



Metro 2[®] Regulatory Updates and FCRA Compliance

Presented By:

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Navigant Consulting, Inc.

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METRO 2® REGULATORY UPDATES
AND FCRA COMPLIANCE

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SECTION I INTRODUCTION AND CREDIT REPORTING OVERVIEW

INTRODUCTION AND CREDIT REPORTING OVERVIEW

Navigant Introduction

Navigant:

- Specialized, global professional services firm with focus on industries and clients facing transformational change and significant regulatory or legal pressures
- Provide range of advisory, consulting, outsourcing, and technology / analytics solutions primarily serving clients in financial services, healthcare, and energy sectors
- Headquartered in Chicago, IL with over 5,000 employees across North America, Europe, Middle East, and Asia
- Financial Services presence in New York, Washington DC, Houston, Dallas, Charlotte, and San Francisco
- Publicly traded since 1996 (NYSE: NCI)

Agenda:

- Introduction and Credit Reporting Overview
- Regulatory Environment
- Furnishing Overview
- Disputes Overview
- Compliance Approach
- Questions

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INTRODUCTION AND CREDIT REPORTING OVERVIEW

Navigant Speakers / Bios



JOHN DELPONTI
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Mr. DelPonti is a Managing Director in the Consumer Finance practice and based in the Charlotte, NC office. He co-leads the Mortgage Banking – Financial and Operational Risk Management Practice providing consulting services in all aspects of consumer and mortgage banking related activities including risk assessments, strategy, and reengineering related reviews.

Mr. DelPonti has extensive experience with over 25 years in mortgage, consumer and finance banking, distressed workouts, capital markets operations, loan valuation and restructuring, portfolio asset management, financial due diligence, post merger integration, lending best practices, mortgage servicing reviews, and risk management including bank (OCC/OTS/FDIC/CFPB) regulatory and compliance management. He is currently leading bank work on FCRA related reviews both from a regulatory (CFPB focus) and Metro 2® guideline perspective. He is a former partner at PricewaterhouseCoopers, LLP where he managed business advisory and audit services focused on top 10 consumer mortgage banks.

Prior to re-joining Navigant in August of 2010, Mr. DelPonti was founder and CEO of a distressed mortgage special servicing and asset management company, where he grew annual revenues from zero to over \$25 million in less than 3 years. He also was Chief Risk Officer for a \$30 billion thrift bank.

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INTRODUCTION AND CREDIT REPORTING OVERVIEW

Navigant Speakers / Bios



BEJI VARGHESE
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Beji Varghese is a Managing Director within the Consumer Finance practice group of Navigant. Mr. Varghese specializes in the area of governance, risk and compliance and has advised multiple companies in the design and implementation of effective financial reporting internal controls.

Mr. Varghese has worked on multiple large bank and non-bank FCRA related projects from a regulatory (CFPB focus) perspective. In addition, he has been intimately involved in helping mortgage servicers mitigate the current issues affecting their foreclosure, bankruptcy and mortgage servicing processes. He recently moderated a panel of industry experts at a regulatory conference discussing the impact of the current consent orders, the potential impact of the CFPB and other related issues. He is the author of "Fixing a Flawed Process" discussing the complexities of implementing a Single Point of Contact within the current mortgage servicing environment in the November 2011 issue of the Mortgage Banking magazine—a premier mortgage banking publication.

Mr. Varghese has led credit reporting reviews, risk and compliance reviews, distressed workouts, consent order reviews and lending best practice reviews for the top 20 US consumer finance companies. Mr. Varghese also has a strong technology background having lead multiple data migration and warehousing projects for the top ten mortgage banks.

Prior to joining Navigant Mr. Varghese was the COO at a specialty servicer. In that role he was responsible for growing the business (\$600million in UPB to \$ 3.5 billion in UPB) and for operations management and servicing system performance improvements.

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INTRODUCTION AND CREDIT REPORTING OVERVIEW

Navigant Speakers / Bios



DAVID KING
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Mr. King is a Director in the Consumer Finance practice based out of the Houston office. He has extensive project management and consulting experience across a wide variety of financial service functions. Mr. King has lead engagements covering risk management, compliance, data extraction and analysis, systems integration, systems development and document management. He is a Certified Fraud Examiner and has been a team leader and project manager for compliance reviews, vendor audits and government inquiries for numerous companies across the world.

Mr. King has conducted numerous current state assessments and system changes relating to FCRA. The assessments include reviews of policies and procedures pertaining to disputes, furnishing and usage, an evaluation of Metro 2® files submitted by clients to the CRAs, and the testing of trade lines. He has also supervised the teams acting as the Independent Consultant in Consent Orders issued by the CFPB related to FCRA. His systems experience includes business requirements documentation, developing use cases and supervising user acceptance testing. He has assisted a wide variety of clients in the auto, student and mortgage lending industries, some of whom are furnishing millions of trade lines a month and investigating thousands of disputes.

Mr. King has been heavily involved in the development of various Navigant tools, including our online loan review tool and suite of credit reporting modules. This has involved managing business analysts and software developers, overseeing version releases, leading user acceptance testing, drafting business requirements documentation, designing reporting, and soliciting feedback from end users for enhancements.

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Navigant Speakers / Bios



MICHAEL CANALE
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Michael Canale is an Associate Director in the Consumer Finance practice based out of Navigant's New York office. He has over twelve years of professional experience including project management focused on compliance, operations, finance, accounting, and bankruptcy administration and liquidation.

Mr. Canale's experience at Navigant includes service as an Independent Consultant for multiple consent orders relating to FCRA. In addition, he has project managed several engagements evaluating the credit disputes process including direct and indirect disputes, fraud, and default, ensuring the furnishers maintain effective policies and procedures associated with CFPB rules and regulations. Currently, Mr. Canale led the FCRA review for a large financial institution conducting an operational assessment, data analytics, and performing credit bureau account testing

Prior to joining Navigant, Mr. Canale worked for Navigant Capital Advisors where he served on the leadership team of a \$300 Million liquidating Trust. During the company's liquidation, Mr. Canale was responsible for project management, the service release of 512,000 loans to transferee servicers, administration of approximately \$12 Billion in filed claims, assisting the CFO with cash management and reporting to the U.S. Trustee, valuation and liquidation of company assets, and the management and sale of a portfolio of forfeiture properties on behalf of the U.S. Government.

Mr. Canale has a Master's of Business Administration from the University of Virginia's Darden School of Business, a Bachelor of Arts in Economics from Boston University, and is a Certified Insolvency Restructuring Advisor (CIRA).

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INTRODUCTION AND CREDIT REPORTING OVERVIEW

Key Terms

CRA Credit Reporting Agency	<ul style="list-style-type: none">Collects consumer credit information on a monthly basis to create a consumer credit report describing a consumer's creditworthinessFour major CRAs: Experian, Equifax, Transunion, and Innovis
Furnisher	<ul style="list-style-type: none">Institution which provides consumer credit information on a monthly basis to CRAs
CRRG Credit Reporting Resource Guide	<ul style="list-style-type: none">Published annually by the CDIA and provides the industry standard on how to report in Metro 2® format
CDIA Consumer Data Industry Association	<ul style="list-style-type: none">Develops the annual CRRG
FCRA Fair Credit Reporting Act	<ul style="list-style-type: none">Enacted in 1971 to promote the accuracy, fairness, and privacy of information in the files of consumer reporting agenciesGuiding document for all credit reporting activities
CFPB Consumer Financial Protection Bureau	<ul style="list-style-type: none">Regulatory agency with power to enforce provisions of FCRA
Metro 2®	<ul style="list-style-type: none">Character format used to furnish dataMade up of segments: Base, J1, J2, and K1
e-OSCAR®	<ul style="list-style-type: none">Industry wide disputes management system that houses indirect disputes. Online Solution for Complete and Accurate Reporting - developed by Equifax, Experian, Innovis and TransUnion

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INTRODUCTION AND CREDIT REPORTING OVERVIEW

Major Sections of the Law/Regulations

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

Reinvestigations of Disputed Information

- Required to conduct a reasonable reinvestigation to determine whether disputed information is inaccurate
- Record the current status of the disputed information or delete the item from the file as appropriate
- Before the end of the 30-day period beginning on the date the CRA receives the consumer notice of dispute

Statement of dispute

- If the reinvestigation does not resolve the dispute, the consumer may file a statement regarding the nature of the dispute
- CRA may limit statement to 100 words or less

Notification of customer dispute in subsequent consumer reports

- Unless reasonable grounds to believe dispute is frivolous or irrelevant, the CRA shall clearly note consumer dispute and provide summary statement in any subsequent report containing the disputed information

Notification of deletion of disputed information

- CRA shall furnish, at the request of the consumer, notification that the item has been deleted

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INTRODUCTION AND CREDIT REPORTING OVERVIEW

Major Sections of the Law/Regulations

FCRA §623: Responsibilities of furnishers of information to CRAs

Duty to provide accurate information

- Do not furnish consumer information if reasonable cause to believe information is inaccurate
- Do not furnish information after notice and confirmation of errors

Duties upon Notice of Dispute

- Conduct an investigation with respect to the disputed information
- Review all relevant information provided by the CRA
- Report the results of the investigation to the CRA before the end of the 30-day period beginning on the date the CRA receives the consumer notice of dispute (§611 (a)(1))
- Upon making any determination that a dispute is frivolous or irrelevant, the furnisher shall notify the consumer of such determination not later than 5 business days after such determination (§623 (f)(ii))
- Report those results to all other CRAs, if applicable

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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 about consumers to CRAs that is appropriate to the nature, size, complexity, and scope of the furnisher's business operations
- (b) • Using standard data reporting formats and standard procedures for compiling and furnishing data, where feasible, such as the electronic transmission of information about consumers to CRAs
- (c) • Maintaining records for a reasonable period of time, not less than any applicable recordkeeping requirement, in order to substantiate the accuracy of any information about consumers it furnishes that is subject to a direct dispute
- (d) • Establishing and implementing appropriate internal controls regarding the accuracy and integrity of information about consumers furnished to CRAs, such as by implementing standard procedures and verifying random samples of information provided to CRAs
- (e) • Training staff that participates in activities related to the furnishing of information about consumers to CRAs to implement the policies and procedures
- (f) • Providing for appropriate and effective oversight of relevant service providers whose activities may affect the accuracy or integrity of information about consumers furnished to CRAs to ensure compliance with the policies and procedures
- (g) • Furnishing information about consumers to CRAs following mergers, portfolio acquisitions or sales, or other acquisitions or transfers of accounts or other obligations in a manner that prevents re-aging of information, duplicative reporting, or other problems that may similarly affect the accuracy or integrity of the information furnished

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INTRODUCTION AND CREDIT REPORTING OVERVIEW

Major Sections of the Law/Regulations

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

- (h) • Deleting, updating, and correcting information in the furnisher's records, as appropriate, to avoid furnishing inaccurate information
- (i) • Conducting reasonable investigations of disputes
- (j) • Designing technological and other means of communication with consumer reporting agencies to prevent duplicative reporting of accounts, erroneous association of information with the wrong consumer(s), and other occurrences that may compromise the accuracy or integrity of information provided to consumer reporting agencies
- (k) • Providing consumer reporting agencies with sufficient identifying information in the furnisher's possession about each consumer about whom information is furnished to enable the consumer reporting agency properly to identify the consumer
- (l) • Conducting a periodic evaluation of its own practices, consumer reporting agency practices of which the furnisher is aware, investigations of disputed information, corrections of inaccurate information, means of communication, and other factors that may affect the accuracy or integrity of information furnished to consumer reporting agencies
- (m) • Complying with applicable requirements under the FCRA and its implementing regulations

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REGULATORY ENVIRONMENT

AG Settlements with CRAs

2015 - Major National Settlement with 31 AGs and the CRAs

Key provisions of the settlement include:

- **Higher Standards for Furnishers:**
 - The CRAs must maintain information about 'problem' data furnishers and provide a list of those furnishers to the states upon request
 - The CRAs and data furnishers must use a better, more detailed system to share data
- **Limits to direct-to-consumer marketing:**
 - The CRAs cannot market credit monitoring services to a consumer during a dispute phone call until the dispute portion of the call has ended
 - The CRAs must tell consumers that purchasing a product is not a requirement for disputing information on their credit reports
- **Added protections for consumers who dispute credit reporting information:**
 - The CRAs must implement an escalated process for handling complicated disputes such as identity theft, fraud, or mixed files.
 - Each CRA must notify other agencies if it finds a mixed file (in which one consumer's information is mixed with another's)
 - The CRA must send a consumer's supporting documents to the data furnisher
 - Consumers may obtain one additional free credit report in a 12-month period if they dispute information on their credit report and a change is made as a result of the dispute
- **Limits to certain information that can be added to a consumer's credit report:**
 - The CRAs are generally prohibited from adding information about fines and tickets to credit reports
 - The CRAs cannot place medical debt on a credit report until 180 days after the account is reported to the CRA, which gives consumers time to work out issues with their insurance companies
 - The CRAs must require debt collectors to provide the original creditor's name and information about the debt before the debt information can be added to a credit report
- **Additional consumer education:**
 - The CRAs must tell consumers how they can further dispute the outcome of an investigation into a dispute, such as by filing a complaint with other agencies
 - Each CRA must provide a link to its online dispute website on the website www.annualcreditreport.com, and the CRA's dispute website must be free of ads and any marketing offers

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REGULATORY ENVIRONMENT

AG Settlements with CRAs

2015 – NYAG Settlement with the CRAs

Key provisions of the settlement include:

- **Data Accuracy and Quality:**
 - Reporting of collection data
 - Retire Metro 1 reporting format
 - Medical Debt Collections
 - Authorized User Accounts
 - Illegal Lenders
 - Minimum Identification Elements on Trade and Collection Data
 - Accuracy of Public Record Data
- **AnnualCreditReport.com:**
 - Enhancing AnnualCreditReport.com
 - Promoting AnnualCreditReport.com
- **Educational Campaign:**
 - Topics for Educational Content
 - Framework of Campaign
 - NYAG Involvement
 - Campaign Costs
- **The Dispute Process:**
 - Initiating a Dispute
 - Repeat Disputes
 - Dispute Information Sharing Among CRAs
 - Improving Notifications to Consumers on Reinvestigation Results
 - Additional Free Annual Credit Report to Consumers Following Reinvestigation
 - Enhancing e-OSCAR Furnisher Certifications and Terms of Use
 - Escalated Dispute Handling for Mixed Files, Fraud, and Identity Theft
 - Review of Supporting Dispute Documentation Submitted by Consumers
- **Furnisher Monitoring:**
 - Working Group
 - Composition of the Working Group
 - Frequency of Working Group Meetings
 - Functions of the Working Group
 - Corrective Action Against Certain Furnishers
- **Customer Complaints:**
 - Each CRA shall designate a department or group within their respective companies to assist the NYAG in addressing consumer complaints.
- **Compliance:**
 - Each CRA shall provide the NYAG with semi-annual affidavits of compliance

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REGULATORY ENVIRONMENT

CFPB Consent Orders

CFPB – Consent Orders with FCRA Implications

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 late fees, and failing to correct inaccurate borrower information furnished to consumer reporting agencies

CarHop – December 17, 2015

- **\$6,465,000 civil penalty** for impacting 84,000 accounts (**\$75+ per account**), Independent Consultant required to do a review of policies, procedures, practices and systems

Collecto Inc. EOS CCA – December 7, 2015

- **\$1,850,000 civil penalty** for collecting on non-verified and disputed debt and providing inaccurate information to credit reporting agencies, in addition to **\$743,000 refund** to customers

Clarity Services, Inc. – December 3, 2015

- **\$8,000,000 civil penalty** for illegal credit reporting practices and improper dispute investigation procedures

General Information Services Inc/e-Backgroundchecks.com – October 29, 2015

- **\$10,500,000** to relieve harmed consumers by providing inaccurate credit information to potential employers, in addition to a **\$2,500,000 civil penalty**, Independent Consultant required to review furnishing policies, procedures and practices

Syndicated Office Systems – June 18, 2015

- Over **\$5,000,000** to relieve harmed consumers (over 13,000) for mishandling credit reporting disputes, and failing to correct credit reporting, in addition to a **\$500,000 civil penalty**

DriveTime – November 19, 2014

- **\$8,000,000 civil penalty**, Independent Consultant required to review furnishing policies, procedures and practices

First Investors – August 20, 2014

- **\$2,750,000 civil penalty**, Independent Consultant required to review compliance with the Consent Order

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REGULATORY ENVIRONMENT

CFPB Consent Orders

Recent Remarks from the CFPB Director Richard Cordray (bold emphasis added)

May 24, 2016

Credit reports are the **foundation of consumers' financial lives**. Consumers continue to express their **frustration about inaccurate information** on their credit reports and difficulty in getting these errors fixed. We will continue to work to **ensure that credit report disputes are investigated, errors are fixed, and consumers are treated fairly.**"

May 20, 2016

As the array of available financial products has expanded, so has the **risk they carry for the average household**. And the effects of these choices are more lasting, given that **credit reporting has now become ubiquitous in the consumer marketplace**.

The Consumer Bureau has handled nearly **900,000 complaints about a whole host of consumer financial products and services**, but the leading category of complaints at all levels of government has long been those involving **debt collection issues**. Along with frequent complaints about **credit reporting issues**, it appears that **today's system of consumer finance is not working very well for many Americans**.

February 3, 2016

Today we are issuing a bulletin **warning banks and credit unions that they must meet their legal obligation to have appropriate systems in place with respect to accuracy when they report information, such as negative account histories**, to the consumer reporting companies. More effort and rigor are needed to make sure that the risks consumers actually pose to potential financial providers can be evaluated correctly.

Of course, the specialty consumer reporting companies that track deposit accounts also merit our scrutiny as we work on these issues. They have important legal obligations with respect to the accuracy of the information they sell, as specified in the Fair Credit Reporting Act. Ensuring that they are **adopting and implementing reasonable procedures to assure maximum possible accuracy of the credit reporting information they provide, as the law requires, is an important area for regulatory oversight**.

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REGULATORY ENVIRONMENT

FTC Activity

FTC Position on the Use of Big Data Analytics

Big Data Report in January 2016: Big Data: A Tool for Inclusion or Exclusion?

Understanding the Issues

- Addressed the use of big data analytics to target and make decisions about customers, and how FTC considers whether a company is subject to the FCRA

FTC's Positions: FCRA is not limited to traditional consumer reporting agencies, credit bureaus, and lenders subject to the statute

- Applies to "data brokers," particularly if those companies "advertise their services for eligibility purposes"
 - Yet the statute does not specifically mention advertisement of services as a factor in determining whether the FCRA applies
- Whether a company uses "traditional" credit scoring models or "non-traditional" consumer characteristics like zip code, social media usage, or shopping history, the FTC uses the same methods and standards
- Conducts a "fact-specific analysis" to determine whether any given practice is subject to or violates the FCRA

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REGULATORY ENVIRONMENT

FTC Activity

Recent FTC Consent Decrees

- **Instant Checkmate**
 - Allegations that company "advertised potential uses of its consumer data for employment and tenant screening purposes," and "used a Google AdWords campaign to display ads for its services that would appear in search results when consumers sought background checks on 'nannies,' 'babysitters,' 'maids,' and 'housekeepers.'"
 - \$550,000 civil penalty
- **Spokeo**
 - Allegations that Spokeo assembled personal information from "online and offline data sources, including social networks, and merged that data to create detailed personal profiles," and "marketed these profiles for use by human resources"
 - Allegations that the company "marketed consumer profiles specifically for employment purposes" without complying with FCRA
 - \$800,000 civil penalty

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REGULATORY ENVIRONMENT

Penalties for Non-Compliance

The penalties and consequences of non compliance can be severe.

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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

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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)

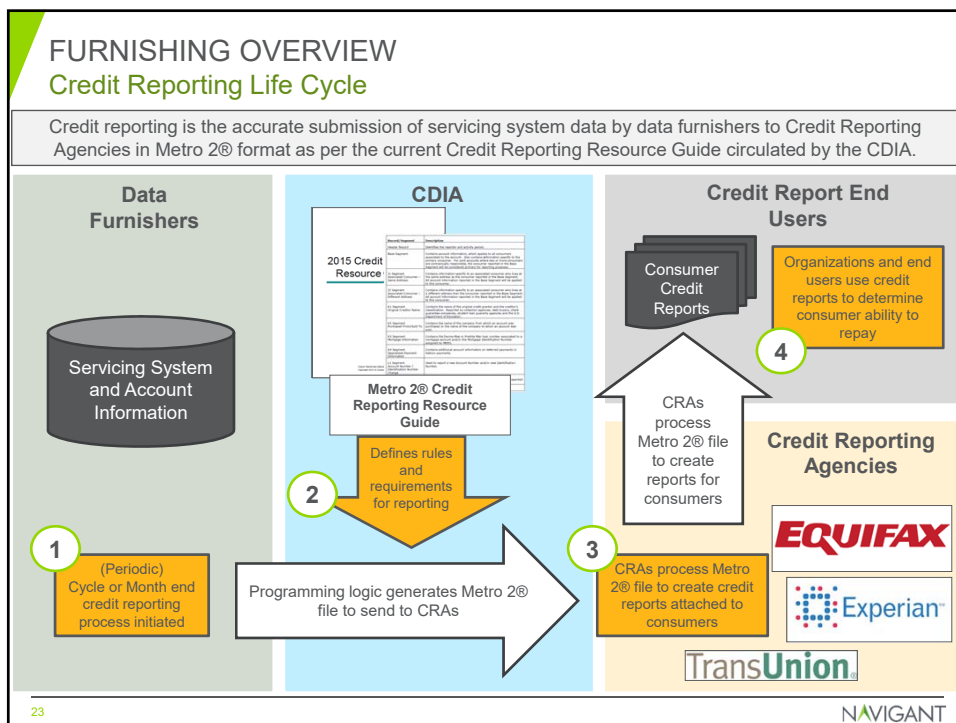
Penalty Amounts (12 U.S. Code § 5565):

- 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

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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**
- **§660.2 "Furnishers," are organizations that report information monthly on consumers to at least one Credit Reporting Agency 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:** means that information that the Bank provides to the consumer reporting agency about an account or other relationship with the consumer correctly:
 - 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; and
 - Identifies the appropriate consumer
- **§660.2 Integrity:** means that information that the Bank provides to a consumer reporting agency about an 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; and
 - 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;

† Source: <http://www.ecfr.gov/cgi-bin/text-idx?rgn=div5&node=16.1.0.1.6.77>

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FURNISHING OVERVIEW

Metro 2® Format

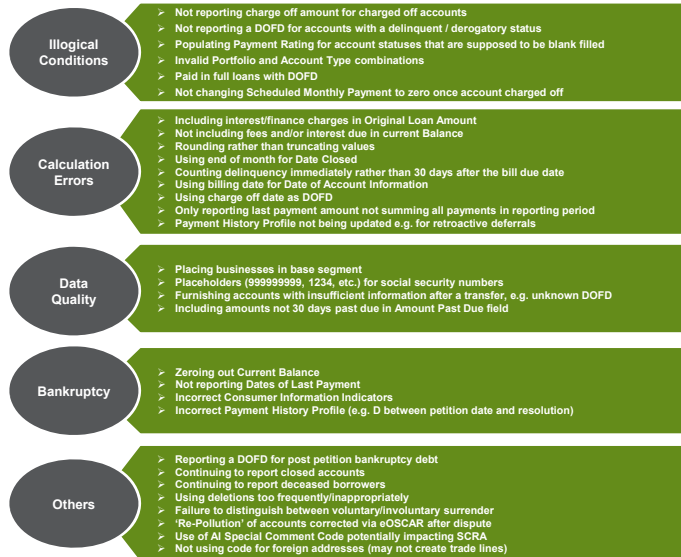
- **Appendix E to 12 CFR Part 1022 "A through M" Specific Components of Policies and Procedures:** (B) Using standard data reporting formats and standard procedures for compiling and furnishing data, where feasible, such as the electronic transmission of information about consumers to CRA's
 - **Most common industry standard furnishing format is Metro 2® accepted by Experian, Equifax, Transunion and other CRAs**
- There are a number of important advantages to reporting in the Metro 2® Format, including:
 - Accepted by many consumer reporting agencies (including the three major nationwide consumer reporting agencies), the Metro 2® Format enables the reporting of consistent, complete, and timely credit information
 - **Meets all requirements of the Fair Credit Billing Act (FCBA), the Fair Credit Reporting Act (FCRA), the Equal Credit Opportunity Act (ECOA), and all applicable state laws**
 - **Allows credit information to be added and mapped to the consumer's file with greater consistency**
 - Allows complete identification information to be reported for each consumer (including co-debtor, co-signer, etc.) each month which improves the ability of the consumer reporting systems to match to the correct consumer
 - Accommodates cycle reporting of data, which allows timelier updating of the credit file
 - The Payment History Profile (up to 24 months) makes it possible for the credit grantor to supply automated updates/corrections for the file rather than costly manual updates/corrections and reduces consumer disputes

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FURNISHING OVERVIEW

Common Pitfalls and Mistakes



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FURNISHING OVERVIEW

Furnishing Examples

Example 1: Incorrect Delinquency Calculations

- The Amount Past Due on the Metro 2® transmission should reflect amounts past due by 30 days or more. Many business processes will reflect total amount past due

Amount Due on Bill (not reported)	Bill Due Date (not reported)	Date of Account Information	Amount Past Due on Metro 2® transmission
\$100	02/15/2015	02/28/2015	\$100 (incorrect)

- As of 2/28/15 (month end), the correct values would be:

Account Status	Days Past Due (not reported)	Date of First Delinquency	Amount Past Due
11 (Current)	13 DPD	(blank)	\$0

- Similarly in concept, the "Date of First Delinquency" (DOFD) field, critical for compliance with FCRA provisions, calculates the first date of delinquency as when the customer first becomes **30 Days Past Due (DPD)**
 - For example, if the customer above does not make payments in March, then DOFD would eventually be captured as (2/15/15 + 30): **3/17/15**

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FURNISHING OVERVIEW

Furnishing Examples

Example 2: Illogical Values with Account Status

#	Account Example	Reported Account Status	Sample Field	Field Description (Metro 2® Guide)	Illogical Value (wrong)	Logical Value (correct)
1	Current Account	11 (Current)	Amount Past Due	total amount of payments that are 30 days or more past due	Greater than \$0	\$0
2	Current Account	11 (Current)	Date of First Delinquency	The date of the first delinquency that led to the status being reported	Value reported	(blank)
3	60-89 Days Delinquent	78 (60-89 DPD)	Amount Past Due	total amount of payments that are 30 days or more past due	\$0	Greater than \$0
4	60-89 Days Delinquent	78 (60-89 DPD)	Date of First Delinquency	The date of the first delinquency that led to the status being reported	(blank)	Date where account was first 30 DPD leading to current Account Status
5	Charged Off	97 (Charged Off)	Original Charge Off Amount	Report the original amount charged to loss, regardless of the declining balance	\$0	Greater than \$0
6	Closed, Charged Off	64 (Closed, was Charged Off)	Original Charge Off Amount	Report the original amount charged to loss, regardless of the declining balance	\$0	Greater than \$0

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FURNISHING OVERVIEW

Furnishing Examples

Example 3: Bankruptcy

- Consumer Information Indicator (CII) Reflects the bankruptcy status of a **consumer**. This status needs to be provided at the consumer level, not the account level which is a common mistake due to system limitations. E.g. if one borrower files a Ch. 7 bankruptcy and the co-borrower does not the reporting would be:

CII – Base Segment (borrower 1)	CII – J1 or J2 Segment (borrower 2)
A	Blank filled

- Other common bankruptcy issues include:
 - General issues with freezing Account Status and DOFD for accounts as of date of petition
 - Chapter 13 filers and non-filers → adding and removing non-filers to trade lines correctly
 - Incorrect Payment History Profile (e.g. D between petition date and resolution)
 - Application of payments received from trustees
 - How to report co-borrowers who did not file for bankruptcy protection when one borrower is discharged but a deficiency balance remains
 - Accurately transferring bankruptcy information (e.g. from PACER or BANKO) into Metro 2® format

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FURNISHING OVERVIEW

Quality Control

During furnishing, issues often manifest in the following four areas:

Data Quality	Metro 2® Interpretation	Programming Error	Poor Documentation
<ul style="list-style-type: none"> Data consistency from input to output i.e., inappropriate values in fields, placement of fields in correct record layout Inaccurate demographic information such as, Dummy SSN, Inaccurate DOB, Zip Codes, etc... Lack of information in general, sparse data inputs into the Metro 2® processing Garbage In Garbage Out Incorrect information in one field can have cascading effect on other fields 	<ul style="list-style-type: none"> Incorrect or inadequate Metro 2®/ Business Requirements Documentation Misunderstanding of Business Definitions e.g. Interest Due, Date Opened, Date Closed, Deferred Payment Start Date Delinquency for Metro 2® purposes may be calculated differently than for day to day business and collection activity Even the Credit Reporting Resource Guide can provide conflicting information or items that may conflict with items of law 	<ul style="list-style-type: none"> Incorrect calculation of fields, e.g. ensuring that fees and interest are appropriately reflected in current balance but do not include future charges Failure to develop and document appropriate hierarchies, e.g. for Account Status where an account is delinquent and charged off and repossession has taken place or for Special Comment Codes Timing issues such as when the transmission is generated and how reversed payments are addressed 	<ul style="list-style-type: none"> Lack of formalized IT/Technical documentation for Metro 2® file generation Procedures are outdated and reference older versions of Metro 2® guidance using incorrect codes Process maps are do not adequately reflect what is taking place and are lacking risk and control points. Failure to document key concepts such as the organization's definition of a reasonable investigation or frivolous dispute

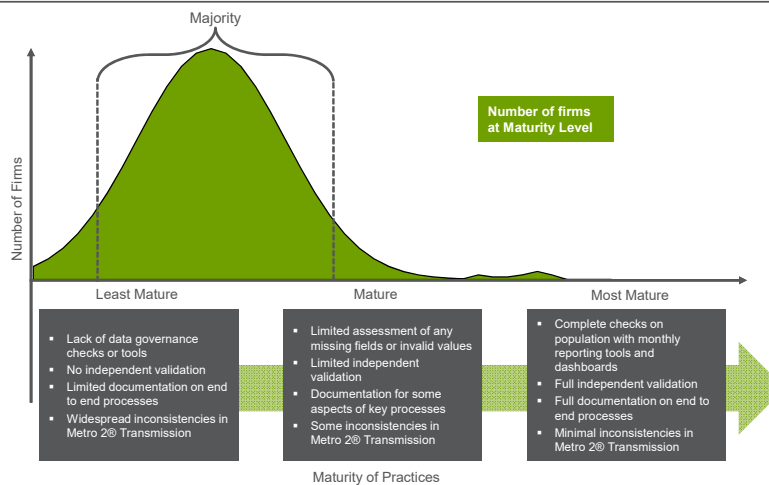
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FURNISHING OVERVIEW

FCRA / Metro 2® Compliance Maturity

Many Industry participants do not yet have well developed infrastructure and expertise to cope with the current regulatory environment. Most are aware of the need to change.



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DISPUTES OVERVIEW

Direct and Indirect Disputes

- Consumers may dispute furnished information in two ways:
 - **Indirect: a dispute submitted to a CRA (e-OSCAR)**
 - **Direct: a dispute submitted directly to furnisher (Mail, Phone, Fax, E-mail)**
- Upon receipt of an indirect or direct dispute, the furnisher must:
 - Conduct a reasonable investigation of the dispute and review all relevant information provided by the CRA about the dispute
 - Report findings to the CRA
 - Provide corrected information to every CRA that received the information if the investigation shows the information is incomplete or inaccurate
 - Modify the information, delete it, or permanently block its reporting if the information turns out to be inaccurate or incomplete or can't be verified. **FCRA 623(b)(1)**
- Furnishers must complete these steps to resolve the dispute within 30 days of the CRA receiving the dispute from the consumer

Source: https://www.ftc.gov/system/files/documents/plain-language/bus33-consumer-reports-what-information-furnishers-need-know_0.pdf, pg. 7-8

DISPUTES OVERVIEW

Reasonable Investigation

- Upon receipt of an indirect or direct dispute, the furnisher must conduct a reasonable investigation
 - The FCRA does not define what it means to conduct a reasonable investigation
 - Case law demonstrates that whether an investigation is "reasonable" will depend upon the facts of a particular case
 - Some courts have employed a balancing test, which weighs the potential harm from inaccuracy against the burden of safeguarding against such inaccuracy
 - Whether or not an investigation is reasonable depends on what information was provided to the furnisher. For example:
 - ❖ Vague, limited or "scant" information: Courts have typically found it was sufficient for the furnisher to review its own internal records and confirm that the reported information was consistent with the information contained in its records
 - ❖ More specific information: Some types of disputes may require the furnisher to consider information that is outside of its systems and records
 - ❖ Consumer Alleges Fraud or "Not Mine": Where the dispute is related to fraud, or where the consumer claims that he or she is not a co-obligor on the debt, courts have sometimes required the furnisher to conduct an investigation by obtaining and considering information that is not included in its system or part of its own records
 - Regardless of the content of the notice of the dispute, the furnisher must provide sufficient time to allow for a reasonable investigation to take place

DISPUTES OVERVIEW

Frivolous Disputes

- **Direct Disputes**
 - The furnisher is not required to investigate if the furnisher reasonably determines the dispute is "frivolous" or "irrelevant," based on the following:
 - (1) the consumer did not provide sufficient information to investigate the dispute, or
 - (2) the dispute is substantially the same as one previously submitted either directly or through the CRA (but if any new information is submitted, it is not "substantially the same")
 - Once the furnisher has made a determination that the dispute is frivolous or irrelevant, the furnisher must:
 - ❖ Notify the consumer of that determination within five business days after making the determination
 - ❖ The notice must include the reason for the exception or determination that the dispute is frivolous or irrelevant and must identify any information required to investigate the disputed information
 - ❖ The notice may consist of a standardized form describing the general nature of such information
- **Indirect Disputes**
 - Unlike Direct Disputes, the FCRA does not include any exceptions to the investigation requirement for indirect disputes
 - A furnisher must investigate every dispute it receives from a CRA

DISPUTES OVERVIEW

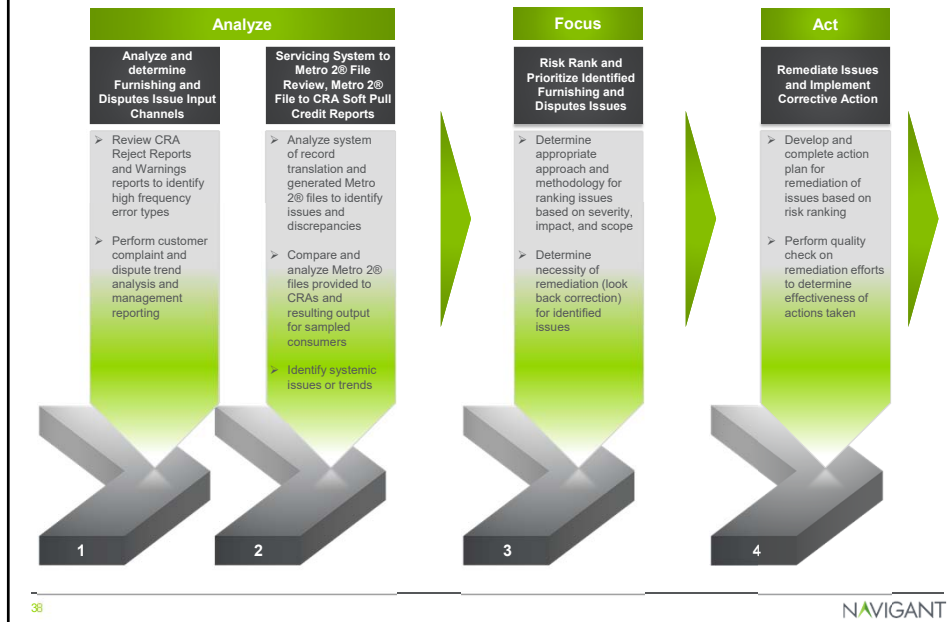
Indirect Disputes – e-OSCAR

- **e-OSCAR**
 - Web-based, Metro 2® compliant, automated system that enables Furnishers and CRAs to create and respond to consumer credit history disputes
 - Provides for Furnishers to send "out-of-cycle" credit history updates to CRAs
 - May not be used to add or create a record on a consumer's file or as substitute for "in-cycle" reporting to the CRAs
 - Primarily supports Automated Credit Dispute Verification (ACDV) and Automated Universal Dataform (AUD) processing as well as a number of related processes that handle registration, subscriber code management and reporting
- **Automated Credit Dispute Verification (ACDV)**
 - ACDVs initiated by a CRA on behalf of a consumer are routed to the appropriate Furnisher based on the CRA and subscriber code affiliations indicated by the Furnisher
 - ACDV is returned to the initiating CRA with updated information (if any) relating to the consumer's credit history
 - If an account is modified or deleted, carbon copies are sent to each CRA with whom the Furnisher has a reporting relationship
- **Automated Universal Dataform (AUD)**
 - AUDs are initiated by the Furnisher to process out-of-cycle credit history updates
 - The system is used to create the AUD and route it to the appropriate CRAs based on subscriber codes specified by the Furnisher in the AUD record
 - Intended to provide the CRA with a correction to a consumer's file that must be handled outside of the regular activity reporting cycle process



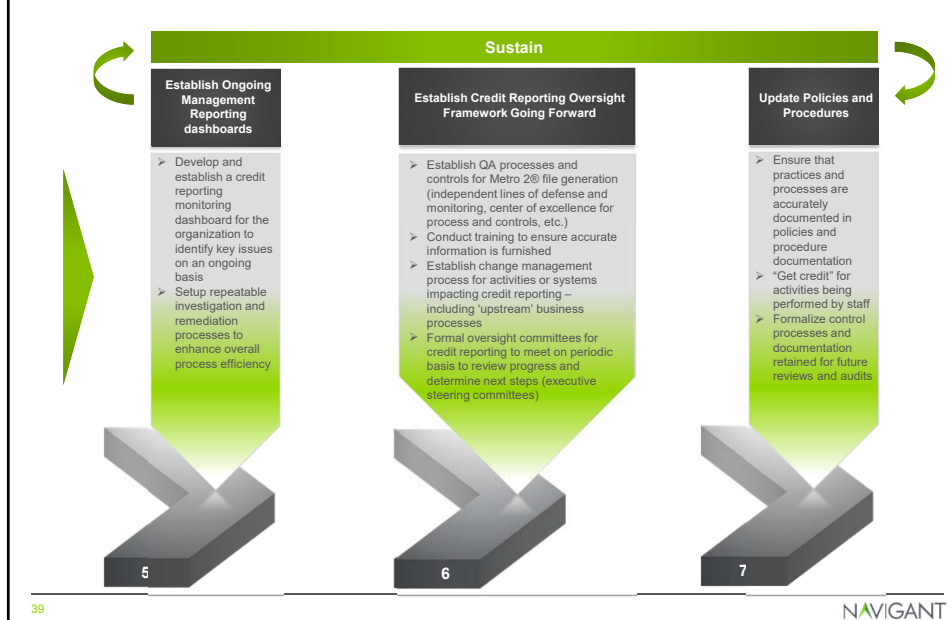
COMPLIANCE APPROACH

Action Steps to Improve Compliance



COMPLIANCE APPROACH

Action Steps to Improve Compliance



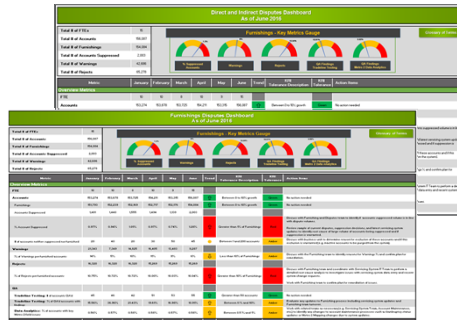
COMPLIANCE APPROACH Executive Reporting Dashboard

➤ 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

Management can monitor Credit Reporting metrics and focus on high risk areas using a customized dashboard

- Design an Executive Reporting Dashboard to facilitate FCRA monitoring of key disputes and furnishings metrics across various product lines.
- Establish tolerance thresholds for each risk indicator based on industry standards, regulations and data analysis
- Perform continuous surveillance of business activities through data collection and analysis

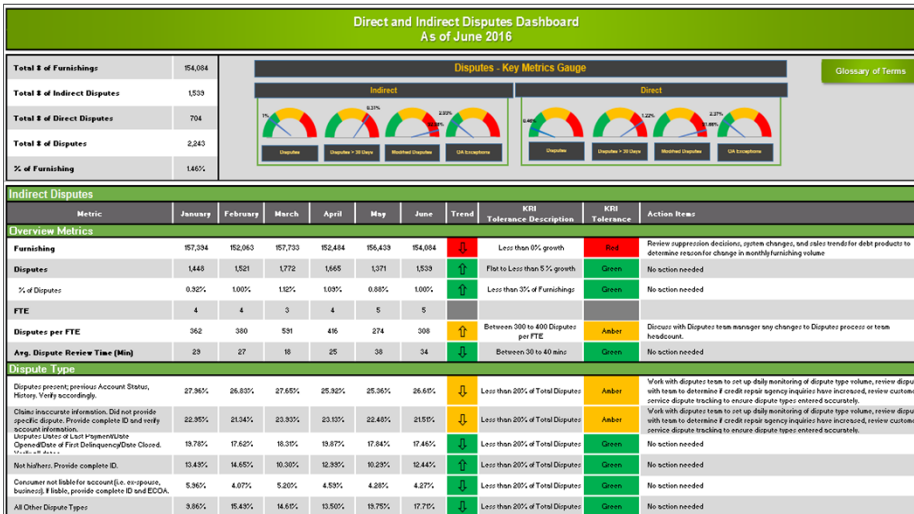


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COMPLIANCE APPROACH Executive Reporting Dashboard - Sample

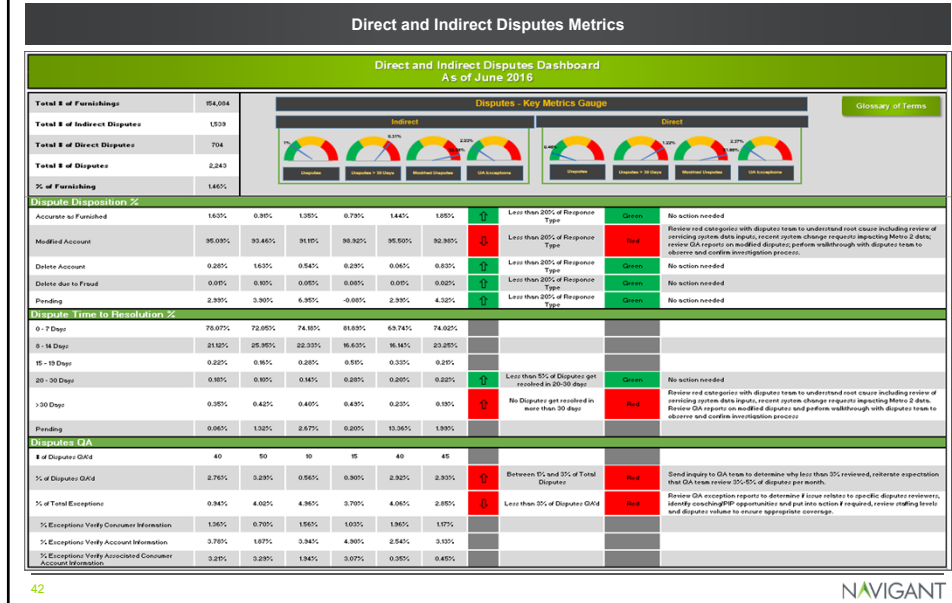
Direct and Indirect Disputes Metrics



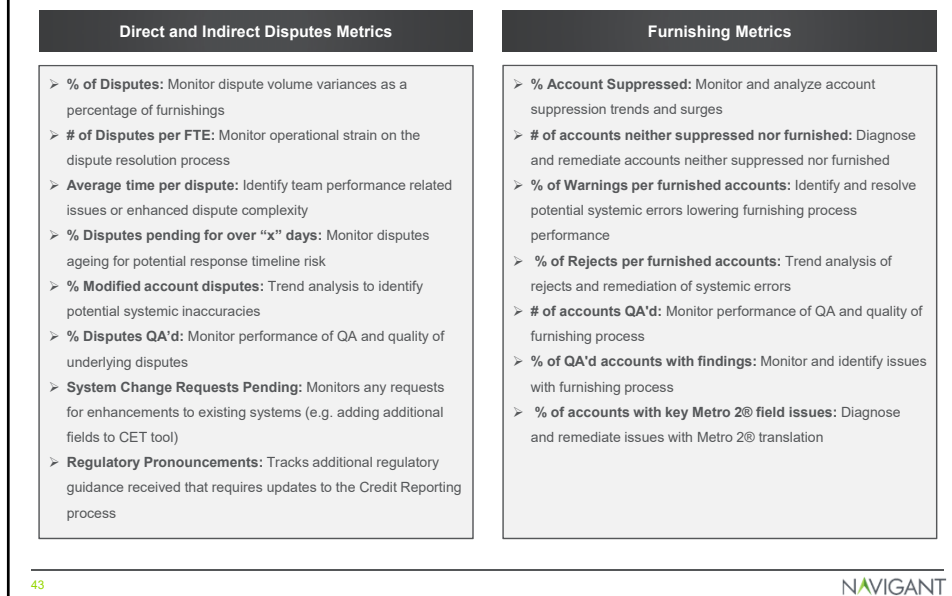
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COMPLIANCE APPROACH Executive Reporting Dashboard - Sample (continued)



COMPLIANCE APPROACH Executive Reporting Dashboard - Sample Metrics





Notes

