



National Banker Teleconference

Consumer Complaints

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Presenters

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Introduction

- The vast majority of FDIC-supervised institutions are well-run and provide good customer service
- Some institutions have expressed an interest in receiving additional information about consumer complaints
- Accordingly, this teleconference discusses the FDIC's consumer complaint process and how consumer complaints should be considered a part of a bank's Compliance Management System

Agenda

- Overview of the FDIC's Consumer Complaint Response Function
- Review of Consumer Complaint Data Metrics
- Consumer Complaints as an Important Part of the CMS

Additional Questions

- We will be accepting additional questions by email during this call. If you have questions please email them to BankerTeleconference@fdic.gov

Overview of the FDIC's Consumer Complaint Response Function

Establishment of the Consumer Affairs Program

- Federal Trade Commission Improvement Act of 1975 required federal banking agencies to receive and process complaints of unfair or deceptive acts or practices by financial institutions
- FDIC responds to and investigates complaints and inquiries pertaining to consumer protection laws and regulations, consumer concerns, deposit insurance and fair lending matters
- The FDIC established a consumer complaint function within the agency to oversee consumer complaints and inquiries

Complaints and Inquiries Defined

Complaint: an allegation by, or on behalf of, an individual, group of individuals or another entity that a particular act or practice of a financial institution is unfair, deceptive, incorrect or violates a federal regulation or statute under which the financial institution must operate.

Inquiry: a request to the FDIC from consumers, financial institutions or others for information and assistance.

Role of Complaints and Inquiries

- Address consumer concerns
- Respond to inquiries on a wide range of consumer protection related issues
- Identify potential areas of focus for supervisory program
- Inform decision making on consumer education, consumer protection policy, supervisory priorities and emerging issues

Intake of Consumer Complaints and Inquiries

- Strong commitment to outstanding customer service
- Intake and processing covered by formal policies and procedures
- Consistent and constructive approach to investigating and responding to complaints and inquiries
- Specially trained staff throughout the FDIC

Receipt of Complaints and Inquiries

- The CRC receives complaints and inquiries through multiple access points:
 - **Internet:** www.fdic.gov
 - **Fax:** (703) 812-1020
 - **Phone:** 1-877-ASK-FDIC
 - **Mail:** Federal Deposit Insurance Corporation
Consumer Response Center
1100 Walnut St, Box #11
Kansas City, MO 64106
- Written email, fax or letter is required to initiate a formal investigation of a complaint matter

Processing Complaints and Inquiries

- Correspondence entered and tracked in a secure, electronic system
- Reviewed to determine time frame for a response and appropriate handling
 - Redirected if necessary
 - If the CRC receives a complaint or inquiry about an FDIC exam or the exam process, it is forwarded to the appropriate Regional Office for resolution
 - Deposit insurance related inquiries assigned to Deposit Insurance section to handle

Analyzing and Investigating Correspondence

- Compliance with applicable consumer protection laws and regulations
- Address consumer concerns
- Educate consumers

Investigation Process

- FDIC receives written communication about a financial institution
- CRC forwards communication to the institution for review and response via secured website exchange
- Bank investigates all allegations by the consumer and responds to the FDIC within specified time frames
- Correspondence exchanged via **FDICconnect**

Investigation Process

- CRC investigation specialists analyze and review the bank's response
- CRC staff respond to consumer after analysis completed
- Bank is notified of the FDIC's conclusion
- Examination staff are notified about cases with significant supervisory concerns

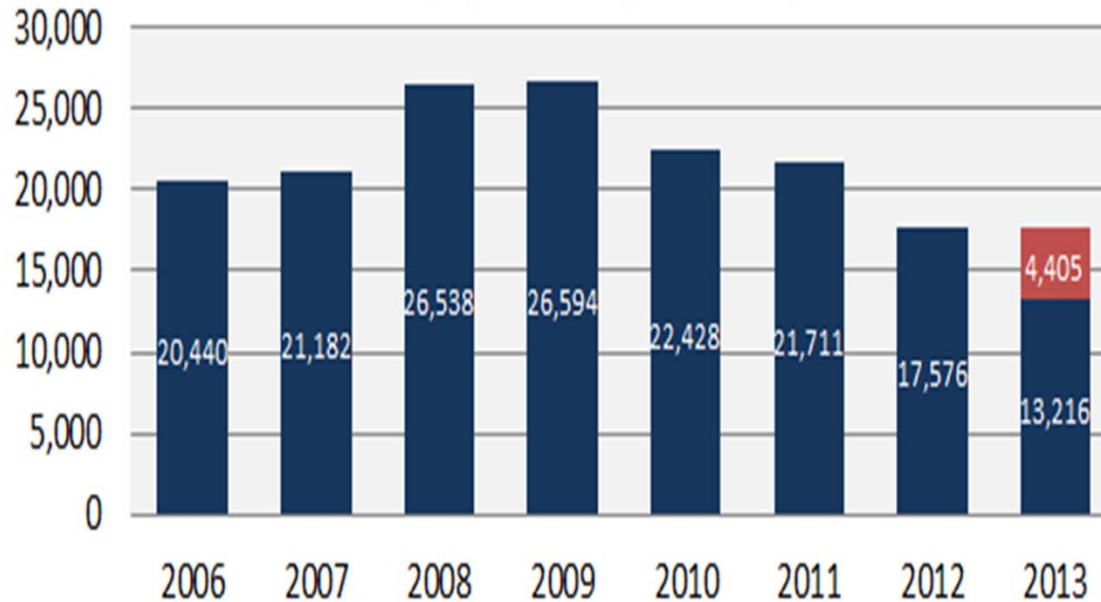
Collaboration on Consumer Complaint Data

- Complaint data supports the FDIC's supervisory functions
- Complaint information can inform banks about potential risks and alert examiners about issues or potential supervisory concerns
- The complaint investigation process has led to the identification of consumer harm

Review of Consumer Response Center Data Metrics

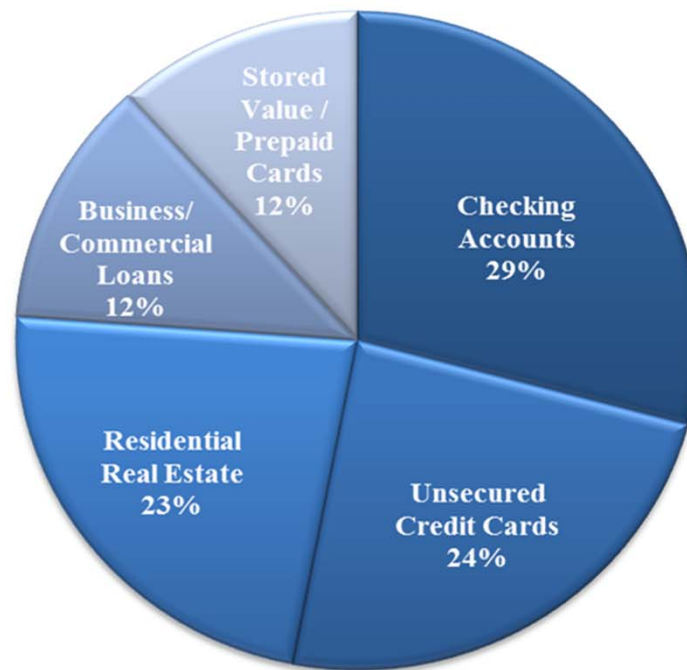
CRC Data Metrics

Written and Telephone Consumer Complaints and Inquiries
January 1, 2006 – September 30, 2013



CRC Data Metrics

**Most Frequently Cited Products Identified
Between January 1, 2013 - September 30, 2013**



CRC Data Metrics

Most Frequently Cited Products and Issues
Checking Accounts - 29%
Overdraft Fees & Service Charges
Discrepancy in Deposit Accounts/Transaction Errors
Error Resolution Procedures
Forgery - Deposit Accounts
Refusal to Cash Check or Provide Service
Unsecured Credit Cards - 24%
Billing Disputes and Error Resolution
Fees and Service Charges
Credit History
Reporting of Erroneous Information
Collection Practices
Residential Real Estate - 23%
Loan Modification
Repossession or Foreclosure
Disclosures
Discrepancy in Loan Accounts
Adverse Action Notice
Business/Commercial Loans - 12%
Repossession or Foreclosure
Loan Modification
Institutional Loan Policy
Terms and Conditions
Fees and Service Charges
Stored Value & Prepaid Cards - 12%
Release of Funds
Privacy-Bank Policy on Customer Identification
Error Resolution Procedures
Discrepancy in Deposit Accounts/Transaction Errors
Refusal to Cash Check or Provide Service

CRC Data Metrics

Commonly Identified Areas of Concern

- Error Resolution Procedures (Regulation E)
- Unauthorized Release of Customer Information (Part 332-Privacy)
- Inaccurate Adverse Action Notices (Regulation B) and FCRA

Error Resolution Review

- Bank errors occur that may not violate consumer protection laws
- Errors include failure to respond to a customer's request or providing a customer with inaccurate information
- Although not technical violations of law, errors can cause consumer harm and once identified, banks typically take steps to correct errors

Error Resolution Review

- Regulation E implements the Electronic Fund Transfer Act (EFTA)
- EFTA/Regulation E outlines specific procedures pursuant to electronic fund transfers where consumers allege unauthorized, fraudulent or otherwise erroneous account activity
- Banks should remain mindful of EFTA/Regulation E requirements pertaining to electronic fund transfers

Consumer Complaints as an Important Part of the CMS

Compliance Management System (CMS)

- **Part of an institution's overall risk management strategy**
- **How an institution:**
 - Learns about compliance responsibilities
 - Ensures employees understand these responsibilities
 - Ensures compliance requirements are incorporated into business processes
 - Reviews operations to ensure responsibilities are met
 - Takes corrective action

Components of an Effective CMS

- **Effective CMS comprised of:**
 - Board and management oversight
 - Compliance Program
 - Compliance Audit
- **Consumer complaint identification and resolution are key factors**
- **Complaint resolution process should be a part of an institution's CMS**

Elements of an Effective CMS

- Board and management oversight
- Compliance program
- Compliance audit

Bank's Consumer Complaint Policy

Three Essential Issues:

- Establish a centralized process for complaints
- Identify risks regarding automated or manual systems on complaints received
- Identify risks associated with product or service offerings

Consumer Complaints in the FDIC's Examination Process

- Evaluation and analysis of an institution's CMS is a key part of the overall compliance examination
- Complaints to and about the institution are reviewed
- Complaint information used to identify the most significant potential risks to an institution
- Consumer complaints may signal management or structural deficiencies in financial institutions

Compliance Examination Overview

Three primary stages of the compliance review:

- Pre-examination planning
- Review and analysis
- Communication of findings to institution management

Pre-Examination Planning Stage

- Purpose of the pre-examination planning stage is to ensure that examiners are aware of any possible consumer protection concerns or recurring issues
- Examiners review complaints and correspondence files regarding a particular institution
- Examiners request compliance-related documents from a bank prior to the on-site review

Review and Analysis Stage

- Purpose is to ensure that examiners have sufficient information to assess the financial institution's risk and develop a risk profile
- Examiners review complaints received by the institution during the examination review period
- Complaints about particular practices indicative of a heightened risk are also considered for on-site review

Examples of Complaint Related Examination Questions

- Has the institution implemented policies and procedures to process and resolve consumer complaints about the institution, including third party providers?
- Does the institution comply with all regulatory requirements regarding complaints, such as timeliness or documentation requirements?
- Have consumer complaints been resolved satisfactorily?
- Does the institution cross-reference complaints to other areas of the CMS?
- Does the institution review complaints to determine whether improvements to products or services are needed?

Third Party Relationships and Consumer Complaints

- Banks remain responsible for the activities of third party providers
- Policies or practices of third parties could result in consumer complaints
- Consumer complaints could identify concerns about third parties and indicate that the bank needs to provide increased attention to the third party relationship
- Failure to appropriately manage third party relationships can expose the institution to risks

Best Practices

- Commitment from the Board and senior management
- Proper documentation
- Consistent policies and procedures
- Tracking system
- Regular audits
- Cross-reference complaints
- Monitor third-party relationships

Contact Information

- **To submit a complaint or inquiry:**
 - **Internet:** www.fdic.gov
 - **Phone:** 1-877-ASK-FDIC
 - **Mail:** Federal Deposit Insurance Corporation
Consumer Response Center
1100 Walnut St, Box #11
Kansas City, MO 64106
- **Questions regarding *FDICconnect*:**
 - Email: FDICconnect@fdic.gov
 - Phone: 1-877-ASK-FDIC,
 - Select option 4
 - Ask the Operator to transfer you to the *FDICconnect* Helpdesk
 - Call the *FDICconnect* Helpdesk directly at (703) 516-1069

Questions and Answers

Thank You

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