

Modeling Consumer Damages of Inaccurate Credit Furnishing

Financial Services

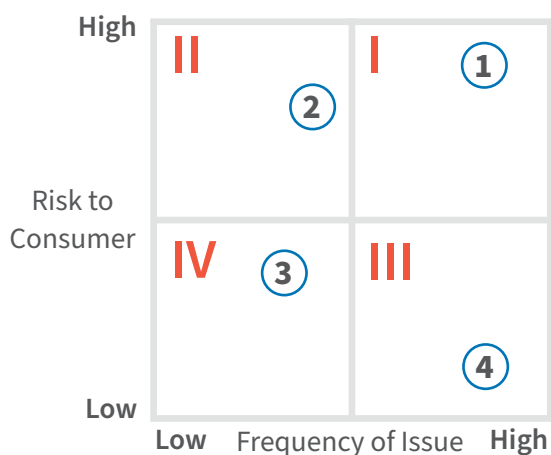
In July 2022, the Consumer Financial Protection Bureau (“CFPB”) announced a public enforcement action against an auto finance company totaling \$19.2 million in penalties and significant redress for each impacted customer. With this action, the CFPB indicated that they will be prioritizing accurate credit furnishing. Modeling the potential customer impact of inaccurate data furnishing can help estimate risk exposure, target remediation priorities, and demonstrate good-faith efforts to regulators.

How FTI Consulting Can Help

FTI Consulting’s Consumer Finance experts have a strong understanding of the impact of credit reporting fields on consumer credit and how financial institutions evaluate credit risk and utilize credit scores. We use our industry knowledge to determine the likely impact of inaccurately furnished fields and inadequate dispute responses (*i.e.*, late response, no response or inaccurate response).

Leveraging our understanding of Metro 2® fields on a consumer’s credit score, our experts are able to determine the likely impact that furnishing issues had on consumers. We have successfully analyzed and prioritized potential issues for our clients based on our risk framework:

Risk Quadrant of Example Issues



Quadrant Descriptions

- I. System issues that may have a high impact on a consumer's credit
- II. Non-systematic issues that may have a high impact on a consumer's credit
- III. Systematic issues that may have a limited impact on a consumer's credit
- IV. Non-systematic issues that may have a limited impact on a consumer's credit

Example Issues

- 1. Key Metro 2® Field (e.g., "Payment Rating") is systemically inaccurate
- 1. Key Metro 2® Field (e.g., "Account Status") is manually updated incorrectly and appears to impact many accounts
- 1. Demographic Metro 2® Field (e.g., "Surname") is inaccurate, due to manual updates
- 1. All businesses (i.e., ECOA Code "W") furnished without a personal guarantor

Modeling and Data Analytics Capabilities

FTI Consulting’s Ph.D. statisticians have extensive prior experience developing consumer credit scoring models. Our dedicated Data & Analytics practice uses industry-leading tools and platforms to efficiently process large quantities of structured and unstructured data. Our experience developing models based on unique inputs and requirements includes:

- Quantifying economic damages
- Developing statistical, econometric and financial models in large data sets to analyze liability, damages, disgorgement, and remediation needs
- Identifying gaps and improvements in quantitative models for manual overrides
- Quantifying remediation needs
- Formulating practicable remediation rules across customer populations

FTI Consulting’s Data & Analytics team supports the damages and remediation analysis with wide expertise in three main areas:

ANALYTICS TECHNOLOGY

- We Leverage Analytics Technologies to:
- Identify root causes of issue(s)
 - Provide innovative solutions tailored to client's environment
 - Strengthen compliance programs, controls and business/system requirements

DISPARATE DATA

- We can identify, transform, and connect disparate data sources into a central location (e.g., a data warehouse) to:
- Uncover differences in data and operational logic between systems
 - Produce intuitive and valuable visual reports with drill-down capabilities
 - Assist clients with taking data-driven action

BACKEND ENVIRONMENTS

- We have extensive experience advising and implementing on enhancements to many backend functions, including:
- Backend environments
 - Integration of systems/ecosystems
 - Reviewing and enhancing program code
 - Technical development and architecture of development activities





Remediation of Issues

Based on scope of issues and our modeling efforts, our experts can identify consumers who may require remediation. If necessary, we also have extensive experience remediating tradelines, including submitting manual (i.e., Automated Universal Dataforms or “AUDs”) and batch updates with Consumer Reporting Agencies (“CRAs”). Based on similar remediation activities, we have found there are typically four classifications of remediation.



¹ Hyundai Capital America, Consumer Financial Protection Bureau, (July 26, 2022), <https://www.consumerfinance.gov/enforcement/actions/hyundai-capital-america/>

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