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Datathon Presentation - Team7

Lally Business School | 04/04/2020

Objective

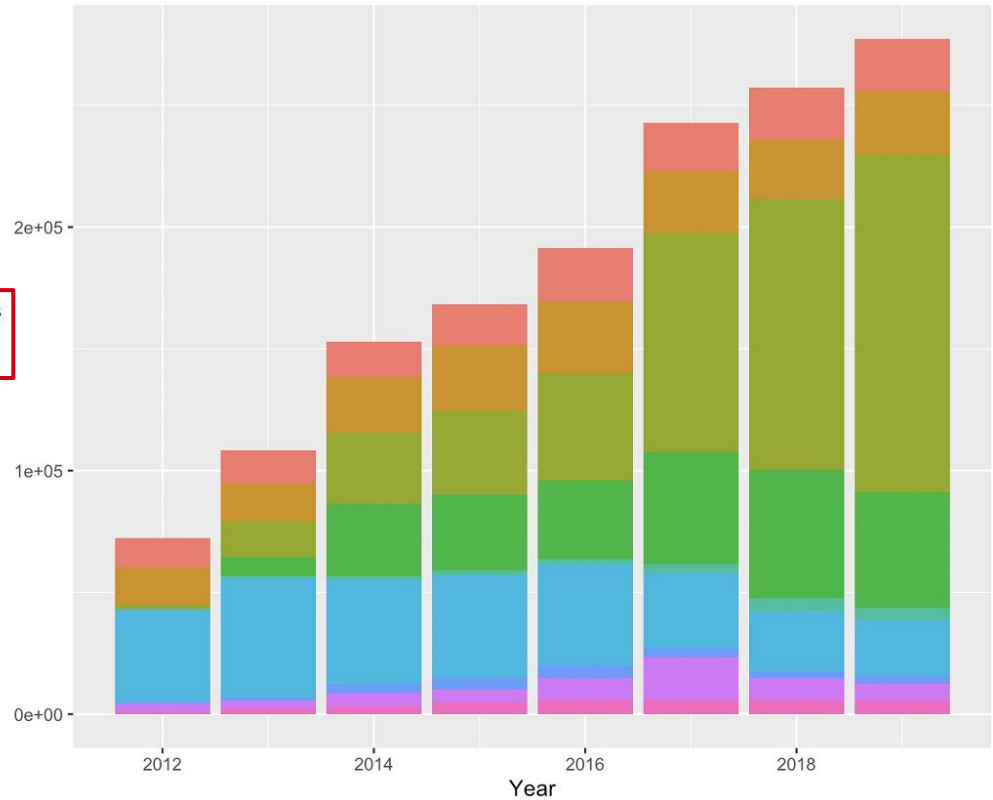
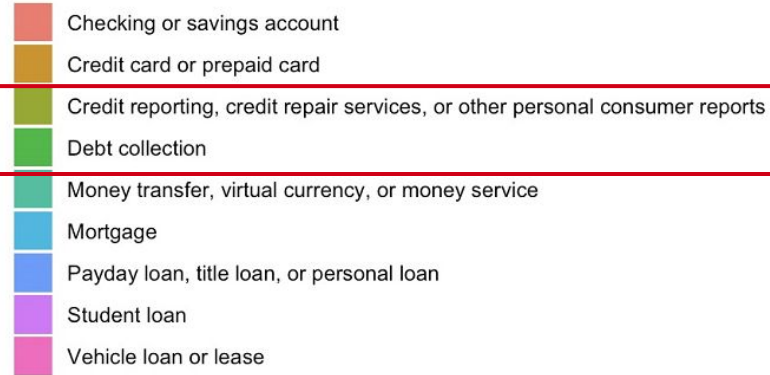
- Step 1: Find out the **products** and **companies** that received most complaints.
- Step 2: Find out the **most problematic issues**.
- Step 3: Identify **factors** that may have impact on consumer complaints.
- Step 4: **Legislation Proposal** to the US Congress

Important Data Quality Issue

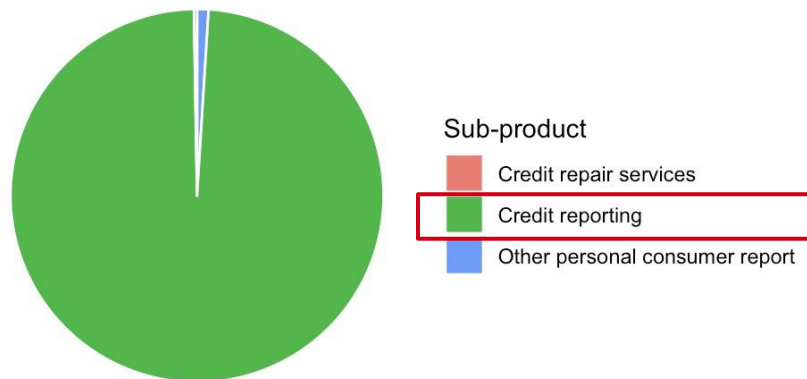
- The application form provided by Bureau of Consumer Financial Protection (BCFP) has been updated once.
- The classification of product and issue was changed.
 - Eg: Expression of the same issue may change a little bit.
- We have data both before and after the change.
- We **aligned the classification of product and issue before the analysis.**

Yearly Trend, Breakdown by Product

Product

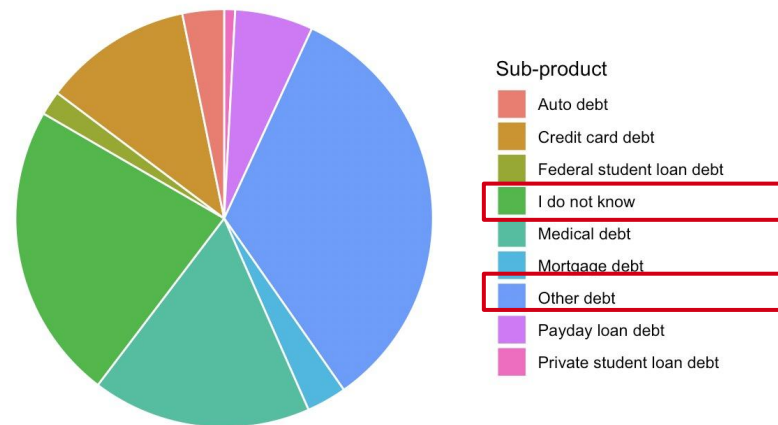


Sub-Product



Sub-Product under credit reporting, credit repair services, or other personal consumer reports

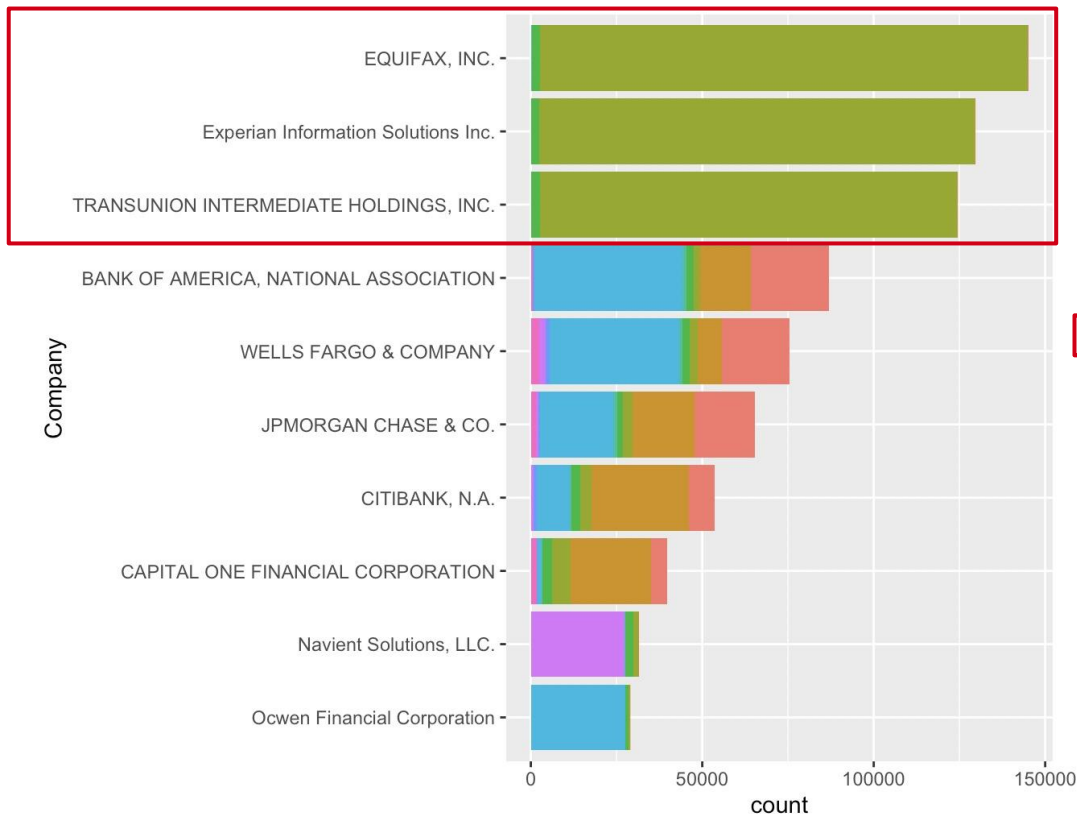
- **Most complaints are about credit reporting**



Sub-Product under debt collection

- **Most debts are not specified**
- **Medical debt and Credit card debt**

TOP 10 Companies with Highest Volume of Complaints, Breakdown by Product

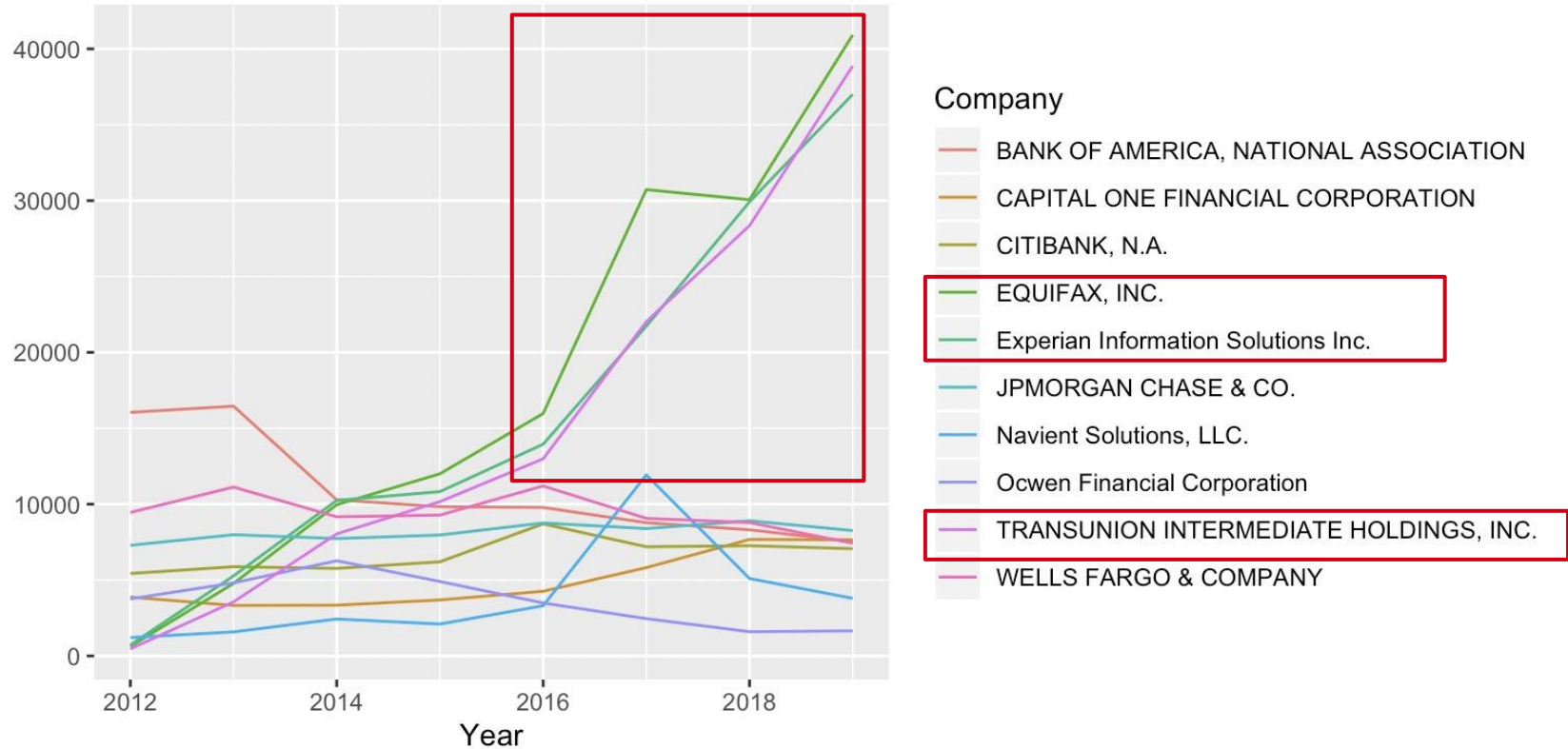


TOP3: the three largest consumer credit reporting agencies (the “Big Three”)

Product

- Checking or savings account
- Credit card or prepaid card
- Credit reporting, credit repair services, or other personal consumer reports
- Debt collection
- Money transfer, virtual currency, or money service
- Mortgage
- Payday loan, title loan, or personal loan
- Student loan
- Vehicle loan or lease

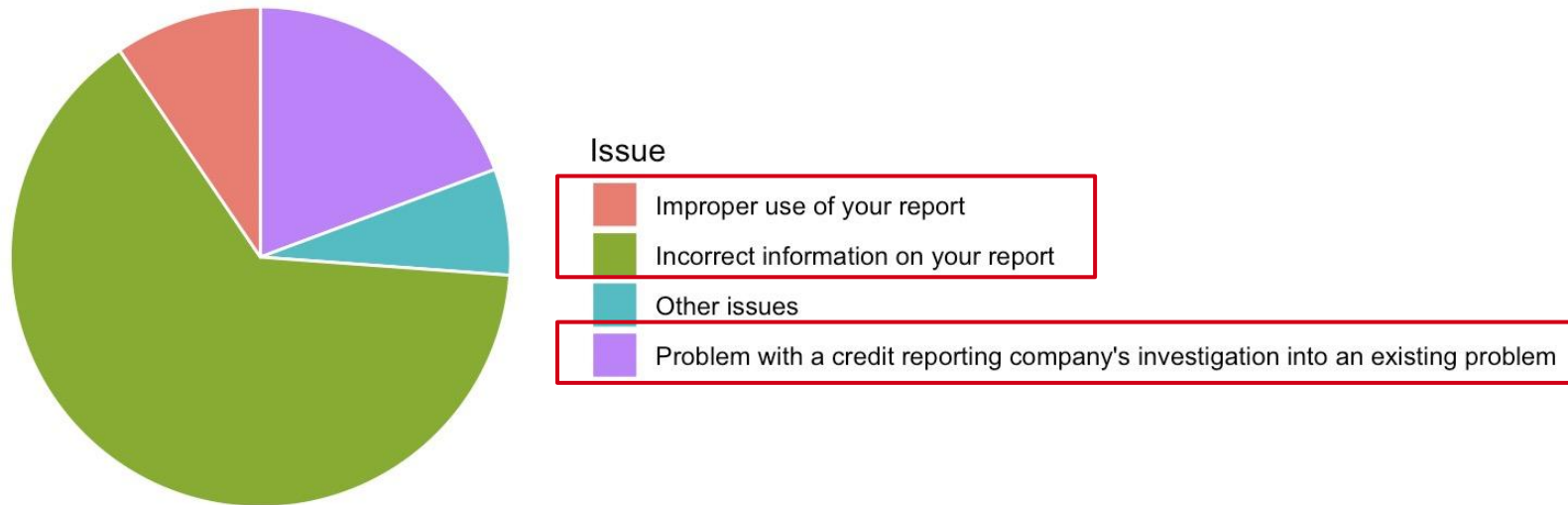
TOP 10 Companies with Highest Volume of Complaints, Yearly Trend



Focused Area in following analysis

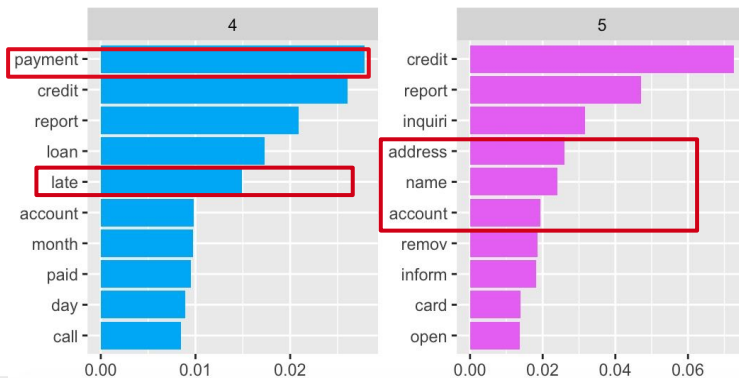
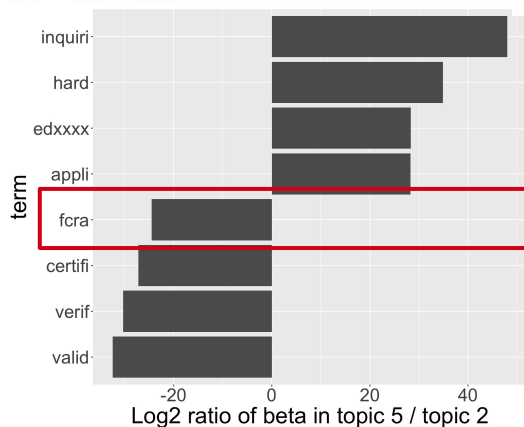
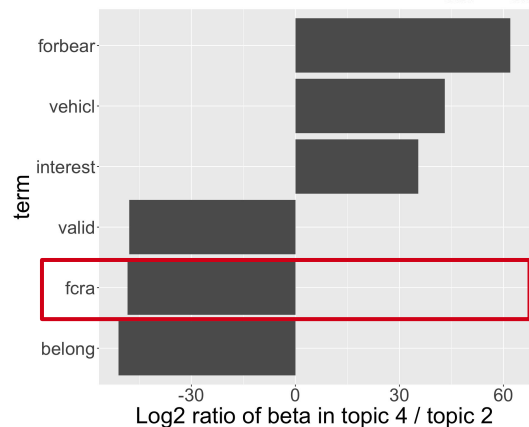
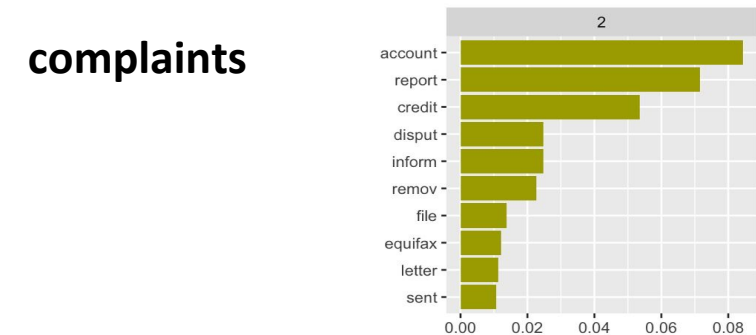
- Consumers complained most about **credit reporting** and **debt collection**.
- Complaints related to these two products are increasing over time.
- **The “Big Three”** are responsible for the increasement of complaints.
 - Equifax Inc.
 - Experian Information Solutions, Inc.
 - TransUnion Intermediate Holdings, Inc.

Credit Reporting: Main Issues



Credit Reporting: Text Narrative (LDA method - Latent Dirichlet allocation)

Credit Reporting's **top areas of consumer complaints**



Top 3 Topics in Credit Reporting

- FCRA
- Late Payment
- Inaccurate Information

Legislation Proposals based on Credit Report Topics

- I. FCRA should set a rule to determine a scale for the number of years that the late payment report will stay in the credit report.
- II. FCRA should issue a stipulation to determine the accuracy of the investigations for incorrect or inaccurate information in credit reports.

(b) REASONABLE PROCEDURES

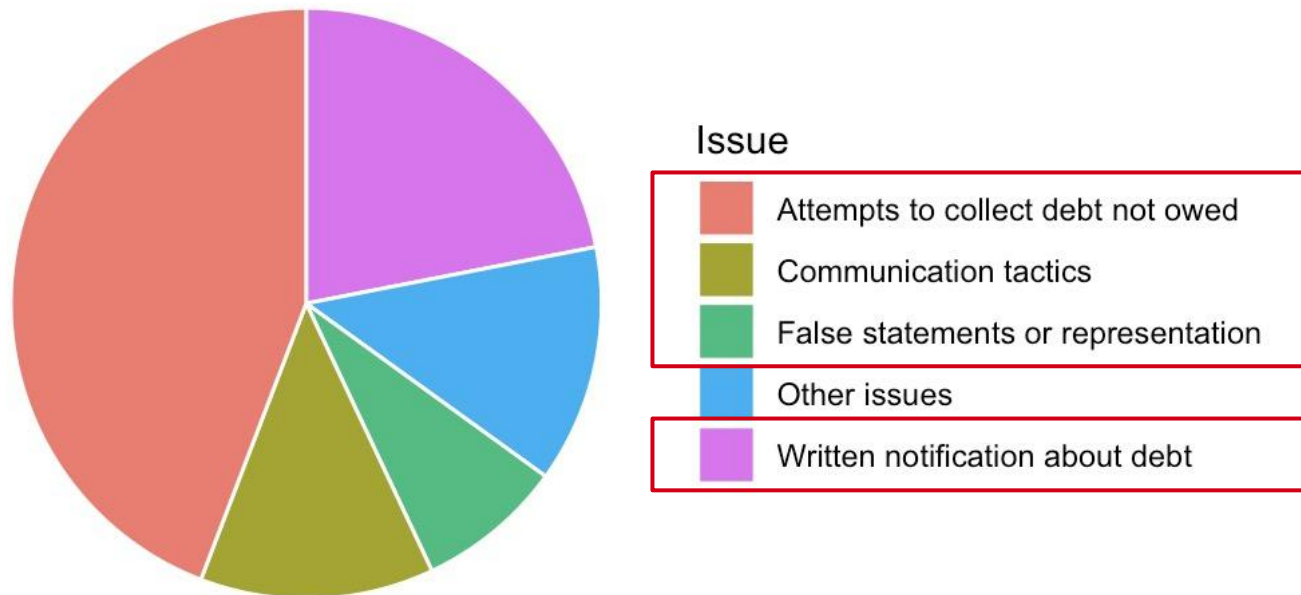
It is the purpose of this subchapter to require that [consumer](#) reporting agencies adopt reasonable procedures for meeting the needs of commerce for [consumer credit](#), personnel, insurance, and other information in a manner which is fair and equitable to the [consumer](#), with regard to the confidentiality, accuracy, relevancy, and proper utilization of such information in accordance with the requirements of this subchapter.

- III. FCRA should increase its violation penalty. For now, the rule from U.S. Code is as below.

Under the Fair Credit Reporting Act Section 621(a)(2) (duty to correct and update information) for knowing violations of the Act, the per violation penalty will increase from \$3,500 to \$3,756.

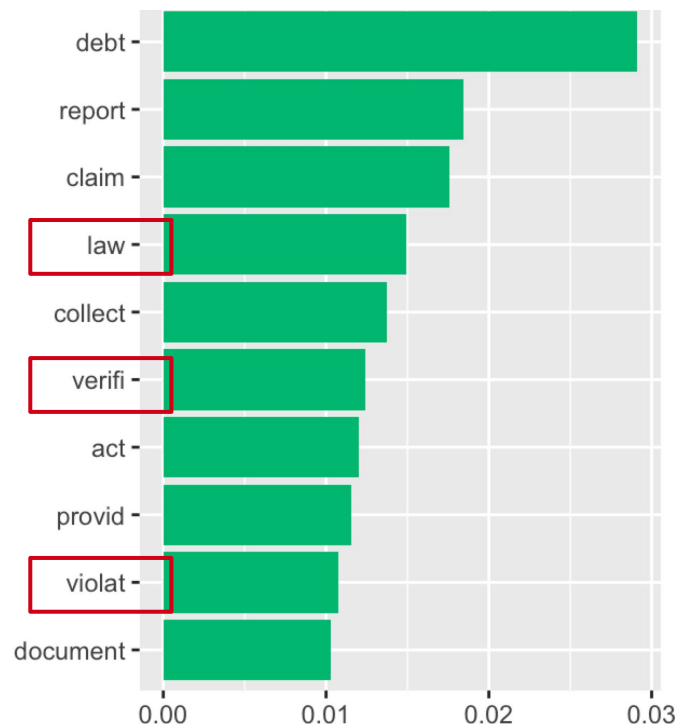
We suggest that after the credit reporting companies violate more than 50 times per month, they will need to pay \$5000 - \$10000 per case or shut down their system for 24 hours per time.

Debt Collection: Main Issues



Debt Collection: Text Narrative

- Consumers think the debt collection companies have broken the law.
- However, according to the companies' public response, companies believe they acted appropriately as authorized by contract or law.



Legislation Proposals based on Debt Collection Topics

- I. Formulate standard format as a reference for the written notification of debt collection, and require more validation information to be included, such as the cause of the debt.
- II. Require the debt collector to communicate with the consumer and wait for consumers' dispute for at least 30 days before sending the debt information to a credit reporting institute.

Factor

- Unemployment rate
 - Time cost
 - Sensitivity to financial service loss and gain
 - Emotional effect
- Financial literacy
 - Educational effect
 - Financial knowledge level
- Legal occupation
- Socioeconomic status
 - Time cost

Advice

- I. FCRA should set a rule to determine a scale for the number of years that the late payment report will stay in the credit report.
- II. FCRA should issue a stipulation to determine the accuracy of the investigations for incorrect or inaccurate information in credit reports.
- III. FCRA should increase its violation penalty.
We suggest that after the credit reporting companies violate more than 50 times per month, they will need to pay \$5000 - \$10000 per case or shut down their system for 24 hours per time.
- IV. Formulate standard format as a reference for the written notification of debt collection, and require more validation information to be included, such as the cause of the debt.
- V. Require the debt collector to communicate with the consumer and wait for consumers' dispute for at least 30 days before sending the debt information to a credit reporting institute.

QUESTIONS?





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