



TransUnion: Credit Reporting 101

MAY 2015





Agenda

- **Introductions**
- **Metro 2® Format Overview**
 - Consumer Data Industry Association
 - Field Formatting and Highlights
- **Data Acquisition at TransUnion**
 - Roles and Responsibilities for Data Acquisition
 - Membership & Credentialing
 - Credit Reporting Process Overview



Introductions

- **Akyla Catlin, Manager Data Acquisitions Operations**

- Akyla began her career at TransUnion as a Technical Intern in June 2004. For several years she has overseen the credit reporting relationships of several regions within the Database Financial Services team along with customers in our Top Tiered space. During this time she also represented TransUnion on the Consumer Data Industry Association (CDIA) Task Force which partners with the other National CRAs to align Credit Reporting Guidance and to promote Metro 2® Reporting Standards across the Industry. Now, a Manager and current Steward on the Data Governance council, Akyla oversees a team of dedicated Credit Data Analysts supporting various regions across the country including TransUnion's Public Record Vendor.



- **Michelle Simms, Senior Director of Data Acquisitions Operations**

- Michelle is responsible for overseeing data furnisher contributions to the core and ancillary TransUnion systems. Michelle joined TransUnion in 2000 as a data analyst and has since held roles, in both batch and online operations as well as model development groups. Michelle has driven internal operations process best practices internationally and has supported the company's alternative data initiatives, as TransUnion looks to grow as a data services organization. Michelle has held membership on the task force within the Consumer Data Industry Association (CDIA), has traveled to Washington to educate on credit reporting practices, and is actively involved in supporting TransUnion's philanthropic endeavors through TransUnion's Community and Associate Services Team.





Metro 2® Format Overview

Akyla Catlin



Metro 2[®] Format Overview

TransUnion receives approximately 1.6 billion account updates per month:

- Most updates are received in the industry standard **Metro 2[®] format**
- **The Metro 2[®] format ...**
 - is accepted by all consumer reporting agencies
 - meets all requirements of the Fair Credit Billing Act (FCBA), the Fair Credit Reporting Act (FCRA), the Equal Credit Opportunity Act (ECOA) and all applicable state laws
 - was created by the **Consumer Data Industry Association (CDIA) Metro 2[®] Task Force**
 - ❖ The CDIA Metro 2 Task Force consists of members from the CDIA, Equifax, Experian, Innovis, and TransUnion
 - ❖ The CDIA sets industry standards and provides business and professional education for its members.



CDIA Metro 2® Format Task Force

Roles and Responsibilities:

Maintains &
Updates
Reporting
Standards and
Guidelines

Educates Data
Furnishers on
use of Metro 2®
Format

Provides
industry
responses to
Data Furnisher's
Questions

Adds codes as
best practices or
laws require

Publishes
regular updates
to Metro 2®
Format



The best cars are those with full functionality





Metro 2[®] Field Overview

Data Records contain information related to the account and to the consumer...

Account-level

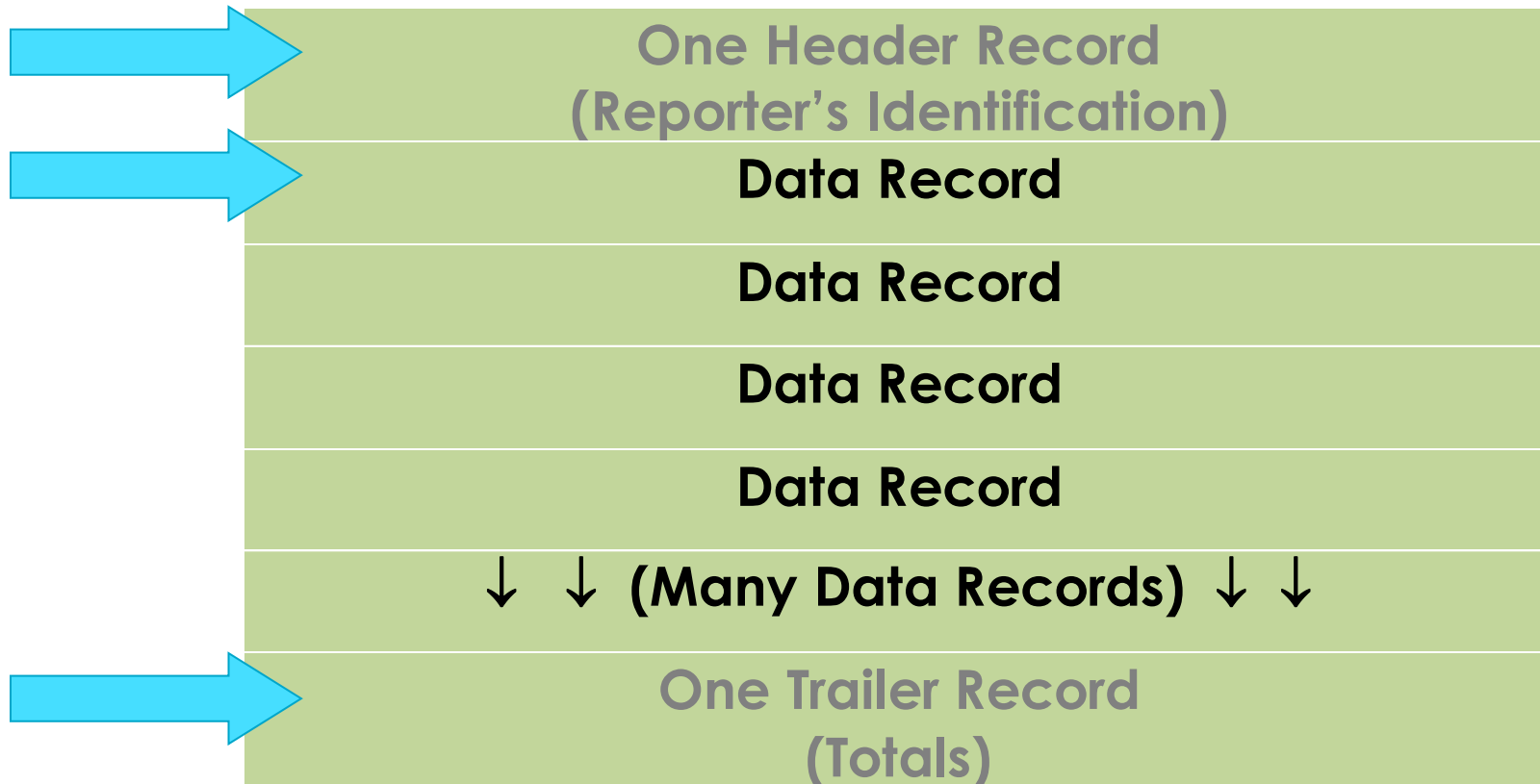
- Identification Number
- Account Number
- Portfolio Type/Account Type/Terms
- Date fields
- Monetary fields
- Account Status/Payment History
- Special Comment Code
- Compliance Condition Code

Consumer-level

- Name/Address
- SSN/Date of Birth
- Telephone Number
- Employment
- Consumer Information Indicator
- ECOA Code








Metro 2® File Components





Consumer Demographic Information

 DR JOHN B DUNCAN SR Also Reported: JOHN B DUNCANN JONATHAN B DUNCAN JOHNNY DUNCANN	 SSN:111-10-0000 Date of Birth: 2/14/1964	 Phone: 555-555-5555	 In File Since: 4/1988
 Current Address: 8500 N MICHIGAN AV SACRAMENTO, CA 95660 First Reported: 5/2012	Previous Address: 987 1ST ST SACRAMENTO, CA 95660 First Reported: 6/2007	Previous Address: 123 KINGS AV SACRAMENTO, CA 95660-9876	

- **A primary name and up to 3 other reported names**
- **SSN and date of birth**
- **Telephone number**
- **In File Since Date – the date the file was created on the TransUnion credit database**
- **Current address and date it was first reported.**
- **Up to two previous addresses and the date the first previous address was initially reported.**



Employment and Consumer Statements

EMPLOYMENT

ABCXYZ HOTELS WORLDWIDE ANYTOWN, CA	Occupation : SERVICES	MANAGER OF GUEST	Start: 3/2008	First 09/2011 Reported: 05/2012 Effective:
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- **Employment information, if available, including most current and one previous position (occupation), date employment was verified, reported and/or hired.**

CONSUMER STATEMENT

#HK#EFCRA EXTENDED FRAUD ALERT: ACTION MAY BE REQUIRED UNDER THE FCRA BEFORE OPENING OR MODIFYING AN ACCOUNT

- **Consumer statements contain an explanation of facts or conditions affecting the credit file as requested by the consumer.**
- **This section may also include statements and alerts to protect consumers against fraud.**
 - Active Military Duty Alert
 - Initial Fraud Alert
 - Extended Fraud Alert



Trades: Fields used to define an account

TRADES			
ABC CU (6781001)	Acct No: 412345678910	Manner of Payment: 01	Date Opened: 5/2006
Industry: Q	Account Type: REVOLVING	Credit Limit: \$15,000	Date Paid Out: 4/2013
	Loan Type: FX-FLEXIBLE SPENDING	Balance: \$0	Date Closed: 5/2013
	Terms:	High Credit: \$8,221	Verification Date: 5/2013 A
	ECOA Designator: I	Past Due: \$0	Last Payment Date: 4/2013
Payment Pattern Start: 4/2013			Months Reviewed: 48
Months 1-12: 111111111111	Remark: CBC		Late Payments 30: 1
Months 13-24: 111111111111	Max Delinquency: 03		Late Payments 60: 1
Months 25-36: 111111111111	Date: 4/2010		Late Payments 90: 0
Months 37-48: 312111111111	Amount: \$145		

Kind of Business (Industry) Code: describes the type of business the credit grantor is engaged in.

Account type: High level descriptor of the type of portfolio.

Loan type: Describes the account type in more detail.



Trades: Fields used to define account status

TRADES			
ABC CU (6781001)	Acct No: 412345678910	Manner of Payment: 01	Date Opened: 5/2006
Industry: Q	Account Type: REVOLVING	Credit Limit: \$15,000	Date Paid Out: 4/2013
	Loan Type: FX-FLEXIBLE SPENDING	Balance: \$0	Date Closed: 5/2013
	Terms:	High Credit: \$8,221	Verification Date: 5/2013 A
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	Months 25-36: 111111111111	Date: 4/2010	Late Payments 90: 0
	Months 37-48: 312111111111	Amount: \$145	

Manner of Payment: Status code that properly identifies the current condition of the account.

Remarks Code: Describes a condition that applies to the account or to a consumer affiliated with the account

Payment Pattern: Displays up to 48 months of the subject’s payment history. Each value is a one character representation of the MOP reported that month.

Maximum delinquency: The first occurrence of the highest MOP and the amount past due at the time.



Trades: Amount and Dates

TRADES			
ABC CU (6781001)	Acct No: 412345678910	Manner of Payment: 01	Date Opened: 5/2006
Industry: Q	Account Type: REVOLVING	Credit Limit: \$15,000	Date Paid Out: 4/2013
	Loan Type: FX-FLEXIBLE SPENDING	Balance: \$0	Date Closed: 5/2013
	Terms:	High Credit: \$8,221	Verification Date: 5/2013 A
	ECOA Designator: I	Past Due: \$0	Last Payment Date: 4/2013
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Months 13-24: 111111111111		Date: 4/2010	Late Payments 60: 1
Months 25-36: 111111111111		Amount: \$145	Late Payments 90: 0
Months 37-48: 312111111111			

Amount Fields:

- Balance
- Past Due
- Credit Limit: present on R and C only
- High Credit: For I and M, original loan amount. For R, O and C highest balance ever attained

Dates:

- Date Opened
- Date Closed
- Last Payment Date
- Date Paid Out: date paid to zero balance, on R, O, C
- Verification Date: provided by data furnisher



Trades: Terms and ECOA

TRADES			
ABC CU (6781001)	Acct No: 412345678910	Manner of Payment: 01	Date Opened: 5/2006
Industry: Q	Account Type: REVOLVING	Credit Limit: \$15,000	Date Paid Out:
	Loan Type: FX-FLEXIBLE SPENDING	Balance: \$1253	Date Closed:
	Terms: MIN50	High Credit: \$8,221	Verification Date: 5/2013 A
ECOA Designator: I		Past Due: \$0	Last Payment Date: 4/2013
Payment Pattern Start: 4/2013			Months Reviewed: 48
Months 1-12: 111111111111	Remark:		Late Payments 30: 1
Months 13-24: 111111111111	Max Delinquency: 03		Late Payments 60: 1
Months 25-36: 111111111111	Date: 4/2010		Late Payments 90: 0
Months 37-48: 312111111111	Amount: \$145		

Terms: describes the repayment obligation. For Revolving type accounts, it is expressed as the minimum payment due. For Installment and Mortgages, it is the number of months of the loan and the monthly payment amount.

ECOA code: describes the consumer contractual responsibility for repayment of the debt.



Collections

COLLECTIONS			
ADVANCED COL (999C004)	Acct No: 01234567890987	Manner of Payment: 9B	Date Opened: 5/2011
Industry: Y	Portfolio Type: O-OPEN	Amount Placed: \$2,500	Date Paid Out:
	Account Type: AG-COL AGCY/ATTY	Current Balance: \$1,000	Date Closed:
	Original Creditor: 12 ABC BANK	Past Due:	Verification Date: 5/2012 A
	ECOA Designator: C	Remark: CLA	

Collections are accounts that have been placed with a third party professional debt-collecting firm.

Information provided on a collection includes:

- **The amount originally placed**
- **Current balance**
- **Date the collection was opened at the agency**
- **Details about the original credit grantor.**
- **Current status**



Public Records

PUBLIC RECORDS

DAUPHIN CP (4937063)
Industry: **Z**

Docket No: **99B385211**
Attorney: **KARBASZCZEWSKY**
Source/Court: **BK-US BK CT**
ECOA Designator: **C**

Type: **7F-CH 7 FILING**
Plaintiff:
Location: **LOS ANGELES, CA**

Date Filed: **10/2013**
Amount:
Date Paid:

KINGS BK (5027011)
Industry: **Z**

Docket No: **98M9876543210**
Attorney: **WILLIAMS**
Source/Court: **CP-COMM PLEAS**
ECOA Designator: **I**

Type: **PC-PD CIV JUDGMT**
Plaintiff: **MEDICAL**
Location: **SAN FRANCISCO, CA**

Date Filed: **2/2012**
Amount: **\$3,128**
Date Paid: **6/2012**

Public record information is obtained from county, state and federal courts.

Public record information includes:

- Type of public record (civil judgments, tax liens and bankruptcies.)
- Date filed at the court
- Amount of the tax liens or judgments
- Status (paid, unpaid, filed, discharged)



Inquiries

Inquiries				
DATE	SUBCODE	SUBNAME	ECOA	TYPE
07/25/10	Z2049362(1702)	CREDCO	I	AU – Automobile
08/25/10	F7854506(1702)	MY BANK US	I	

Inquiries show companies that have viewed the consumer’s credit file over the last two years.

- **Inquiry data includes**
 - **Inquiry date**
 - **Subscriber name**
 - **ECOA code**
 - **Loan type (rare)**



Industry Best Practices in Reporting

- Account Number usage- all loans should be reported with unique account numbers to ensure clear line of distinction on the credit file
- Date of First Delinquency reporting- Dates of First Delinquency are critical to FCRA compliance and are used to drive retention periods. This field should be reported as the first date a tradeline went 30 or more days past the due date
- Deceased Reporting- Metro format enables the reporting of ECOA codes that indicate a consumer is deceased. This reporting information is used to properly flag files that cannot be eligible for scoring as the consumer has passed. Accurate credentialing prior to reporting through death certificate confirmation or other methods is recommended
- Compliance Condition Code reporting- Compliance condition codes are important factors in capturing consumer initiated actions (closed, disputed etc.). Reporting these accurately ensures adherence to the FCRA and FCBA
- Indicative reporting- indicative reporting should be unique to the consumer in terms of SSN, address, and phones. Shared or defaulted impact our ability to match and update consumer files on the database



Questions??



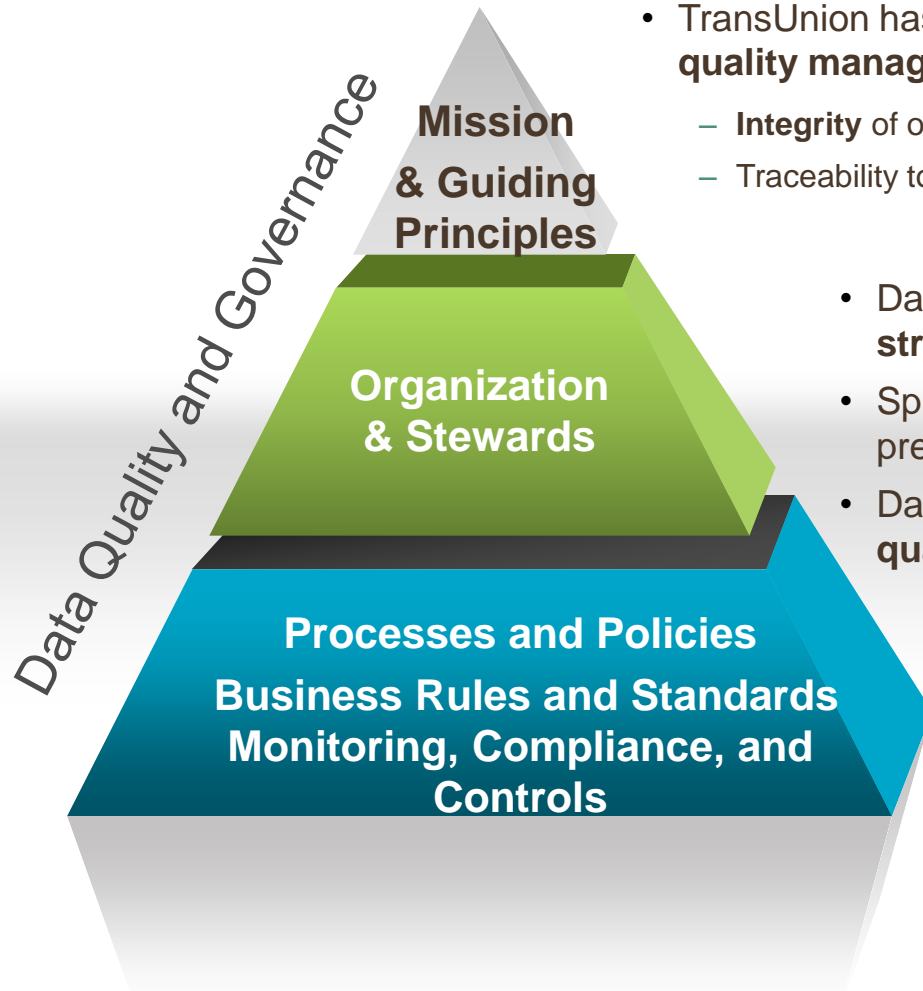


Data Processing at TransUnion

Michelle Simms



Data quality is central to TransUnion's culture



- TransUnion has established **essential principles that guide data quality management**. Examples include, but are not limited to:
 - Integrity of original data
 - Traceability to sources
 - **Stewardship**
 - Compliance
 - **Continuous improvement**
 - Enterprise standard business definitions
- Data quality is **designed throughout the organizational structure**
- Specific teams are in place to lead, prioritize, monitor, and prevent data quality issues
- Data Stewards **proactively advocate and champion data quality** in their respective areas
- **Data quality processes are imbedded in business operations across the enterprise.** Examples include, but are not limited to:
 - Maintain Enterprise standard dictionary for business concepts and data (e.g. closed account, foreclosure)
 - Data quality dashboard, reports and metrics are published and reviewed daily
 - Data audit trails are in place and reviewed



DAS Organization Structure

Data Acquisition Services (DAS) is divided into four primary functional areas:

- **Core Credit Data Support**
 - National Services Group (NSG)
 - Strategic Customer and Industry Vertical
 - Tier 3 Investigative Support
- **Onboarding & Strategic Projects**
- **Alternative Data & Delivery Services**
 - Supports Non Traditional Credit data customer base such as Rental and Insurance
- **Data Governance, Training & Regulatory Support**

All groups support the TransUnion customer base by providing consultation to data providers, ensuring timely and accurate processing of their data, and executing specific functions associated with their data on the TransUnion database.



DAS Roles & Responsibilities

The role of an associate in Data Acquisition Services requires strong customer service skills, analytic skills, technical skills, and most importantly the ability to multitask. DAS completes over 1,100 request a month.

Products, Services, or Solutions Delivered

- On Boarding of new data furnishers
- Data Audits for existing furnishers
- Data Profiling
- Customer Investigations
- Legal investigations
- Fraud Investigations
- Customer Maintenance
- Customer Consultation
- Database Corrections
- Posting Codes Creation and Support
- Reporting Codes Creation and Support
- Data Monitoring
- Data Conversions
- Data Maintenance
- Special Data Processing for A/R reporting
- Opt Out
- Public Records
- SUI
- EDT (Electronic Data Transfer)

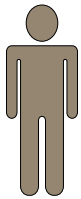
DAS ROLES
ANALYST
SR. ANALYST
CONSULTANT
SR. CONSULTANT
MANAGEMENT



Where DAS fits in the Big Picture

The Credit Reporting Process

Consumer Behavior



300 million+ Consumers

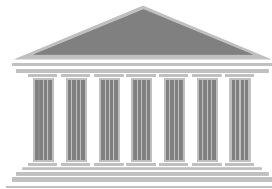
2 million subjects added per month

20 million accounts opened per month

12 accounts (trades) on average with varied payment and utilization behavior



Reporting Institution



85,000+ Reporters (U.S.)

Industry standard format for reporting (metro 2)

Customer files from:

- **Credit Unions**
- Banks
- Student Loan Agencies
- Mortgage Companies
- Financial Institutions
- Collections Agencies
- Public Record Vendor



Credit Bureau



Membership and DAS onboarding process

Contract and Credentialing

Data testing and onboarding

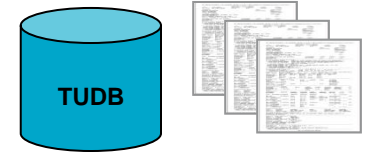
Data processing: 2 billion account updates in an average month

Database Maintenance:

- 4+ billion accounts
- 800 million names
- 1+ billion addresses
- 15 billion promotional / monitoring inquiries
- 800 million credit inquiries
- 400+ million collections
- 70+ million public records
- ACDV/Carbon Copy



Fulfillment



40-50 million credit inquiries per month

Consumer credit solutions are at the heart of effective decision management

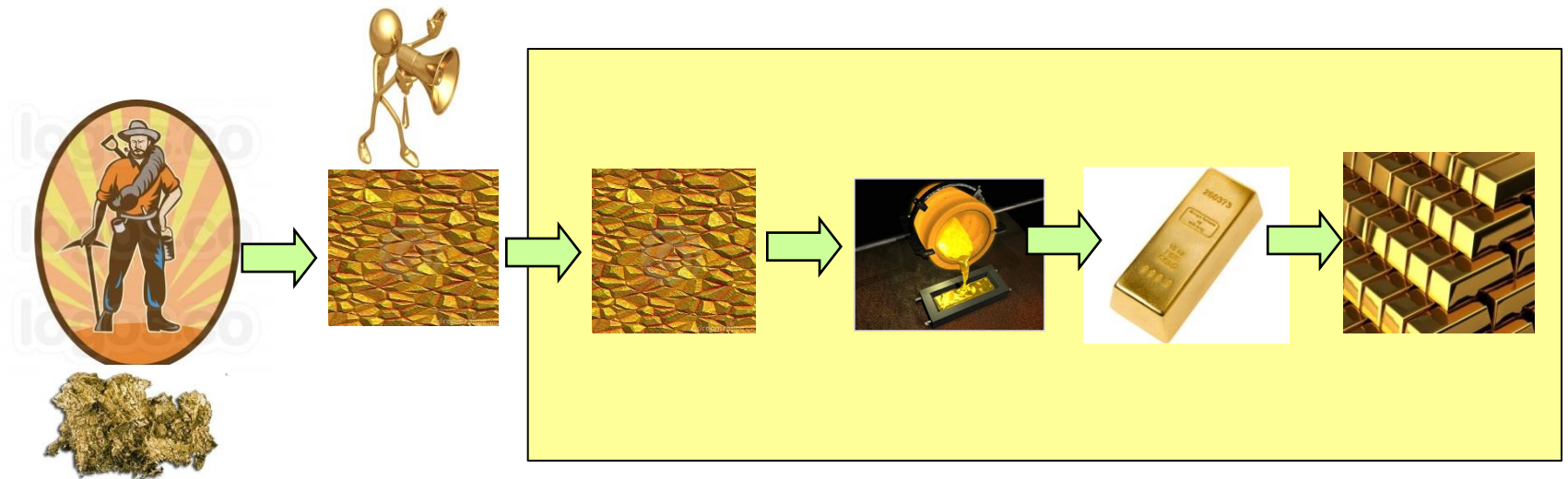
An average 22,000 customers pull 3-5 million credit reports per day

Model application

Batch and online delivery

Product Fulfillment

Data Acquisition - Processing Overview

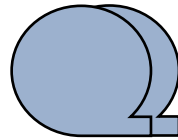




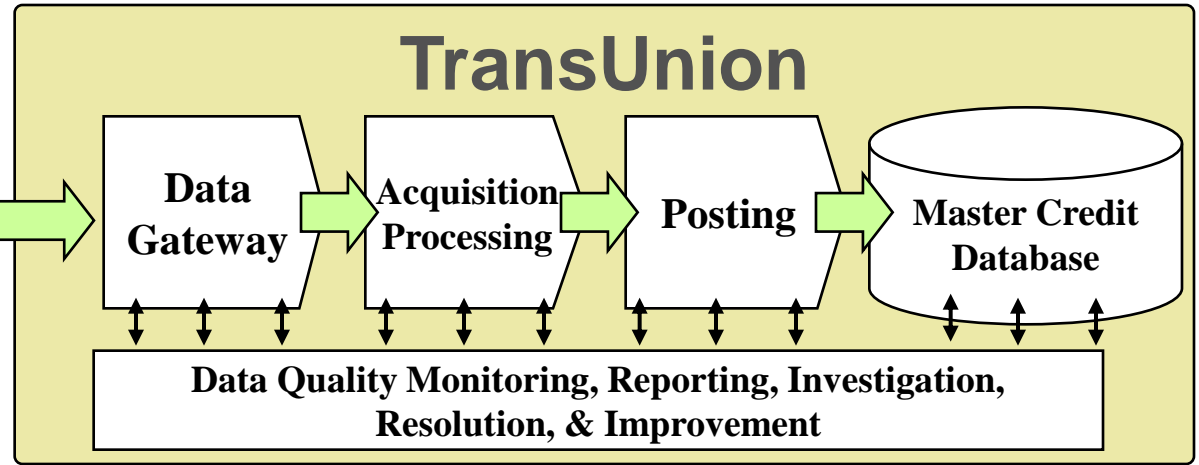
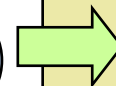
Data Acquisition - Processing Overview



Data Providers



Formats



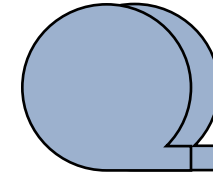


Data Providers and Formats



Data Providers

- Credit Grantors
- Third-party Processors
- Collection Agencies
- State Agencies (Child Support)
- U.S. Government (Student Loans, Small Business Administration [SBA], Veterans Administration, etc.)
- Utility Companies
- Public Record Vendors



Data Formats

- Metro
- Metro 2®
- Specific data provider formats

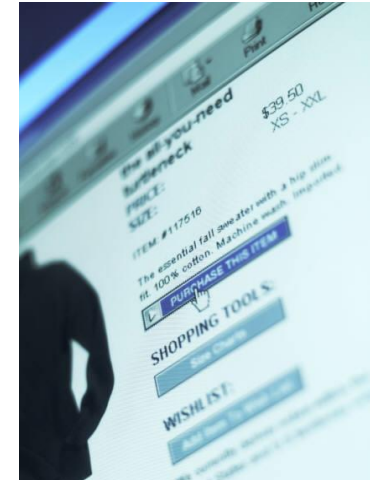


Membership Overview



❖ Credentiaing Requirements

- Application
- Letter of Intent (LOI)
- Business credentials (bank and trade references, SEC filings, proof of lender sponsorship, for example)
- Licenses (business or other)
- On-site inspection



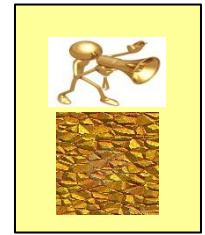
❖ Credentiaing Process

- Business identity
- Nature of business certifications
- Business legitimacy
- Permissible purpose
- On-site inspection
- Other info (fraud/legitimacy detection)





Who Gets Credentialed?



❖ Direct lender/owner of the account

- Direct lenders holding finance licenses or mortgage banker licenses, debt purchasers or collection agencies
- Data reported under their name



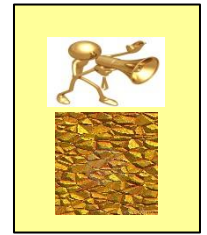
❖ Processor

- Hired by TU Customer
- Processor's clients will require membership credentialing and signed DFA's
- Processor is a blind party to TU (sole purpose – process data)



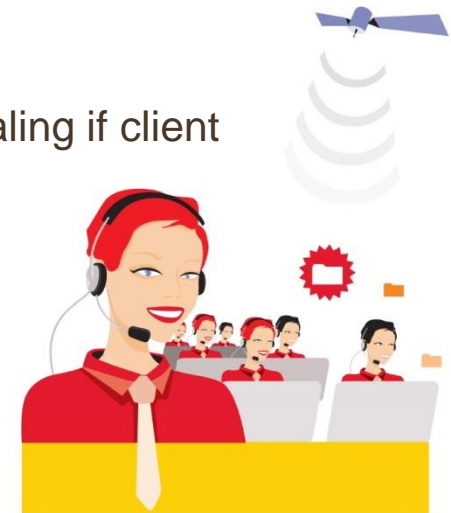


Who Gets Credentialed?



❖ Loan Servicer

- TU's direct client
- Require membership credentialing and signed DFA's **AND** list of clients they service
- Actual data furnisher with servicing rights assigned by lending institution
- Loans owned by financial institution but **serviced** by loan servicer who handles disputes, billing, eOSCAR matters
- Access consumer files based on permissible purpose
- Loan Servicer client will require TU membership credentialing if client does not apply below:
 - ✓ Publicly-traded institution listed with SEC
 - ✓ Bank listed with FDIC
 - ✓ Credit Union listed with NCUA
 - ✓ Government entity





Data Gateway

To ensure data is received timely and in a secure manner, TransUnion maintains a set of rigorous processes around the data gateway leveraging system logs and reports.

Type of Updates

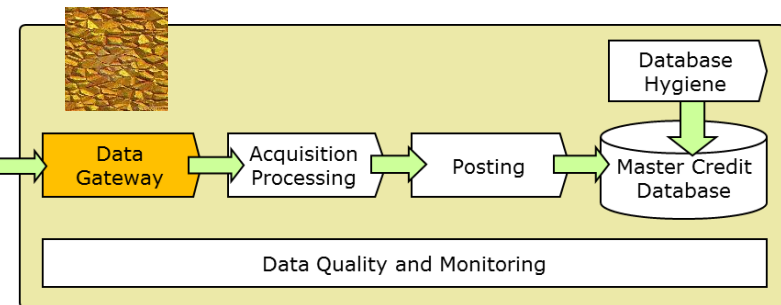
- Monthly
- Cycle (Daily or Weekly)
- Ad-hoc (Automated Universal Data, Carbon Copy)



Data Furnishers



Metro Formats



Automated Controls

- Confirmation of receipt of transmissions.
- Announcement of failures if a data line has gone down
- Execution of Edit checks to ensure compliance with format and expected provider information
- Reconciliation to match the dataset header and end of file trailer, ensuring no data is lost between the provider and our front door

Management Controls

- **Escalation required when**
 - Submissions have not been received for an extended period of time
 - Multiple submission errors have occurred
 - Significant data format errors persist
 - eDEG password resets required or technical updates ignored



Acquisition Processing

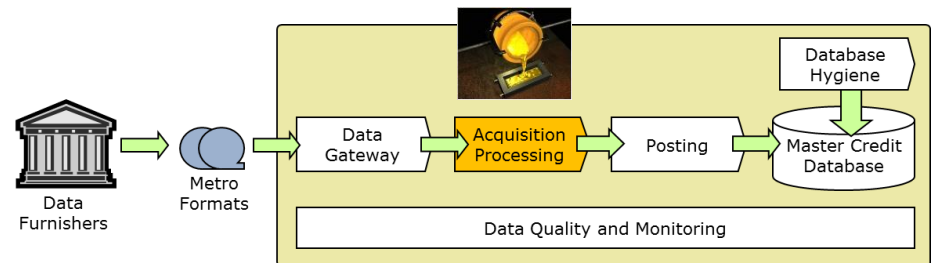
All data transmitted to TransUnion 'stops' at our front door and is never directly loaded onto our database without validation, trending and monitoring which is done during the Acquisition Processing step.

Automated Controls

- **Validate the data**
 - To Metro 2 Standards: i.e. fill w/ leading zeros, Defaults blank fields to zeros, etc.
 - To Provider Specific Standards: Zero Balance Current & Amt Past Due if acct reported as Deed Recvd in Lieu of foreclosure on a defaulted mortgage
- **Profile the Data**
 - Custom programs to develop a provider and portfolio specific profile.
 - Set the trending and threshold tests that will occur against each data submission
 - Reject/Delay processing for trended threshold breaches
- **Echo acquisition processing confirmation back to data furnisher**

Management Controls

- Assist data furnisher with translation from their billing system to Metro 2 format
- Provide ongoing analysis to optimize transmissions through standardization and application of business rules
- Intervene for Trend and Threshold breaches and escalate as required



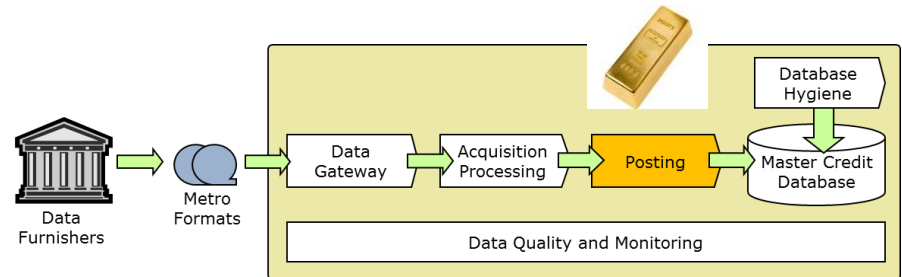


Database Posting

Updating the data to the TransUnion database involves matching the tradeline to the correct consumer and applying our business rules to the updates to ensure logical consistency and accuracy

Automated Controls

- **Match incoming data to Database using account number and portfolio type along with indicative information**
- **Apply business rule logic**
 - Can be at a TU, Customer or Portfolio basis
 - Includes Logical Consistency Rules (i.e. don't allow current balance amount to be applied/updated to an account reported as included in Bankruptcy)
 - May be processed here rather than during acquisition for efficiency purposes
 - Exclusion Rules can also be applied here to ensure compliance with FCRA requirements on retention of derogatory data
- **Echo submission posting confirmation back to data furnisher**



tu Database Hygiene

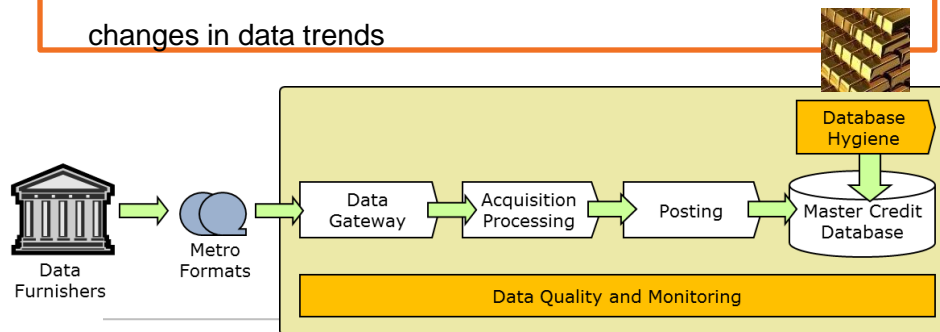
To ensure the data on our database is of the highest possible quality TransUnion adheres to a set of essential principles and a team of specialized data experts that guide data quality management

Guiding Principles

- Integrity of original data
- Traceability to data sources
- Enterprise standard business definitions
- A culture of Continuous Improvement
- A consumer's data advocacy mindset
- Source all products from the same version of data whenever possible to avoid inconsistencies due to timing
- Maintaining Data audit trails for reference and investigation
- Publishing and reviewing data quality dashboard, reports and metrics on a daily basis to immediately identify anomalies or changes in data trends

Controls

- Generate and Analyze metrics and KPIs for historical trending and refining alert thresholds
- Conduct data impact analysis and perform cause & effect simulations
- Recommend enhancements to business rules to improve data quality or comply with new regulations
- Assist with execution of ongoing Maintenance such as bulk customer data changes
- Oversee automated hygiene routines to ensure data consistency and integrity is maintained. For example:
 - For customers, such as when a customer acquires a New Portfolio (Bank versus Retail)
 - To resolve illogical conditions as a result of natural data aging conditions such as when an account has not been updated in 12 months, we will remove the current balance amount
 - Or for data retention reasons such as removal of derog data > 7 years old





Typical Retention Periods *

- **Credit History**

- Non-derogatory closed / paid – 10 years
- Derogatory – 7 years

- **Public Records**

- Civil judgment - 7 years
- Unpaid tax lien - 10 years from the file date
- Paid tax lien - 7 years from date paid or 10 years from date filed – maximum 10 years
- Chapter 7, 11 or 12 Bankruptcy (filing, discharged, dismissed) - 10 years
- Chapter 13 Bankruptcy filing - 10 years
- Chapter 13 Bankruptcy (dismissed or discharged) - 7 years

- **Inquiries**

- Hard inquiries – 2 years
- Soft inquiries – 1 year

* Some state laws impose additional requirements



Questions??

