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ALERT
KPMG LLP (U.S.)

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# Regulatory Alert – Credit Bureau Reporting

## What you need to know:

- The breadth of Consumer Financial Protection Bureau (CFPB) supervision encompasses the larger participants of the credit reporting agencies (CRAs – also referred to as credit bureaus) and many of the furnishers of credit reporting data, including bank and nonbank creditors. The CFPB's oversight focuses on consumer protection concerns regarding the accuracy of information furnished to the CRAs and in response to consumer disputes about information contained in their credit reports.
- Recent actions taken by the CFPB to prevent practices and errors that may have a material effect on a consumer's credit standing and score include:
  - Examining institution processes for credit bureau reporting.
  - Accepting and tracking consumer credit bureau complaints, which increase regulatory pressure on the dispute resolution process, and increase the potential for regulatory action and remediation requirements.
  - Releasing consumer awareness publications to encourage consumer action.
  - Analyzing the role of all parties that engage in the credit reporting and scoring process: Consumers, Lenders/Data Furnishers, credit scorers (such as The Fair Isaac Corporation (FICO)), CRAs, and users.
  - Publishing a report on the "*Key Dimensions and Processes in the U.S. Credit Reporting System*" (December 2012), which highlights an important finding that most disputes were passed on to the furnishers for resolution.
- In February 2013, the Federal Trade Commission (FTC) released the fifth in a series of reports to examine the accuracy of U.S. credit

**IN THIS ISSUE**



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reports based on data from the three largest CRAs. The report findings will drive further discussion on what should be done to improve credit report accuracy. They include:

  - One in four consumers identified errors on their credit reports that might affect their credit scores;
  - One in five consumers had an error that was corrected by a CRA after it was disputed, on at least one of the three credit reports;
  - Four out of five consumers who filed disputes experienced some modification to their credit report; and
  - Slightly more than one in 10 consumers saw a change in their credit score after the CRAs modified errors on their credit report.

- The CFPB found that consumer dispute rates vary widely by specific industry, with the highest rates attributable to collections and debt buyers. Bank and retail credit cards received the lowest number of disputes. The CFPB also noted that the number of disputes submitted tended to increase as applications for credit increased.
- For consumers, inaccurate reporting to CRAs may have adverse risk-based pricing implications and a material impact on customer creditworthiness resulting in unsatisfactory credit terms.

## What you need to consider:

- Assess current credit processes (i.e., customer service, collections, and dispute handling) and related systems; identify gaps in compliance practices; and develop and execute a remediation plan to ensure credit bureau reporting aligns with regulatory demands and customer expectations. Challenges might include:
  - Errors in account coding, definition writing, and designations during the implementation phase of a new system or system conversion.
  - Impacts from account suppressions on accounts reported to the CRAs.
  - Processes to reach out to a Data Furnisher if an issue arises with reported data.
  - Transparency of disputes and resolutions with feedback to the business process.
  - Maintenance of a documented trail for file delivery and receipts.
- Assess policies, procedures and practices related to credit bureau

reporting for consistency and applicability with legal and regulatory compliance and business intent.

– Fair Credit Reporting Act (FCRA) & Regulation V (Fair Credit Reporting), Truth in Lending Act (TILA) & Regulation Z (Truth in Lending), Fair and Accurate Credit Transactions Act (FACTA), Consumer Data Industry Association (CDIA), and new guidance/regulation expected by industry leaders from the CFPB.



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