

TAKE ACTION!

CFPB RELEASES SERVICE PROVIDER BULLETIN

An FNI Incorporated newsletter serving
the auto and consumer finance industry.

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On April 13, 2012, the CFPB issued Bulletin 2012-03 pertaining to supervised financial institutions' business relationships with "service providers" - outside companies that develop or market additional products or services that impact financial institution customers.

The Bulletin makes plain the CFPB's intention to hold financial institutions (all entities subject to CFPB jurisdiction) responsible for not only underlying product/service performance, but also for their Service Providers' compliance with Federal consumer protection laws. Please visit the "Resources" page of www.myFNI.com for a link to the official CFPB Bulletin.

The CFPB expects financial institutions to have an effective process for managing the risks of service provider relationships and sets forth the five following actions as minimum expectations to reduce risk and demonstrate compliance: 1) Due diligence to verify service providers understand and are able to comply with consumer law; 2) Request & review service provider policies and processes regarding compliance training and supervision of provider employees; 3) Business contracts between financial institutions and service providers should include compliance requirements and consequences; 4) Establish internal process for ongoing monitoring and management of service provider compliance and 5) Take immediate action to address problems, including termination of service provider relationship.

Due to the potential for direct impact on consumers and known common marketing and implementation practices, FNI considers Service Providers of Vehicle service contracts, GAP Insurance and GPS/Starter Interrupt devices among those carrying the highest risks of this new, expanded vicarious liability for financial institutions:

ISSUES TO CONSIDER if you implement these products in your business:

- Do your provider contracts/agreements address compliance concerns?
- If the customer is paying for it, does the product provide a real, tangible consumer benefit? Can you prove it?
- Do you have a formal process for direct sales and/or managing dealer network sales of your products to customers?
- Do you have a formal process for handling consumer complaints or problems with the products with the consumer and with the provider?
- Does the provider company or its agents or employees interact with your customers directly or through your dealer network?
- Are provider company agents or employees involved in marketing or implementing your finance program with dealers or consumers?
- How are provider employees/agents trained and supervised for compliance issues?
- Do you have an internal process for systematic due diligence of new service providers and ongoing monitoring of compliance by existing providers?

TAKE ACTION:

- **Designate** a key employee to lead Service Provider/Product compliance.
- **Identify** all of your existing Service Providers and prepare a file for each.
- **Create** a due diligence checklist for each Service Provider and their product.
- **Design** a process and record keeping system for on-going provider monitoring.
- **Review** business agreements with each provider to ensure compliance issues are addressed and amend as necessary.
- **Develop** and send a compliance questionnaire to each provider and make part of your file.
- **Get** industry expert assistance – contact FNI today!



With 15 years of combined experience in F&I administration executive management, product development and marketing, auto finance sales management, and law, you can count on FNI's total vision of industry products and issues for complete F&I and compliance solutions for your business.

Contact FNI President David Bafumo at (919) 349-4901 or e-mail David@myFNI.com for a confidential consultation.

Provider & Product Due Diligence

FNI conducts third party Service Provider and product due diligence on behalf of CFPB regulated financial institutions. You can rely on FNI industry expertise for development and implementation of effective compliance monitoring and risk mitigation processes for Service Provider relationships and product offerings subject to CFPB oversight.

Income Development

Discover FNI income producing products and marketing programs that provide real consumer value and enhanced business profitability. With exclusive access to products and programs designed specifically for today's challenging economic and regulatory environment, FNI provides new income opportunities that protect your business and reputation, build customer loyalty and increase your bottom line.

FNI By Design™

Build and deploy a suite of tailored F&I products with internal program management, compliance and sales processes developed and implemented by FNI. A compliant, complete turn-key profit, business enhancement and customer loyalty solution delivered from product design to sales and partner implementation.

Program Performance

While many financial institutions have experimented with preferred, exclusive or captive F&I product solutions, few report success in meeting their product sales, marketing and profitability goals. Working with your existing product array, FNI offers compliance minded customized sales process design and proven implementation strategies to maximize the value of F&I in your business. FNI's performance solutions will help you exceed your program goals where others have failed.

Partner Development

Looking to expand or improve auto finance portfolio performance? Indirect lending technologies that link lenders and dealers can create portfolio management concerns and a market blind spot leaving a large and profitable segment underserved by lenders. With expert partner selection, development and training, FNI delivers new markets, new partnerships and smart portfolio and business growth for financial institutions and dealers.

