Much Attention on UDAAP

- CFPB enforcement actions
- Prudential regulator enforcement (UDAP)
- Inclusion other issues
- Focus and program and management (CMS)
- Where should you focus your attention?

Current UDAAP Hot Topics

- Overdraft protection
- Ancillary debt products
- Identity theft protection
- Vendor products
- Collection practices
- Prepaid cards
- Lender placed insurance
- PMI
Current UDAAP Hot Topics

- Products aimed at vulnerable consumers
- Claims of improving a consumer’s credit score
- Zombie debt schemes
- Innovative sources of fee income
- B2B Relationships (e.g., credit bureau)

Fairness Principles

- **Value**
  - Consumer receives value that is reasonably related to the cost of the product or service

- **Predictability**
  - Consumer can predict how the product or service will perform

- **Understanding**
  - Consumer understands the terms and conditions of the product or service (particularly any limitations or exclusions)

- **Appropriateness**
  - Provide products that are appropriate for customers and customers can rely on the bank to show them the most appropriate product
Value

• Is pricing similar to others or is it an outlier?
• Is profit margin in line with other similar products sold by competitors?
• Can the value proposition be clearly articulated to a consumer or another third party?
• Considering the cost of the product, is it offering a net benefit to the consumer?
• Is consumer feedback incorporated into product changes?

Predictability

• From the information provided, can the consumer predict the performance of the product or service?
• Are fees or penalties timed throughout the lifecycle so that a consumer can avoid them?
• Is important information (such as exclusions) omitted from product brochures or other written material?
• Do most members receive the essential benefit of the product or service that was promoted or sold?
Understanding

- Are all advertising and marketing written in simple language so that the average consumer can understand it?
- Is enough information provided in product information and disclosures to allow the average consumer to clearly understand the terms and conditions?
- Is critical information isolated and/or highlighted to draw members’ attention to factors that should shape their choices?
- If marketing information is provided in a language other than English, are product terms and conditions also provided in that language?

Appropriateness

- If the product is specifically aimed at a “vulnerable” consumer segment, is extra care given to assure understanding and appropriate choices?
- Does the institution strive to offer the consumer products that are appropriate for him or her?
- If the consumer chooses an inappropriate product does the bank explain that fact to him or her?
- Are product marketing campaigns aimed at appropriate consumers?
- Are sales tools written so that employees will offer appropriate products?
- Are sales incentives designed to avoid encouraging inappropriate sales?
Identify

**Outreach:** Talk to business lines for needs assessment and assessment of current/long term goals

**Size Up Your Institution:** How far will your program extend? Test your institution's UDAAP awareness level – give an idea of resource needs. How complex are products and services?

**Address Risk:** Determine you risk appetite. Assess the current regulatory environment. Look at complaint data - what are customers saying? Review regulatory agency guidance, commentary, enforcement activity
**Design**

**Outreach:** Build a design team (Business Lines, Marketing, Legal). Great opportunity to educate while create. Leverage skill sets and become allies in UDAAP compliance.

**Resources:** Plan for progression over time and spend wisely. There will never be enough!

**Program Document:** Blueprint program; mission statement; objectives; governance/oversight; complaint review/response; risk assessment (new/modified products, recurring high risk review, program risk); training; corrective action; vendor management; control activities

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**Design (cont’d)**

**Define Roles:** Who does what? Start with top down. Governance: UDAAP Officer, Business lines, Compliance, Legal, Audit. Work in conjunction with UDAAP policy.

**Build**

**Outreach:** Leverage talent across business lines. Does the build meet design expectations? Use for testing effectiveness during build phase (risk assessment, training)

**Resources:** Assess resources during build, communicate build to groups
Complete

Outreach: Testing and feedback; stress testing; provide support

Assess: Evaluate controls; is risk adequately addressed; resource allocation

“It’s kind of fun to do the impossible.”
Walt Disney

Enhance

Outreach: Assess effectiveness of Program; business lines review of controls; training needs

Size: Re-examine product complexity and long term goals; project resources; business lines needs

Risk: Re-assess regulatory environment; products and services complexity; complaint data
Toolbox Essentials

- Policy / Program document
- Risk assessment
- Enforcement action tracking (use as guidance)
- Consumer fairness forum (UDAAP)
- Complaint review / escalation
- UDAAP dedicated staff (SMEs)
- Training / detailed examples
- System for review of products
- Consider UDAAP guide for bank reference
- Corrective action procedures
- Monitoring/testing, Audit

Questions?