



**National Association
of Federal Credit Unions**
3138 10th Street North
Arlington, VA 22201-2149

NAFCU | Your Direct Connection to Education, Advocacy & Advancement

August 28, 2015

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

RE: Response to Request for Information Regarding the Consumer Complaint
Database: Data Normalization

Dear Ms. Jackson:

On behalf of the National Association of Federal Credit Unions (NAFCU), the only national trade association focusing exclusively on federal issues affecting the nation's federally insured credit unions, I am writing to you regarding the request for input on the Consumer Complaint Narrative Database (the "Database"). Credit unions have strong track record of working closely with their members to resolve any disputes or concerns. As member-owned institutions, credit unions have a vested interest in resolving their member-owners issues as effectively and efficiently as possible. Given the credit union industry's acute attention to complaint resolution, NAFCU and our members support the Consumer Financial Protection Bureau's (CFPB) efforts to facilitate a dispute resolution process; however, the Database continues to have practical implications that undermine the complaint resolution process. While NAFCU and our members appreciate the CFPB continued attention to improving the usability of this tool, we remain deeply concerned about the existing reputational and consumer privacy issues with the current Database.

General Comments

The CFPB has requested industry feedback on how to best amend the Database in order to create usable metrics for consumers and market participants to compare products and services. NAFCU and our members strongly believe that the Bureau must first address the reputation and privacy risks posed by the existing Database prior to adding additional functionality tools, such as data normalization. Through the current system, there remain serious concerns that personal information may be inadvertently released jeopardizing an individual's secure financial information. For example, in reviewing the CFPB's June 2015 release of nearly 8,000 consumer complaints, industry has identified a number of narratives

that were not properly scrubbed of personal information prior to being published online. Although the CFPB staff was quick to respond to rectify such occurrences, the CFPB must pay more attention to protecting sensitive personally identifiable information as the number of published consumer narratives increases. NAFCU strongly urges the CFPB to carefully review and implement the Office of Inspector General's July 2015 report to ensure the proper security policies and procedures are in place.

Complaint Database is an inefficient means to resolving consumer complaints

NAFCU remains skeptical that any potential benefits of the Database justify the reputation and privacy risks. Currently, there is no mechanism to validate a consumer's comments, which creates harmful reputational risks to credit unions and other financial institutions. In particular, credit unions are often unable to directly communicate with its member who shares a story with the CFPB because the information from a consumer is anonymized. With identifiable information redacted from complaints, credit unions are often not able to respond as effectively as they could if they were dealing with their members directly. This leaves credit unions in a no-win situation. On one hand, if a credit union fails to respond, it appears as though there was no acknowledgement or resolution by the credit union of the customer's complaint. On the other hand, credit unions are concerned about the risk of disclosing personally identifiable financial information. This encourages credit unions to respond with a generic response, rather than allowing credit unions to deal with their members directly and personally.

The current framework imposes additional, and often unnecessary, costs on financial services providers. Credit unions are now required to coordinate their complaint resolution processes, not only with the CFPB, but also individual state regulators and the National Credit Union Administration (NCUA). These added costs are particularly burdensome for credit unions, as they typically employ smaller staffs. With the implementation of the Database, credit unions must now coordinate complaints filed on the database with those filed internally to ensure that resources are not being spent to separately resolve duplicate complaints. This added process likely increases the overall time for processing complaints, which is harmful to the customer seeking timely recourse.

In addition, if a credit union resolves a complaint internally, prior to receipt of any notice from the CFPB, the credit union must still provide a response to the complaint on the database. The CFPB is needlessly imposing duplicative requirements on financial institutions, further exacerbating valuable time and staff resources with little benefit to consumers. NAFCU believes that the Bureau can eliminate this duplicative requirement by replacing the current method of automatically publishing complaints after the company responds or after the company has had the complaint for 15 calendar days. Instead, the CFPB should prompt complainants to rescind their narratives if an issue has been resolved to the customer's satisfaction within a pre-publication timeframe. This would eliminate the duplicate complaints, and would allow credit unions to devote staff resources to provide customer service in a more effective and efficient manner. Additionally, the CFPB should adopt a verification method by which all complaints are filed under oath or affirmation that

the information provided is accurate and that the party has filed a complaint with the offending credit union that has been non-responsive or failed to provide an adequate response prior to submission to the CFPB.

Data normalization efforts and consumer trend analysis are ineffective tools

In the request for input, the Bureau suggests that data normalization is the best way to achieve this goal. The Bureau indicates that it is also seeking to adopt a more data driven approach in order to address concerns about the reputational risks the database poses to the industry. However, NAFCU and our members firmly believe that the “normalization” that the Bureau is seeking will be impossible to achieve in a statistically sound manner. Based on the existing Database’s system there is no true mechanism of data normalization that would be able to capture differences among types of financial institutions, asset sizes, and geographic areas.

Last month, the CFPB issued its first monthly Complaint Snapshot Report. The CFPB states that each month, the report will spotlight a particular product and geographic location. The analytics, though, are not based on an industry-wide collection of data. Instead, the monthly snapshot only provides an insular view of market-data based only on complaint information that the CFPB receives. NAFCU is concerned that the CFPB is incorrectly characterizing number of narratives submitted online as a statistically relevant “trends and analyses” that can be used to inform the public and the marketplace. Accordingly, NAFCU strongly recommends that the Bureau cease publishing the monthly Complaint Snapshot Report. NAFCU and our members believe that credit unions and other covered financial institutions should have the opportunity to periodically review the data held by the CFPB and if the data proves to be incorrect or misleading, the Bureau should institute guidelines to either substantiate the data or remove it.

According to the CFPB’s June snapshot, the most-complained-about financial product or service was debt collection, with 7,400 consumers lodging complaints through the CFPB. However, the CFPB has no method to verify the accuracy of a complaint submitted, thus, it is not statistically proper to draw conclusions about how financial institutions address debt collection issues. Since the report is not based on verified analytical data, NAFCU believes the Bureau improperly draws conclusions about financial products and services, which paints an overly negative picture of the financial industry that is misleading to consumers.

Conclusion

NAFCU appreciates the opportunity to share our thoughts on how the CFPB can improve the transparency and efficiency of the Consumer Complaint Narrative Database. As the Bureau continues its study of the student loan servicing market, NAFCU and our members hope to be a resource for CFPB staff to share our insights and experiences in the student lending markets. Should you have any questions or concern, or if you would like to discuss this issue further, please feel free to contact me at ksubramanian@nafcub.org or (703) 842-2212.

Consumer Financial Protection Bureau

August 28, 2015

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Sincerely,

A handwritten signature in cursive script that reads "K. Subramanian".

Kavitha Subramanian
Regulatory Affairs Counsel