Auto Finance
Credit Reporting

CONSUMER FINANCIAL SERVICES

FTI CONSULTING™

EXPERTS WITH IMPACT™

Recently, the Consumer Financial Protection Bureau ("CFPB") announced a public enforcement action against a large captive auto finance company. **The enforcement action includes $19.2 million in penalties and customer redress, representing a significant amount per impacted customer.** This enforcement action marks the first time the CFPB has required customer redress to individuals impacted by credit furnishing errors. With this enforcement action, the stakes of furnishing inaccurate information are higher than ever before.

The High Cost of Furnishing Inaccurate Credit Reporting Data

Furnishing data for auto finance accounts includes its own unique set of challenges. Some of these difficulties include:

— Incorrect reporting for End of Term leases, including use of Special Comments and Date of First Delinquency;

— Inaccurate reporting of fields for charged off accounts (*e.g.*, Original Charge Off Amount incorrectly declining with payments);

— Incorrect reporting of repossession scenarios, including not updating Account Status when account is paid in full;

— Incorrectly reporting fields, including Terms Frequency and Terms Duration, associated with single pay leases;

— Failure to update the system of record after responding to a dispute with updated information, resulting in re-pollution of Metro 2® data; and,

— Lack of a process around reviewing rejected furnished data, including manual updates such as AUDs and ACDVs.

Example Issues

1. Key Metro 2® Field (*e.g.*, "Payment History Profile") is systemically calculated incorrectly

2. Key Metro 2® Field (*e.g.*, "Account Status") is manually updated incorrectly and appears to impact many accounts

3. Demographic Metro 2® Field (*e.g.*, "Surname") is inaccurate, caused by manually updated data

4. All businesses (ECOA Code "W") furnished without a personal guarantor

Risk Quadrants of Example Issues
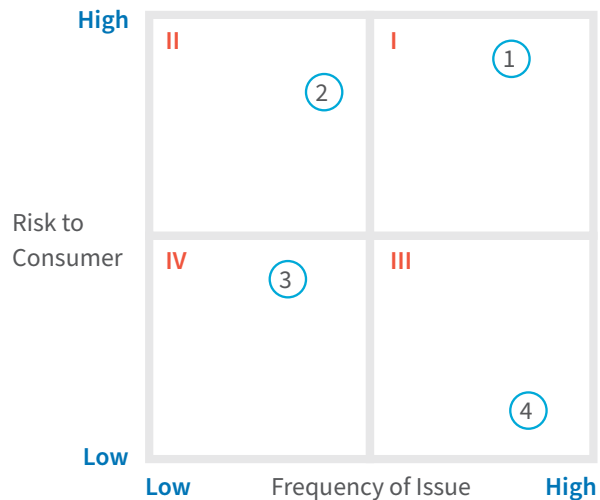
I. Systemic issues that may have a high impact on a consumer's credit

II. Non-systemic issues that may have a high impact on a consumer's credit

III. Systemic issues that may have a limited impact on a consumer's credit

IV. Non-systemic issues that may have a limited impact on a consumer's credit

Compliance with the Fair Credit Reporting Act ("FCRA") has become a high-risk issue for financial institutions of all sizes due to increased regulatory scrutiny and enforcement actions. The CFPB's decision to require redress to individual customers impacted by credit furnishing errors sets the precedent for costly future enforcement actions.

Our team includes **FCRA specialists** as well as **former CFPB examiners-in-charge** and the **former Deputy Chief Compliance Officer for Equifax Inc.** We can assist in solving FCRA compliance and data furnishing challenges through three core service offerings:

CURRENT STATE ASSESSMENT

— End-to-end evaluation of credit reporting processes including data furnishing and dispute response against industry best practices

— Review and enhancement of policies and procedures against regulatory expectations, including drafting end-to-end FCRA policies and procedures

— Development of tailored target operating models depending on an institution's size and product portfolio

METRO 2® FILE ANALYSIS / EVALUDATA

— FTI Consulting's proprietary data analytics tool, EvaluData, can be used to identify illogical conditions between fields, variances from existing business rules and extreme values of fields, both within a single file and across periods

— Creation of customized dashboards to monitor FCRA Key Risk Indicators ("KRIs") related to both data furnishing and dispute responses

TRADELINE TESTING

— In-depth review of a sample of accounts from the servicing system to the Metro 2® File to help identify root causes of system logic and data discrepancies

— Recommendations on process improvements and controls to reduce future furnishing errors

— Representative Engagements

FCRA Assessment and CFPB Response

SITUATION

FTI Consulting worked with a captive auto lender to enhance its FCRA-related processes, respond to issues the CFPB identified during an examination, as well as provide further support as FCRA SMEs as requested.

ROLE

Our experts performed the following services:

— Supported CFPB PARR Letter, Supplementary Responses, and MRA responses through account testing, data analytics and documenting mitigating circumstances around the CFPB's findings

— Conducted a current state assessment of the lender's compliance with FCRA requirements

— Deployed EvaluData to assess the accuracy and integrity of the lender's Metro 2® files

— Conducted detailed tradeline testing and trained client resources to implement tradeline testing in house

— Drafted centralized policies and procedures to ensure adherence to FCRA 1022 CFR Appendix E

IMPACT

FTI's work led to the client avoiding an enforcement action from the CFPB and monetary penalties.

The root cause analysis performed around the account testing allowed the Lender to remediate issues with their reporting processes, accurately report customer account information and remediate deficiencies in their system for future updates.

Independent Consultant on Consent Orders Involving FCRA

SITUATION

FTI Consulting's experts were engaged as the Independent Consultant for a company in CFPB Consent Orders that address issues pertaining to unfair, deceptive, or abusive acts or practices; the requirements of the Fair Credit Reporting Act; and debt collection matters.

ROLE

These engagements required an independent assessment of the company's compliance management systems, internal control systems and / or monthly compliance testing procedures.

As part of the engagements, accounts and tradelines were evaluated for systemic inaccuracies leveraging data analytics and tested on a sample basis to identify furnishing errors.

IMPACT

Independent reports were issued to senior management, board of directors and often provided to the CFPB.

EXPERTS WITH IMPACT™

With offices in every major financial center and every corner of the globe, we successfully serve our clients wherever challenges and opportunities arise.

Our clients include Fortune 500 corporations, FTSE 100 companies, global banks, major and local law firms, and state and national governments and agencies in the U.S. and other countries. In addition, major U.S. and international law firms refer us or engage us on behalf of their clients.

30

Countries

6,950+

Employees

9/10

Advisor to 9 of the world's top 10 bank holding companies

$5.4B

Equity Market Capitalization*

1982

Year Founded

NYSE:FCN

Publicly traded

98/100

Advisor to 98 of the world's top 100 law firms

59

59 of Fortune Global 100 corporations are clients

*Number of total shares outstanding as of April 21, 2022, times the closing share price as of April 28, 2022.

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