

The Profitability of Data Accuracy

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The tides have changed over the last few years and you can either ride the wave or get stuck in the undertow. Consumers are bombarded daily with dozens of commercials advertising “know your credit score” and “obtain your free credit report,” along with offerings of daily monitoring services. Increased awareness has sharply increased the cost of managing Credit Bureau Reporting.

To compound matters, the new Democratic Congress is emphasizing consumer protection issues such as the Financial Industry’s responsibility to protect the consumer from identity theft, report consumer data accurately and provide the basis for building credit history in the subprime and under serviced markets.

The good news is that in the long run, an educated consumer can be a more lucrative customer or member. The bad news is that cost of processing the growing number of data related disputes, complaints and legal settlements is taking a bite out of profitability.

Larger institutions have been bearing the brunt of disputes and litigation thus far. Dispute volumes over the last few years have increased to the point where many banks are contemplating, or already participating in, off shore outsourcing of dispute resolution. While this solution can potentially lower operational costs, the perception of having their most personal data accessed by low cost vendors in economically emerging countries has both consumers and consumer advocates cringing.

Think you are safe not reporting? Think again. Many smaller institutions such as Community Banks, Credit Unions and Collection Agencies find the concept of managing disputes and potential litigation so daunting they choose not to report. Emerging populations and subprime consumers attempting to build or rebuild credit now understand the impact of missing trades on their credit scores, forcing Financial Institutions to respond to complaints of unreported account information.

While some companies have chosen not to report, more than a few that do report are blindly relying on their systems vendor to provide compliant data reporting, with little or no oversight. When posed with the question of Data Compliance, one systems provider responded, “regulatory compliance is the responsibility of our client.” **That means YOU.**

What steps can you take to manage the growing financial and reputational risks of inaccurate data?

1. **Get Ahead of the curve.** No one wants increased regulatory oversight. Report correctly the first time, **before you attract the attention of regulators, litigators and the media.**
2. **Create Strategic Partnerships.** Credit Bureaus need your data to survive - It is a symbiotic relationship. The cleaner your data, the more accurate, profitable and marketable their products are. Treat them like partners, not vendors.
3. **Be Involved.** At a minimum, perform annual data audits in conjunction with your Bureau partners. When requested, the Bureaus will provide reject and error reports each month so you can correct as much as possible before your next reporting cycle.
4. **Keep Them Honest.** Work with your systems provider to create monthly and quarterly reporting. Remember, it’s YOUR reputation at stake.
5. **Junk In, Junk Out.** Evaluate your Data Compliance risks *before* you purchase a portfolio.
6. **Tracking Makes Perfect.** Multiple disputes for similar issues can tell you a story. Read it, understand it, and fix it.
7. **Research and React.** Spend the time on root cause analysis rather than simply deleting or blocking disputed trades. These efforts will decrease your risk and costs in the long run.
8. **Beware The Audit.** Get your house in order *before* questions arise. Developing, and more importantly maintaining the appropriate process documentation is the ticket to low stress reviews.
9. **A Little Goes A Long Way.** An ounce of prevention really *is* worth a pound of cure. A single FCRA complaint can cost \$1,000 plus legal fees. Limited resources are better spent *avoiding* complaints rather than paying for them.
10. **The Price of Being Reactive.** Vendors and litigators can smell desperation a mile away. Proactive is *definitely* cheaper than reactive!

If you don’t have the in-house expertise, get help.

Protecting your customers and members really does protect your bottom line!

Are you ready for FACTA 312? Are you sure?

CBCS can get you prepared for FACTA 312’s credit bureau reporting data accuracy & integrity requirements and accompanying regulatory examinations. For more information on CBCS’s Credit Bureau Reporting & Strategy services, please visit CBCS on the web at www.CBStrategyConsult.com, or contact Jen Maisano directly at 410-208-6797.

