- Furnisher reports CCC when dispute is filed and removes upon resolution:
- XR- Removes the most recently reported Compliance Condition Code

Option 2 - Update CCC

- Furnisher reports CCC when dispute is filed and updates when completed:
- XB - Reported when completeness | accuracy is disputed directly to furnisher by consumer
- XC - Reported when investigation of FCRA dispute is completed by furnisher

Option 3 - Report No CCC

- Furnisher chooses not to report a CCC when dispute is resolved in the same reporting period it was received

FURNISHING DISPUTED ACCOUNTS

Scenario 3: Reporting Compliance Condition Codes

Scenario

Furnisher receives a direct dispute from a borrower which is **investigated and resolved within the same reporting period** it was received.

Furnishing Challenges

Reporting Concerns:

- 2018 CRRG does not provide specific guidance for whether or not a Compliance Condition Code ("CCC") should be reported when a furnisher receives a direct dispute which is investigated and resolved within the same reporting period it was received;
- COIA task force indicated during the December 2017 conference that a CCC is not required to be reported if the dispute is still under investigation on the DOAI;
- When should "XC" (dispute investigation completed, consumer disagrees with results of the investigation) be reported?
- **Wood v. Credit One Bank (E.D. Va. Sept. 21, 2017)** - The court reasoned that by reporting a CCC of XH when Wood was continuing to dispute the accuracy of Credit One's reporting, it created a materially misleading impression, 'that the Account was not in dispute.' The plain
- language of the XH CCC implies that any dispute the consumer previously had about the account is settled or a solution has been found.

Impact on Furnishing / Servicing:

- Due to concerns regarding the accuracy of a consumer's credit history, some furnishers (particularly mortgage lenders) will not lend to potential borrowers while their account is being disputed; and
- To reduce I eliminate the potential negative impact on consumers, furnishers should have clearly defined policies and procedures regarding when and how long a CCC should be reported.



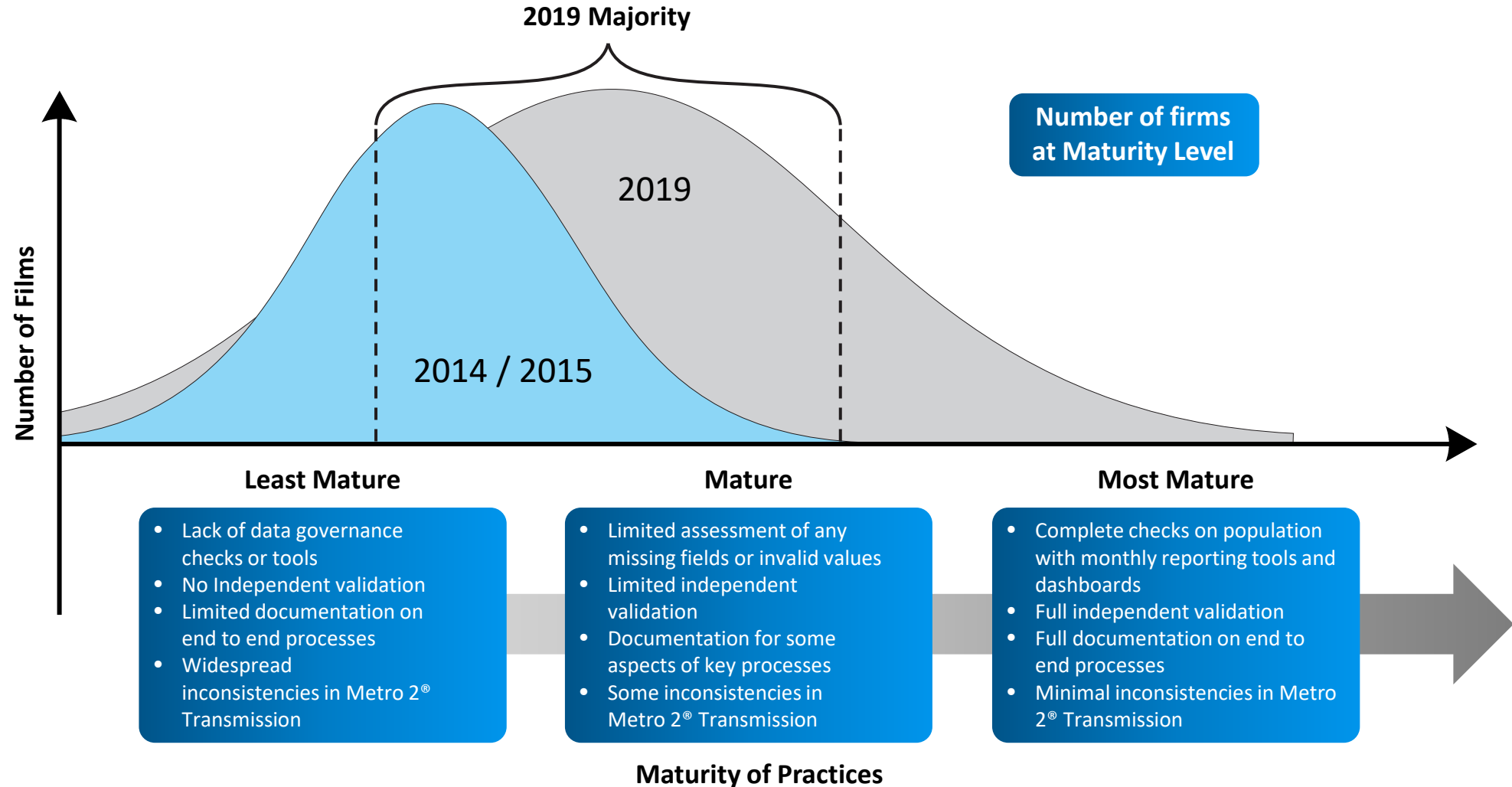
**SECTION 5
ACTION STEPS
AND BEST
PRACTICES FOR
ENHANCED
COMPLIANCE
WITH FCRA**



COMPLIANCE APPROACH

Industry FCRA / Metro 2[®] Compliance Maturity

Many companies have responded to increased regulatory demand and pressure to review and remediate credit reporting and furnishing functions and practices. Most have performed some level of assessment and update, although many are moving toward "best in class" models and true steady state



COMPLIANCE APPROACH

Action Steps to Improve Compliance

ANALYZE

Analyze and determine
Furnishing and Disputes Issue
Input Channels

- Review CRA Reject Reports and Warnings reports to identify high frequency error types
- Perform customer complaint and dispute trend analysis and management reporting

1

Servicing System to Metro 2®
File Review, Metro 2® File to
CRA Soft Pull Credit Reports

- Analyze system of record translation and generated Metro 2® files to identify issues and discrepancies
- Compare and analyze Metro 2® files provided to CRAs and resulting output for sampled consumers
- Identify systemic issues or trends

2

FOCUS

Risk Rank and Prioritize
Identified Furnishing and
Disputes Issues

- Determine appropriate approach and methodology for ranking issues based on severity, impact, and scope
- Determine necessity of remediation (look back correction) for identified issues

3

ACT

Remediate Issues and
Implement Corrective Action

- Develop and complete action plan for remediation of issues based on risk ranking
- Perform quality check on remediation efforts to determine effectiveness of actions taken

4

COMPLIANCE APPROACH

Action Steps to Improve Compliance

SUSTAIN

Establish Ongoing Management Reporting Dashboards

- Develop and establish a credit reporting monitoring dashboard for the organization to identify key issues on an ongoing basis
- Setup repeatable investigation and remediation processes to enhance overall process efficiency

5

Establish Credit Reporting Oversight Framework Going Forward

- Establish QA processes and controls for Metro 2® file generation (independent lines of defense and monitoring, center of excellence for process and controls, etc.)
- Conduct training to ensure accurate information is furnished
- Establish change management process for activities or systems impacting credit reporting - including 'upstream' business processes
- Formal oversight committees for credit reporting to meet on a periodic basis to review progress and determine next steps (executive steering committees)

6

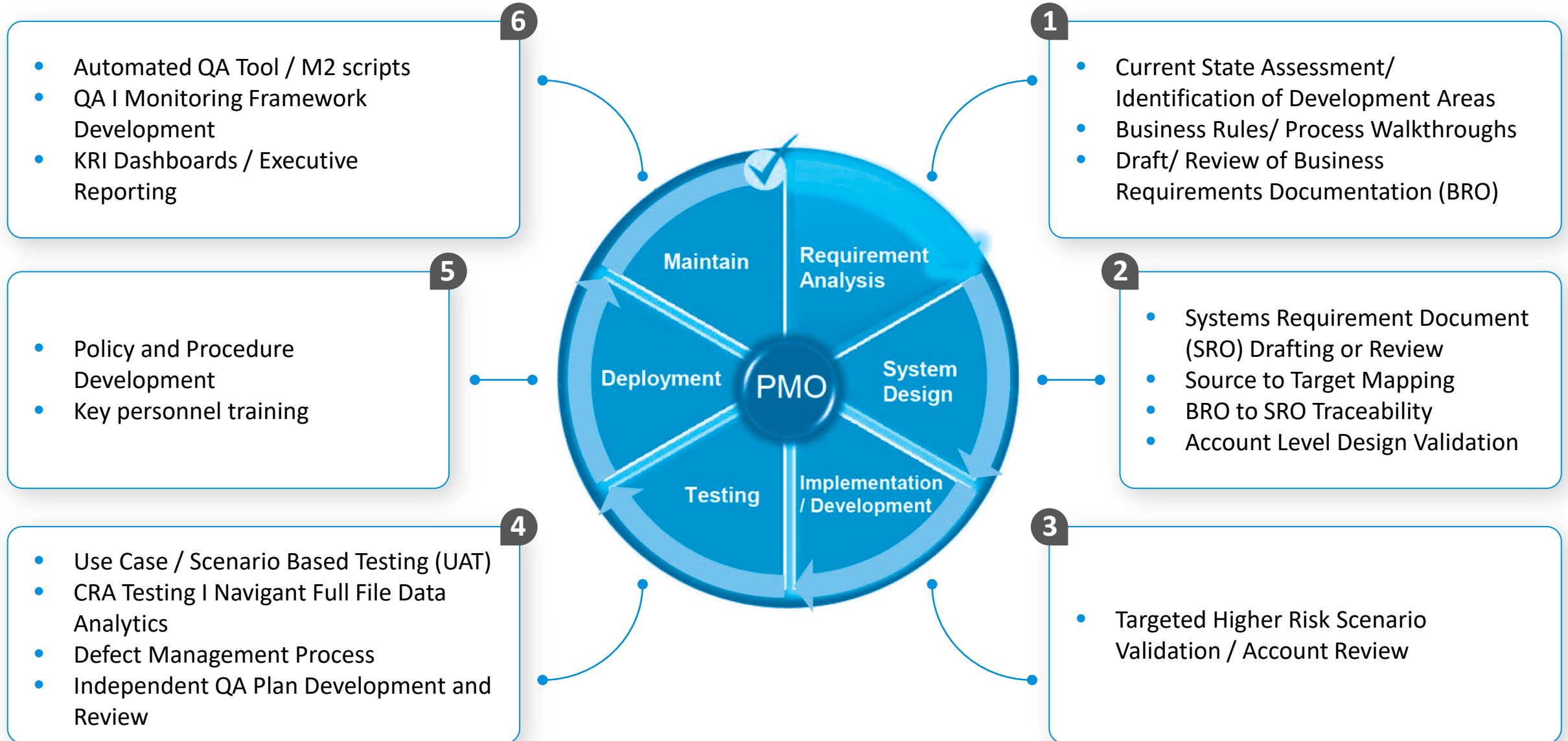
Update Policies and Procedures

- Ensure that practices and processes are accurately documented in policies and procedure documentation
- “Get credit” for activities being performed by staff
- Formalize control processes and documentation retained for future reviews and audits

7

COMPLIANCE APPROACH FCRA

Systems Development Life Cycle Considerations



COMPLIANCE APPROACH

Executive Reporting Dashboards

Management should monitor Credit Reporting metrics to focus on high risk areas and identify potential issues

Metrics can be monitored to:

- Ensure compliance with FCRA timelines and the accuracy and integrity of furnishing data
- Identify potential risks in the overall credit reporting process



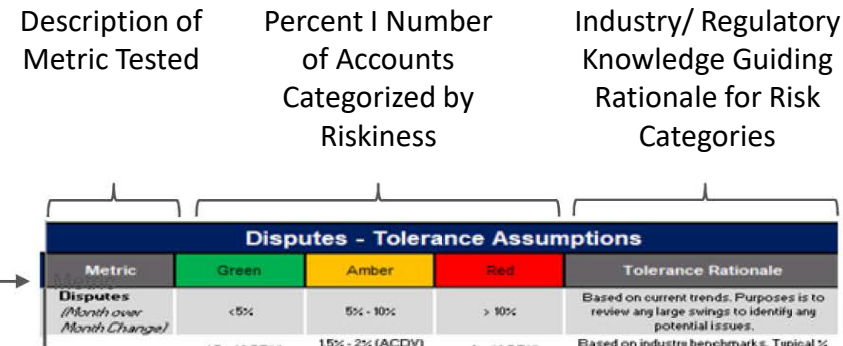
COMPLIANCE APPROACH

Executive Reporting Dashboard - Sample Metrics

Direct and Indirect Disputes Metrics

% of Disputes	# of Disputes per FTE	Average Time per Dispute	% of Disputes Pending for Over 'X' Day	% Modified Account Disputes	% Disputes QA'd	Disputes by Credit Bureau	Disputes by Distinct Accounts
% Change in disputes month-over-month	Total Disputes by FTEs researching disputes	Man hours to resolve dispute by number of resolved disputes	Dispute resolution categorized by days ageing	Total disputes resulting in a modification to an account over total disputes	Total disputes that underwent QA from total disputes investigated	Total disputes received by each CRA	Number of accounts with at least one dispute
Monitor dispute volume variances as a percentage of furnishings	Monitor operational strain on the dispute resolution process	Identify team performance related issues or enhanced dispute complexity	Monitor disputes ageing for potential response timeline risk	Trend analysis to identify potential systemic inaccuracies	Monitor performance of QA and quality of underlying dispute responses	Monitor and identify volume of disputes across credit bureaus	Monitor and identify disputes arising from same customer account

Disputes - Tolerance Assumptions					
Indicator	Metric	Green	Amber	Red	Tolerance Rationale
C	Disputes (Month over Month Change)	<5%	5% - 10%	> 10%	Based on current trends. Purpose is to review any large swings to identify any potential issues.
D	% of Disputes	<15% (ACDV) 0.5% (Customer)	15% - 25% (ACDV) 0.5% - 1.25% (Customer)	> 25% (ACDV) > 1.25% (Customer)	Based on industry benchmarks. Typical % Disputes range from 0.25% to 1.25% for Indirect Disputes (ACDV)
E	% of Disputes per average furnishings on file with CRAs	TBD	TBD	TBD	TBD
G	Disputes per FTE	<750	750 - 1000	>1000	Based on industry benchmarks. Typical average disputes per FTE is between 500 - 750
H	Avg. Dispute Review Time (Min)	15 - 30	10 - 15	< 10 or > 40	Based on industry benchmarks. Typical average review time for disputes is between 15 - 20 minutes
I	Dispute Type (Month over Month change)	<3%	3% - 5%	> 5%	Based on current trends. Purpose is to review any large swings to identify potential issues in disputes.
J - 1	Dispute Disposition % (Month over Month change - includes "Accurate as Furnished")	<3%	3% - 5%	> 5%	Based on current trends. Purpose is to review any large swings to identify potential issues in disputes. Note: These thresholds need to be reviewed once e-OSCAR changes its disposition methodology.
J - 2	Dispute Disposition % (Month over Month change - "Accurate as Furnished")	> -3%	-5% - -3%	< -5%	Based on current trends. Purpose is to review any large swings to identify potential issues in disputes. Note: These thresholds need to be reviewed once e-OSCAR changes its disposition methodology.



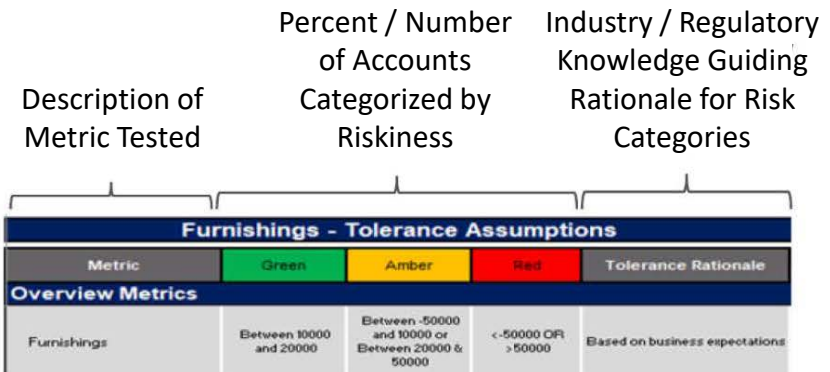
COMPLIANCE APPROACH

Executive Reporting Dashboard - Sample Metrics

Furnishing Metrics

% of Accounts Suppressed	# of Accounts neither Suppressed nor Furnished	% of Warnings per Furnished Accounts	% of Rejects per Furnished Accounts	# of QA'd Accounts	% of QA'd Accounts with Findings	% of QA'd Accounts with Findings
Accounts suppressed as percent of total portfolio of accounts	Accounts not reported for reasons other than suppression	Accounts with CRA warnings as percent of furnished accounts	Accounts with CRA rejects as percent of furnished accounts	Total disputes resulting in a modification to an account over total disputes	Total accounts that underwent QA and resulted in a finding	Identified findings as percent of all accounts that underwent QA
Monitor and analyze account suppression trends and surges	Diagnose and remediate accounts neither suppressed nor furnished	Identify and resolve potential systemic errors lowering furnishing process performance	Trend analysis of rejects and remediation of systemic errors	Monitor performance of QA and quality of furnishing process	Monitor and identify issues with furnishing process	Monitor and identify issues through lens of overall Metro 2® file health

Furnishings - Tolerance Assumptions					
Indicator	Metric	Green	Amber	Red	Tolerance Rationale
Overview Metrics					
B	Furnishings	Between 10000 and 20000	Between -50000 and 10000 or Between 20000 & 50000	< -50000 OR > 50000	Based on business expectations
D	% of Accounts Suppressed	<15%	15% - 2%	>2%	Based on current trends. Purpose is to review any large swings to identify potential account suppression issues.
E	# of Accounts neither suppressed nor furnished.	0	1-200	>200	Based on industry trends. Purpose is to identify accounts missing from furnishing file.
G	% Rejects per furnished accounts	<0.5%	0.5% - 1.5%	> 1.5%	Based on industry trends. Average % Reject ranges from 0.1% and 1%.



DEPLOYING TECHNOLOGY

Enterprise Value Proposition - Efficiency Across Three Lines of Defense

FIRST LINE OF DEFENSE: BUSINESS RISK/ OPERATIONS

- Ties to detailed rules and regulations
- Analyzes 100% of a servicing portfolio on a daily basis
- Allows for immediate identification and resolution of exceptions
- Reduces cost of controls spend through leveraging automated controls vs. manual controls
- Can serve as a key detective control for approximately 100 Federal requirements
- Monitors results and KPIs through easy to use web portal
- Trend reporting tracks the impact of process changes/ performance results over user specified time horizons

SECOND LINE OF DEFENSE: COMPLIANCE

- Automates risk monitoring
- Expands second line's ability to actively monitor more areas using less resources
- Facilitates targeted testing (e.g. select loans where exceptions have been flagged, execute smaller sample sizes)
- Allows for real time testing of potential exceptions, items can be investigated within 24 hours of identification
- Compliance can more effectively assess whether process remediation is occurring per agreed timelines

THIRD LINE OF DEFENSE: INTERNAL AUDIT

- Significantly enhanced transparency into businesses process for regulatory risk management
- Clarifies and strengthens risk oversight at the board and executive management levels
- Delivers greater accountability at all levels in the organization



SECTION 6

**Questions
&
Answers**



**END OF
PRESENTATION**

Thank You!

