

The Challenges of Meeting Metro 2® Standards

and How Experian Can Assist



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Most consumers of products like homes, automobiles and college educations rely on credit from financial institutions to help them afford these big-ticket items.

Businesses that provide credit, such as financial companies, credit unions, collections firms and student loan providers, work to keep customer data accurate for reasons ranging from meeting the Metro 2® standards implemented by the Consumer Data Industry Association, the absence of disputes with customers, to the positive relationships and business opportunities that result. Credit reports significantly impact a customer's financial well-being, which means the data contained therein must be accurate and trustworthy.

If data is not accurately maintained, for example, it could result in "Mary Jones'" mortgage application being mistakenly denied based on a similarly-spelled "Mariann Jones"

poor credit rating, despite the fact that Mary Jones has made all of her college loan and car payments on time and has a 700-plus credit score.

Meeting Metro 2® standards—the current format for reporting credit—can help financial institutions, particularly those with more than \$10 billion in assets that tend to come under the scrutiny of the Federal Consumer Financial Protection Bureau, become proactive rather than reactive in ensuring the accuracy of their data. Instead of throwing limited resources at scattershot data monitoring, best practices dictate that institutions staff up and correctly see providing accurate data as a revenue generator, not a cost center.

The Basics of Metro 2®

The standard Metro 2® format that all businesses providing credit must use to report their data to credit reporting agencies—the only format that all three credit bureaus accept—was created to sync up with federal laws and regulations, including the Fair Credit Reporting Act (FCRA).

The FCRA requires that data be accurate and complete, scrubbed of any known errors and corrected as needed after the fact, with notification sent to the credit bureau; and, that

credit furnishers have policies and procedures in place to ensure the accuracy and integrity of data while investigating and responding to disputes within 30 days, in most states.

As such, Metro 2® has very specific rules and regulations that are laid out in a published credit reporting resource guide to ensure consumer data like names, addresses, balances and payment history are accurately recorded and reported. Most notably, Regulation V states, those who report data

to credit bureaus, must have policies and procedures in place to ensure accuracy.

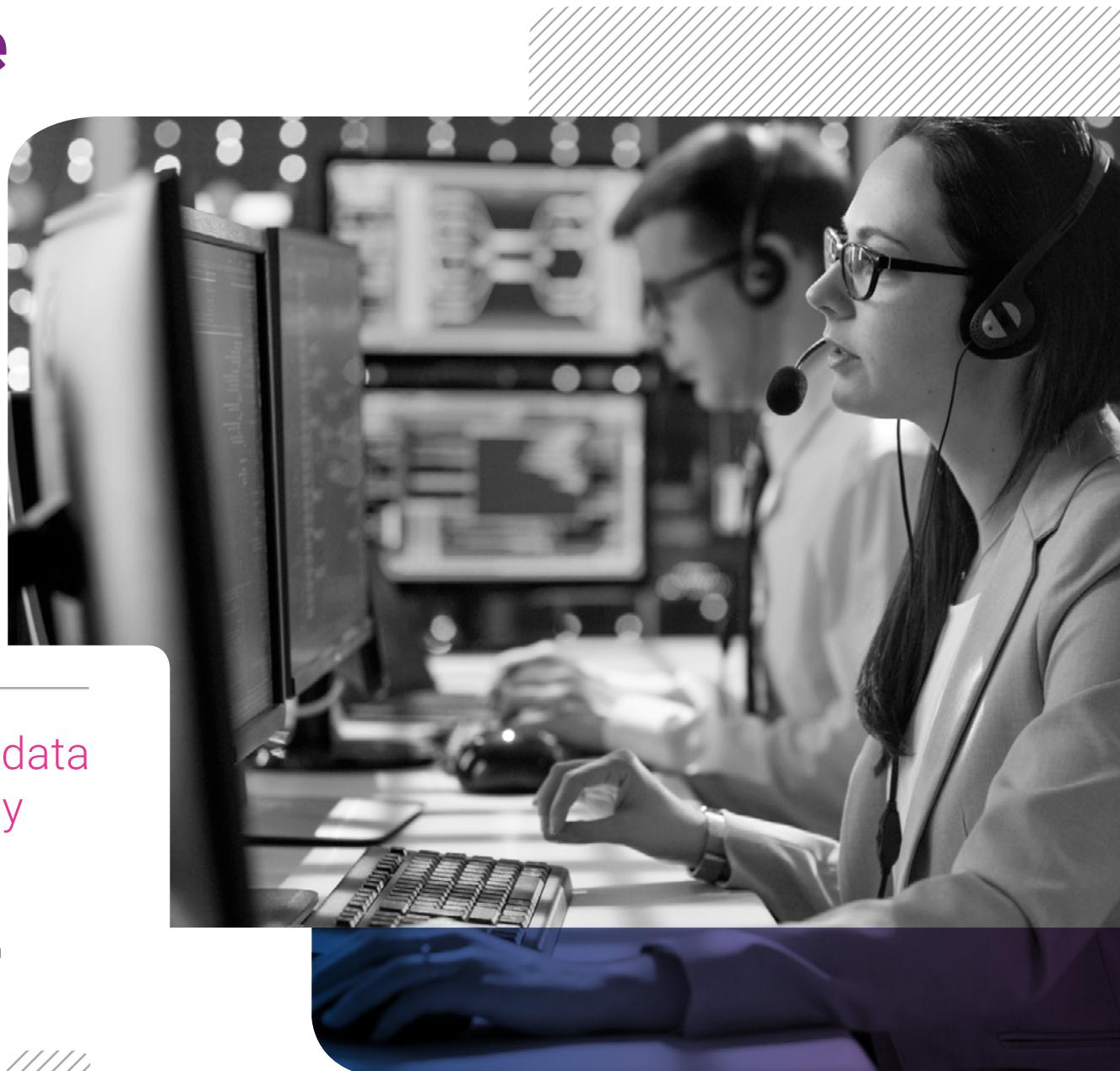
"So they should ask themselves the question: How do we know our data is accurate?" says Julie Moroschan, consultancy director with Experian. "If asked that by the regulators, they should be able to answer it with a litany of processes they have in place that demonstrates that they continually measure and improve data quality."

How to Improve Accuracy

Steps to improve accuracy should include proactively monitoring the data—rather than reacting to complaints as they arise—then correcting data quality issues before otherwise inaccurate credit reports are requested, Moroschan says. “Once quality is improved, data governance ensures quality does not erode over time,” she says. “If you fix something once but then forget about it, it may end up happening all over again depending upon the reason.”

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Julie Moroschan, consultancy director with Experian



The resource-reporting guide describes in detail exactly how to handle this for different types of accounts, from a mortgage or a student loan, to a line of credit, she adds. “And each of the different scenarios that could happen in the lifetime of a loan are all described.”

To ensure accurate and complete credit reporting, we recommend:

- Defining a data quality methodology, determining what types of data you’re storing and transmitting, where it’s coming from, how often it’s updated and cleansed, and identifying whether it’s consistent in all of your systems. Then implementing standardized processes to fix issues such as name suffixes expressed in different ways—Jr. vs. 2nd vs. II—for example.
- Assessing data accuracy proactively, defining business-specific rules and standards for formatting, either by using validation tools at the point of capture or a “platform approach” to transform data in larger batches. The most proactive, holistic approach would be to take both of these steps.
- Establishing data monitoring, setting quality thresholds to monitor specific data fields or, better yet, programming rules specific to Metro 2® to quickly and easily determine which records are in compliance and why others have failed. Also, generating return-on-investment reports that show how your efforts are helping solve key business challenges.
- Implementing data governance with designated data stewards responsible for managing and monitoring consumer data files and taking action when issues arise, while also establishing a Metro 2® governance council to ensure high-level oversight.



The Downsides of Poor Data

Failure to comply with the FCRA brings many consequences: inaccurate data, inconsistent or inadequate policies and procedures, and a rise in disputes and an increase of organizational expenses.

But most institutions that need to prepare Metro 2® reports must take results from multiple sources, manually aggregate them into a single file, reconcile discrepancies and make sense of rejects, and then be simultaneously preparing a report for the following month. This approach sometimes results in a reactionary, time-consuming and fraught process, leading to millions of credit disputes each year due to inaccuracies that turn up in often-unlikely places and go unnoticed.

Also, inaccurate data can lead to both reputational and regulatory risk, Moroschan says. If processes and procedures are not in place to monitor and improve data quality, regulators can impose penalties and findings are often publicized.

"In addition, poor quality leads to consumer disputes, which can be costly to address to both the provider and the customer, whose credit report has inaccuracies," she says. "That is damaging to the relationship." Customers are more likely to dispute inaccurate or out-of-date data, and those disputes are more likely to lead to attrition in the end—severing long standing accounts.

But many issuers of credit either are not being proactive or at most, they are only looking at surface level issues like basic statistics or rejected applications. "Rejects are the worst of the worst," Moroschan says. "If I'm monitoring [data quality] just using the reject report, that's not good enough. It's not deep enough, especially if that's all you're doing."

"There's a regulatory risk around not going deep enough, and then the attached reputational risk," she adds. "Handling disputes is costly, and probably more importantly, if you're the one that's causing an error on your customer's credit files, that's a difficult relationship to repair. Consumers can become very upset if something is not reported accurately on their credit file."



The Benefits of DataArc 360™



With DataArc 360™, Experian offers a comprehensive solution to keeping data, like reported balances, accurate and meeting Metro 2® standards. This data discovery, transformation and monitoring product comes equipped with more than 100 pre-built rules, looking for base segment checks and illogical conditions and displaying the results on a data quality dashboard for easy analysis.

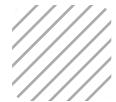
DataArc 360™ can be used for reports to any of the three credit agencies. The product instantly profiles Metro 2® data fields for uniqueness, completeness, statistical anomalies and more,

identifying errors and analyzing root causes. It provides alerts when the quality of Metro 2® accuracy falls below a certain threshold.

Built intuitively with business users in mind, DataArc 360™ does not require credit providers to turn to information technology staff to figure out why they have a problem. The product automatically checks credit files at any time 24-7, provides the ability to generate complete reports and dashboards that aren't reliant on sample tests to catch errors—helping to identify patterns and trends in those mistakes—and enables the user to correct errors without the

need for technical coding expertise. In freeing employees from manually auditing data, DataArc 360™ gives them more bandwidth to focus on resolving inaccuracies.

"This allows the business user, who is the one who is responsible for the quality of the data—and should know exactly how the data should behave—to easily identify any issues, perform root cause analysis and then work with IT and other internal resources to ensure the data is corrected in the system of record, or processes are changed that cause data quality issues," Moroschan says.



Typically, she adds, "they have to work with IT, and tell IT to run these queries. There's a lot of friction in that particular process. This tool is built for the business user to do a root cause analysis, find data quality issues and only bring in IT after they've found the issue and need IT to fix it."

The tool also allows users to easily change and add rules that help them to meet their unique processes and reporting practices. "And the tool can be used for other purposes related to the furnishing of data but outside of Metro 2®, like mining dispute data to look for other data quality issues," she says. "Regulators expect furnishers to be looking at their disputes to understand where quality issues are that result in disputes, and this tool can help them accomplish this expectation."

Between addressing Metro 2® data quality through built-in rules and allowing the user to tweak, modify or add to those rules as needed, DataArc 360™ "is by far the industry-

leading tool," Moroschan says. "It has so much additional functionality besides just meeting Metro 2® data quality. It's built on a general data management platform, so our users can do other things related to data furnishing and mining of disputes. There are a lot more capabilities and functionality within the realm of data quality."

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