



BANKING, INSURANCE, AND CAPITAL MARKETS

THE FAIR CREDIT REPORTING ACT (VIDEO TRANSCRIPT)

The Federal Government enacted the Fair Credit Reporting Act in 1970. The purpose was to promote the accuracy and integrity of consumer reporting information. Today, a standardized format known as Metro 2® is used to facilitate reporting of accurate, complete, and timely consumer credit information electronically. Although the Fair Credit Reporting Act, the Fair Credit Billing Act and Equal Credit Opportunity Act have been around for some time, lack of significant regulatory enforcement action made it easier for credit bureaus and data furnishers to allow incorrect credit reporting information. However, things started changing after the enactment of the Dodd-Frank Wall Street Reform and the Consumer Protection Act. The maturity of the industry has changed significantly from 2014 due to increased enforcement action.

FCRA compliance can become a potential minefield if issues are not addressed carefully. Though the private rights of action to furnish obligation is limited, any willful or negligent violation may result not only in statutory damages and attorney's fees, but punitive damages, as well. In addition, the Federal regulatory agencies and state attorneys general can enforce the statute for any violation. FCRA related penalties have gone up many folds after the Dodd-Frank Wall Street Reform and the Consumer Protection Act. In March 2017, the CFPB issued supervisory highlights detailing the problems in the credit reporting industry. The regulator highlighted significant issues with lack of robust compliant management system (CMS), missing policies and procedures for several areas including the handling and investigation of direct disputes, creation and retention of documents related to disputes, and third-party service provider oversight.

In addition, examiners also noticed that knowingly inaccurate data was furnished, date of first delinquency was not reported correctly for bankruptcy and charge-off accounts, and incorrect account information was not updated promptly after identification of error. The Metro 2® format is prescriptive, however it also allows certain flexibilities to the furnishers in terms of reporting time, reporting format, and the way certain business scenarios are reported. The expectation for the furnisher is to have detailed procedures, requirements, and an information system in place for calculating and reporting the Metro 2 fields accurately. As outlined here most of the furnishing issues can be classified into one of four categories: namely, 1) data quality 2) Metro 2 interpretation 3) programming error and 4) poor documentation.



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