Raising the bar on data integrity
An Experian perspective
WHILE the U.S. leads in providing consumers affordable, fair, wider and portable access to credit, the American consumer has little appetite for mistakes. The informed individual demands, and rightfully expects, speed in reaction, resolution and trust in the industry that is so vital to their financial well-being.

A commitment to a laser focus on data accuracy and dispute resolution is both consumer-centric and business savvy — as the impact of the empowered consumer’s experience on revenue, loyalty, operational costs and brand equity becomes increasingly amplified in this competitive industry.

Progressive lenders are going beyond what is mandatory, redefining their consumer experience strategies by increasing transparency, inclusion and credit education throughout the credit lifecycle. Strategies include empowering consumers with their own data during the application process, delivering credit education for new-to-file customers to differentiate healthier portfolios and transforming regulator-required disclosure notices into an actual customer-loyalty building opportunity.

WHY STRIVE FOR PERFECTION?

The missed lending opportunity or the unsolved dispute impacts more than just the bottom line. Increasingly, the informed consumer is expanding their reach to go beyond the bureau — taking disputes to data furnishers for resolution, to the courts for litigation and to social media for solace. A recent social media tracking study among the top 100 banks and credit unions revealed a direct correlation between social media chatter and a spike in dispute complaints.

Constant fine tuning of processes and decisioning is more important than ever to maximize profitability and consumer advocacy.

A comprehensive review and analytics in data reporting and disputes is the first step to optimizing operational efficiency. It can reveal dispute volumes, did not respond (DNR) rates, dispute reason outcomes, dispute rate, peer benchmarking, average peer dispute volume, and average peer DNR percentage.

CLOSING THE GAP

In February 2013, a Federal Trade Commission study said 2.2 percent of credit reports had an error that could have a meaningful impact on a consumer’s score. While the overall accuracy is regularly debated, and despite phenomenal progress in reducing dispute time and improving accuracy measures, in the end, the reports are still not perfect.

Current accomplishments in the credit ecosystem powering lending and commerce, as well as enabling and educating consumers, while complying with shifting regulations, are already considered standard operating procedures; expected as part of doing business. A concerted focus on closing that gap of 2.2 percent is vital to strengthening the economic backbone of the United States.

Beyond the Arc Inc., Nilson report 2012, CFPB
1Data furnisher does not respond to dispute
2Not an exhausted list of services provided by Experian.
Please contact your local representative for additional information.

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Deploying systemic processes which isolate and correct inaccurate data is the crux to closing the alleged gap of 2.2 percent and truly making credit reports increasingly accurate. In partnership with leading data furnishers, back stops on every manual entry of application data to reconcile inaccuracies at the earliest stage are being implemented. And if you don’t measure it, you can’t manage it. Ensuring continuous process and analytics into the data reporting and dispute process informs and improves the ongoing efforts.

In its supervision of large banks, the Consumer Financial Protection Board (CFPB) is well underway in examining processes to assure accuracy when furnishing information to the National Credit Reporting Agencies (NCRAs). Detailed reporting and analysis into current data accuracy is currently being examined.

Many experts, including the CFPB, agree that inaccuracies in credit data is a joint problem — “the NCRA’s, data furnishers, public record providers, and consumers all play roles which affect the accuracy of the information in credit reports.” With the CFPB as the consumer watchdog, the entire financial services industry faces increased risks unless they detect inaccuracies early on and take quick action for resolution. It is not only the big banks that are being targeted. The agency said it will also direct its attention to certain nonbanks and financial products.

The past few months have been one of the most active periods for implementing Dodd-Frank. The CFPB will also finish its first round of exams and continue to expand its oversight of other nonbank companies that are larger participants. Richard Cordray, Director of CFPB, stated, “The opponents of financial reform are losing. There is a strong, new Consumer Financial Protection Bureau, looking out for American households.” Translation: Expect a bolder CFPB in year three.
We believe the next generation of lenders will compete on dispute response rates and accuracy of reporting. And not just because regulators will require it, but because it will give them a competitive advantage with their customers. The shift toward focusing on the customer experience is already taking shape.

Perfecting the credit ecosystem that includes 220+ MM adults, 10,000+ data furnishers and 1.3 billion monthly consumer credit/tradeline updates is complicated. However, focusing on the little things is a proven approach to make even chronic challenges actually disappear.

Questions data furnishers can answer:

- How do my dispute rates compare to my peers’?
- Are my dispute rates improving or deteriorating over time?
- Do I understand which records can’t be processed?
- How do my reject rates compare to my peers’?
- Am I reporting all fields as recommended by Metro II guidelines?

A proactive approach

Experian® prescribes a proactive, ongoing approach to provide your customers with an optimal experience, enhance your competitive advantage, prepare you for regulatory review and curb the degree of regulatory uncertainty.

How is this different from traditional data audits? What makes our approach different? Common data reporting reviews are limited to the analysis of a single month of reporting. Often, the focus of these engagements is on reviewing specific cases where processing issues have occurred — an in-the-moment, reactive approach. What often gets overlooked is the overall health of the data being received, processed, posted and potentially disputed. In reality, a simple base-level review is not adequate. Experian’s approach to advanced analysis and evaluation is the new baseline requirement you need to close the gap.

Increasing the breadth and depth of data reviews

Data reporting reviews take a more holistic approach to reviewing reported data by balancing the analysis between points-in-time analytics versus lifecycle analytics. The next step is having the enhanced capability to leverage this insight to better position your company for the near future.
The urgency for change and imminent exams can be a burden on operating costs and shifts away from business priorities, but preparation and leveraging lessons learned from experts can reduce anxiety, provide peace of mind and generate revenue via improved customer experiences.

It is more important than ever that data furnishers have insight into the accuracy and quality of the data they report to ensure:

- Policies, procedures and consumer messaging align to reporting practices
- Regulatory adherence to reporting practices
- Positive consumer experience
- Understanding of reporting practices benchmarked to peers

The analytics are available, the technology is only getting better and consumers are yearning for a trusted, long-term relationship with a provider that handles their financial information. Experian has already been working with key clients to integrate data reporting, data processing and data dispute expertise with enhanced peer benchmarking and data trending to create a unique set of analytic offerings that meet today’s more demanding regulatory landscape.

Learn more on Experian’s proactive approach: [http://now.experian.com/data-accuracy](http://now.experian.com/data-accuracy)
Data accuracy and integrity are cornerstones of our business

We are committed to providing the highest quality data and invest millions of dollars annually to maintain the integrity of our data by updating our systems to keep it as fresh and accurate as possible and ensure that we meet these high standards of our consumers, clients, products, services, financials — it helps everyone including Experian.

Our state-of-the-art consumer credit database, File One℠ is the industry’s premier credit information database, employing specialized professionals that focus on testing the integrity of the data furnished to us and getting it loaded to our database quickly so it is an accurate reflection of each consumer’s credit record. Experian is the only credit bureau to invest in and build its own data center exclusively for Experian.

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Contributing authors:

Alpa Jain | Experian Credit Services
Reshma Peck | Experian Credit Services