



Quick



ON ENSURING CREDIT-REPORTING ACCURACY



with MICHELLE MACARTNEY

Managing partner and chief compliance officer at Bridgeforce

The lifeblood of the lending ecosystem in the U.S. is accurate data. But the furnishing of accurate consumer information by banks to credit-reporting agencies is challenging because of its sheer volume and complexities. And regulators carefully police the process.

Michelle Macartney, managing partner and chief compliance officer of Bridgeforce, recommends that financial services organizations establish Fair Credit Reporting Act (FCRA) centers of excellence to ensure accuracy and reduce regulatory risk. In addition, a centralized operation is more efficient and is more consistent in handling credit-reporting disputes, which can create a more positive customer experience.



Why is credit reporting and disputes a pressing topic?

Credit reporting and disputes have been a pressing topic for over 10 years and continue to be. Accurate data is at the heart of the credit reporting ecosystem—a key part of lending in the U.S. Appropriate handling of consumer disputes related to data accuracy can alert a furnisher, such as a bank or credit union, to potential inaccuracies. The Consumer Financial Protection Bureau (CFPB), responsible for supervision and enforcement of FCRA requirements, continues to shine a big spotlight on furnishers' reporting and disputes practices. The Bureau is not shy about issuing directives and consent orders when examining a furnisher and identifying data inaccuracies sent to the credit reporting agencies, as well as inappropriate dispute handling.



What are some FCRA trends you're seeing?

The CFPB's laser focus means more data furnishers are putting greater focus on credit-reporting within their organizations. Furnishers are creating policies and procedures where they don't exist or updating them to meet regulatory requirements. There's also more governance and oversight throughout the life cycle of furnishing and disputes. Another trend is centralizing furnishing and dispute operations and getting away from the product or portfolio-based organizations for those functions. Finally, automating workflow case management for disputes handling continues to grow.



How is governance and oversight different from the compliance function?

Compliance is typically a second line of defense function that sits outside the line of business for facilitating activities, identifying weakness, and governing more enterprise change. Compliance needs to operate independently from the front lines of business. Governance and oversight need to occur within the first line of defense that is intended to control activities that occur at and within the business level. This can go across multiple functional areas and organizational levels.



How does centralization help lenders meet their current challenge?

One of the biggest benefits of centralization is consistency. That means all of an institution's consumer trade lines are furnished in the same manner, and all

disputes are handled similarly without differences among portfolios. Centralization with regards to the FCRA also creates a centralized focus on how consumer reports are used within the organization. For a bank, this centralization and consistency can provide a much-improved customer experience in its handling of disputes and complaints. Centralization ensures consistency for regulatory and corporate policy compliance, as well as consistency with operational risk control and oversight. FCRA compliance is high risk for banks, and centralization provides a singular approach to processes, operations and governance.



Define how a center of excellence can be established.

An initial approach can be to establish a centralized oversight organization to define standards by which all frontline operations must adhere. For example, they may define how to report settlements, or how to conduct disputes. In this approach, furnishing and disputes operations remain segmented by portfolio. Contrast that with what I call the catch-all approach to a COE, which centralizes all furnishing and dispute operations into a single unit. I favor the latter because it's far easier to ensure consistency of operations and regulatory compliance, as well as efficiencies of scale when combining all operations. Everyone is connected to disputes, internal governance, reporting and change management—all within a single organization.



What have you seen work best across the industry?

Organizationally, the fully centralized model works best. If the organizational commitment is not there, it's harder for the oversight organization to enforce the expectations with multiple lines of business. Best practices for furnishing include a set of validation controls that follow the data from the point it's generated through pre- and post-transmission controls. A strong furnishing organization has clear change management practices that ensure furnishing is at the table for all changes. Clear documentation of how the furnishing files get generated is critical to ensuring accuracy. Best practices on the dispute side feature clear dispute-handling standards. The best operations have an automated workflow solution that reinforces how disputes are to be managed consistently

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