



# Bankers Advisory

## COMPLIANCE MONITOR

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### *CFPB Begins Supervision of Credit Bureaus*

By Anna DeSimone

On September 20, 2012, the Consumer Financial Protection Bureau begins its supervision of consumer credit reporting agencies, also known as credit bureaus or credit reporting companies. It is the first time such companies will be supervised at the federal level.

The Dodd-Frank Wall Street Reform and Consumer Protection Act authorizes the CFPB to supervise nonbanks in the specific markets of residential mortgage, payday, and private education lending. For other markets for consumer financial products or services, the CFPB has the authority to supervise nonbank "larger participants" as defined by rule.

The July 16th announcement states the CFPB will supervise consumer reporting agencies that have more than \$7 million in annual receipts. This supervisory authority extends to an estimated 30 companies that account for about 94 percent of the market's annual receipts. Altogether, the three largest credit reporting companies issue more than 3 billion consumer reports a year and maintain files on more than 200 million Americans.

The CFPB's approach to supervising credit reporting will be just like its approach to supervising banks and other nonbanks already subject to CFPB supervision. The companies will be subject to review of compliance systems and procedures, on-site examinations, discussions with relevant personnel, and they will be required to produce relevant reports.

In a press release dated September 5, 2012, the CFPB released examination procedure for the consumer reporting market. Examiners will be looking to verify that consumer reporting companies are complying with requirements of federal consumer financial law, including:

- **Using and Providing Accurate Information:** Examiners will assess whether companies have reasonable procedures in place to ensure accuracy of the information about consumers that appears in their reports. This will include looking at how companies screen information that they receive for accuracy and how companies match incoming information to a particular consumer's file to make sure it appears on the right consumer's report.
- **Handling Consumer Disputes:** Examiners will determine if reporting companies conduct reasonable investigations when consumers dispute the accuracy or completeness of their files. Examiners will also evaluate the systems, procedures, and policies used by the company for tracking, handling, investigating, and resolving consumer inquiries, disputes, and complaints.

- **Making Disclosures Available:** Examiners will determine whether reporting companies disclose to consumers their file information and credit scores when required to do so, and whether they have trained personnel to explain the information in their disclosures to consumers.
- **Preventing Fraud and Identity Theft:** Examiners will look to see whether these companies are fulfilling the requirements to address identity theft and to protect active duty military consumers, through such means as fraud and active duty alerts, and blocking of reporting of information that stems from identity theft.

The procedures are an extension of the CFPB's general Supervisory and Examination Manual and provide guidance on how the Bureau will be conducting its monitoring in the consumer reporting market. The examination process will be an ongoing process of pre-examination scoping and review of information, data analysis, onsite examinations, and regular communication with supervised entities, as well as follow-up monitoring. When necessary, examiners will coordinate and work closely with the CFPB's enforcement staff, who may take appropriate enforcement actions to address harm to consumers.



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