



**National Association
of Federal Credit Unions**
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NAFCU | Your Direct Connection to Advocacy, Education & Compliance

September 29, 2016

Consumer Financial Protection Bureau
Attention: PRA Office
1700 G Street NW.,
Washington, DC, 20002

RE: Consumer Response Company Response Survey

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 comment on "Consumer Response Company Response Survey." *See* 81 Fed. Reg. 50484 (Aug. 1, 2016). Credit unions have a 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 providing effective member service and are generally responsive to feedback. 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 promote effective complaint resolution; however, the Company Response Survey (the "Survey") would neither enhance nor facilitate that process.

Increased risk of reputational harm

In 2015, the CFPB received warnings about the potential adverse effect of public disclosure of company responses when it issued its final policy statement governing the publication of narrative complaint data. In its statement, the CFPB acknowledged that companies bear an inherent risk whenever complaint data is released, but assured affected entities that the "marketplace of ideas" would nevertheless assign complaint data an appropriate level of confidence.

NAFCU is concerned that proposed changes to the Consumer Complaint Database (the Database) would expose credit unions to substantial reputational risk while contributing little to the marketplace of consumer reviews. The Survey functionally resembles existing consumer reporting mechanisms available through social media platforms. Given the availability of these alternative channels for obtaining company ratings, the Bureau's reluctance to "verify all the facts," and the fact that financial institutions must abide by privacy limits whenever they publicly respond to criticism, NAFCU struggles to see what added value the Survey provides.

While it is true that public disclosure of Survey data might hypothetically improve customer service and lead to stronger compliance efforts, the emphasis on positive transformation tends to overlook existing efforts to improve customer service using industry platforms that already incorporate data about the complaint resolution process. Furthermore, if the Bureau is truly concerned with improving customer service, internal feedback mechanisms are better equipped to deliver comprehensive assessments of service quality.

Generally, consumers complain first to the company and then to the CFPB when they have a problem. As the last stop for most consumers, the Database would fail to adequately capture information about the initial stages of complaint handling, and instead offer an unhelpful portrait of late-stage frustration. Credit unions would likely receive narrative ratings that are uncharacteristically negative once they reach the Bureau, but receive no credit for reconciliation efforts that take place beforehand.

For published complaints, the last word already belongs to the consumer, yet the Survey is designed to amplify dissatisfaction rather than facilitate communication. Internal customer service channels are generally more efficient in terms of resolving disputes; however, the Survey would impair the effectiveness of these channels by redirecting consumers to a government platform that practically operates as a showcase for subjective criticism.

The Survey questions are difficult to contextualize and invite confusion.

NAFCU believes that consumers may improperly utilize the Survey's narrative field to submit new complaint information, which would result in delayed reconciliation and potentially greater customer frustration. Additionally, the Survey questions invite confusion and might compromise the clarity of the Database.

The prompt asking whether the "company did what it said it would do" is a question best reserved for a new complaint. A consumer who does not receive the resolution they were promised can submit a new complaint that raises the issue separately (e.g., "continued attempts to collect debt I do not owe," or "false statements or representation."). Furthermore, customers might not understand whether they should submit a new complaint if a company fails to follow through on its promises, or wait until their response on the Survey receives appropriate attention. Such confusion could cause unnecessary delay, fees, or distress to the customer while they await company or Bureau action.

The prompt "the company addressed all my issues" is similarly problematic because it could yield muddied data if consumers raise new issues during negotiations with the company. A company's inability to resolve collateral issues that do not appear in the complaint could give the false impression that the company was unhelpful with respect to the consumer's original problem. Moreover, a consumer might incorrectly assume that the Survey narrative operates as an extension of the original complaint, which could lead to misdirection of new complaint information.

NAFCU also worries that the Bureau has made minimal efforts to correct for potential misapprehensions about the nature of the Survey, which could easily serve as a vehicle for exaggerated or meritless grievances. Remarks by CFPB Director Richard Cordray in 2015 invited prospective complainants to share not just the facts, but also their “perspectives.” To date, the CFPB has provided no comment on what it intends by this gesture, or whether it holds consumers to a standard that is less than objective. NAFCU believes that the Bureau should include a notice on the Survey itself clearly stating that its purpose is to provide an objective assessment of a company’s customer service.

Consumer disclosures of company responses would frustrate the goals of efficient reconciliation.

What a consumer chooses to write in the Survey’s narrative feedback section could be damaging to customer service in the long term. If a consumer copies a company’s non-public response into the Survey’s narrative field, companies may be less inclined to offer unvarnished explanations for the actions they take out of fear that their private discussions will become public record. It remains unclear how the CFPB’s data scrubbing standards would adequately preserve the confidentiality of a company’s non-public response, particularly when Survey results are clearly tied to corporate identity.

The CFPB should publish a detailed explanation of the process it will use to review narrative submissions on the Survey before it seeks to implement proposed changes. At the very least, the process for narrative scrubbing should be designed to preserve the confidentiality of the type or amount of relief given by a company to prevent identification of the customer.

Impact on Examinations

For credit unions subject to the CFPB’s supervisory jurisdiction, examiners are instructed to take into account a financial institution’s complaint data. Despite being entirely subjective, Survey results would be part of that data set. NAFCU and its members believe that formal consideration of subjective variables such as customer dissatisfaction would be counterproductive to the goals of the examination system. Examinations are designed to be objective assessments of processes and risk. By using Survey data to inform overall risk assessment, the CFPB would transform examinations into subjective critiques that could potentially overshadow the positive aspects of a credit union’s customer service program.

Conclusion

The insights gained from the Survey would not be particularly useful for credit unions, yet they would correspond with substantial and costly increases in reputational risk. NAFCU and its members do not think it would be productive for credit unions to redirect their resources toward defusing potentially disingenuous Survey criticism in addition to managing ratings across myriad social media platforms. As the Bureau is likely aware, dealing with online criticism is costly, particularly when the criticism is difficult to verify.

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If the Bureau values improving customer service, there are alternative means of accomplishing that goal that do not necessitate public disclosure of Survey results. For example, the Bureau could invite companies to provide their own, private surveys to customers, which would likely yield more specific and helpful insights. As discussed previously, making the Survey results public might compromise the usefulness of the data and chill what would ideally be an open dialogue between the company and the consumer.

NAFCU appreciates this opportunity to share our thoughts on how the CFPB can improve the functionality and usefulness of its Database. As the Bureau continues its study of financial institutions' customer service, NAFCU and our members hope to be a resource for CFPB staff to share our insights and experiences. Should you have any questions or concern, or if you would like to discuss this issue further, please feel free to contact me at amorris@nafcu.org or (703) 842-2266.

Sincerely,

A handwritten signature in black ink that reads "Andrew Morris". The signature is written in a cursive, flowing style with a long horizontal stroke at the end.

Andrew Morris

Regulatory Affairs Counsel