

Credit Reporting: Adapting to Regulatory Expectations

By Kim Phan



This fall, any RMA members and other industry participants that furnish trade line information about consumer debts to consumer reporting agencies (CRAs) must implement changes to how that data is reported. The Consumer Data Industry Association (CDIA), the trade association for the consumer reporting industry, has announced modifications to the industry's standard electronic data reporting format called the Metro 2. These modifications arise from a self-regulatory National Consumer Assistance Plan (NCAP) that was first announced in March 2016 in response to a multi-state enforcement action against Equifax, Experian, and TransUnion. The NCAP is designed to enhance the ability of CRAs to collect complete and accurate consumer information and provide

consumers more transparency about their credit reports.

The NCAP updates the mandatory data that furnishers will now be required to report about collections trade lines. Beginning in September 2017, RMA members must now be prepared to furnish the following:

- A full file on a monthly basis for accounts that are open, that are paid in the last 90 days, or that require deletion or correction;
- No medical debt collection accounts (Creditor Classification Code 02) that are less than 180 days past the date of

- first delinquency;
- A delete for accounts that are being paid or were paid in full by insurance (not by the consumer); and
- Newly established minimum consumer personally identifiable information;
 - >> For new collection trade lines, this must include the full name (first, middle, last, and generation code/suffix), address, full Social Security number, and date of birth (mmddyyyy); and
 - >> For new authorized users on pre-existing accounts, this must include the full date of birth (mmddyyyy).

Under the NCAP, furnishers are strongly encouraged to monitor data being reported on an ongoing basis to ensure these requirements are being met.

With regard to monitoring, the NCAP reflects the regulatory expectations expressed by the Consumer Financial Protection Bureau (CFPB) in its Supervisory Highlights Consumer Reporting Special Edition released earlier this year. In this document, the CFPB summarized its supervisory actions against furnishers for credit reporting issues.

The CFPB made clear that it expects companies to structure their compliance management systems in a manner sufficient to comply with the furnisher obligations required under the Fair Credit Reporting Act (FCRA). This should include oversight of furnishing practices by senior management or a company's Board of Directors; maintaining a formal data governance program; updating FCRA policies and procedures, as appropriate; training employees who are responsible for furnishing data and/or handling consumer disputes; monitoring for issues with data being furnished and taking appropriate corrective action(s); and conducting follow-up testing on the accuracy of consumer account files submitted to and rejected by one or more CRAs.

Specifically with regard to debt sales, the CFPB stated that a furnisher's policies and procedures should address furnishing information about consumers following transfers of accounts in a manner that prevents re-aging of accounts and other problems that may affect the accuracy or integrity of the information furnished when being transferred between selling and buying entities, especially with regard to dates of first delinquency.

The CFPB emphasized the importance of the date of first delinquency as it determines when information on a consumer report becomes obsolete and may no longer be reported by the

CRAs. The CFPB noted that at least some furnishers examined by the CFPB had failed to report accurate dates of first delinquency on accounts when consumers who had been delinquent filed for bankruptcy. The CFPB directed at least one furnisher to re-evaluate consumer accounts with bankruptcy, charge-off, and other applicable post-delinquency statuses to confirm the date of first delinquency was being reported accurately and to promptly correct and update any dates of first delinquency with the CRAs, as necessary.

The CFPB also noted that furnishers should carefully consider any data quality feedback received from the CRAs to identify internal compliance gaps or persistent violations that furnishers should address. This should include a process to formally review exception reports provided by the CRAs so that the furnisher can identify, correct, and resubmit invalid data identified by the exception reports.

The CFPB also expects that furnishers should establish and implement other internal controls, such as data quality testing for accuracy issues by verifying random samples of information provided to the CRAs. Testing should occur on data before and after it is furnished to the CRAs. Furthermore, the CFPB expects furnishers to conduct ongoing periodic evaluations or audits of furnishing practices to identify and correct root causes of any inaccurate information that is generating a high number of consumer disputes.

The accuracy and integrity of consumer reports is critical to an efficient consumer reporting industry, which ultimately benefits both consumers as well as credit markets. However, even though the FCRA is nearly 50 years old, the who, what, when, why, and how of credit reporting continues to pose challenges for RMA members and other industry participants, who must stay vigilant for and responsive to changing regulatory expectations by both the CDIA and CFPB.



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