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CFPB Takes Action Against Auto Finance Company for Distorting Borrower Credit Reports

First Investors Fined $2.75 Million for Knowingly Providing Inaccurate Information to Credit Reporting Agencies for Years

WASHINGTON, D.C. — Today the Consumer Financial Protection Bureau (CFPB) is taking action against an auto finance company that distorted consumer credit records for years. Texas-based First Investors Financial Services Group Inc., which lends primarily to subprime borrowers, failed to fix known flaws in a computer system that was providing inaccurate information to credit reporting agencies. This potentially harmed tens of thousands of its customers. Today the CFPB is ordering First Investors to pay a $2.75 million fine, fix its errors, and change its business practices.

"First Investors showed careless disregard for its customers' financial lives by knowingly distorting their credit profiles for years," said CFPB Director Richard Cordray. "Companies cannot pass the buck by blaming a computer system or vendor for their mistakes. Today's action sends a signal that the CFPB will hold companies accountable for sending inaccurate information to credit reporting agencies."

A copy of the Consent Order can be found at:
http://files.consumerfinance.gov/f/201408_cfpb_consent-order_first-investors.pdf

First Investors is a lending company that offers loans directly to consumers to finance the purchase of motor vehicles. First Investors also offers loans indirectly to consumers by working through auto dealers. The company specializes in lending to consumers with impaired credit profiles; including consumers who have gone through bankruptcy. Because the company services its own loans, it supplies information on its accounts to the credit reporting agencies and is considered a furnisher under the Fair Credit Reporting Act (FCRA).

First Investors is one of many thousands of voluntary data furnishers that provide information to the credit reporting agencies. Furnishers are required by law to have reasonable policies and procedures regarding the accuracy and integrity of the information they provide. Credit reporting agencies track a consumer's credit history and other consumer transactions based on information supplied by the furnishers. The reports that they sell are used in determining everything from consumer eligibility for credit to employment decisions.

The CFPB investigation found that First Investors furnished inaccurate information about its customers to credit reporting agencies for at least three years. When First Investors discovered the problem in April 2011, it notified the vendor but did nothing more. The company did not replace the system or take any steps to correct the inaccurate information it had supplied. It continued for years to use a system that it knew was flawed. Tens of thousands of consumers were likely subject to these systemic reporting problems.

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Specifically, the CFPB found that First Investors was providing distorted information to the credit reporting agencies regarding how its customers were performing on their accounts. The incorrect information First Investors reported included:

- **Wrong payments and overdue amounts:** First Investors provided inaccurate information about how much consumers were paying toward their debts. In many cases, First Investors understated the amounts its customers were paying. When consumers made multiple payments within a single month, for example, First Investors only reported one of the payments. This does not give consumers full credit for keeping up with their loan obligations. First Investors also overstated the dollar amount by which many of its customers were past due on their accounts.

- **Distorted dates:** First Investors inaccurately reported many of its customers' "date of first delinquency," which is the date on which a consumer first became late in paying back the loan. In most cases, First Investors was reporting the date to be more recent than it actually was. The date an account first becomes delinquent matters because it determines how long a delinquency can appear on a consumer's credit report. Inaccurate reporting of the age of a consumer's delinquency can cause it to appear on the consumer's credit report longer than is allowed by the FCRA.

- **Inflated delinquencies:** First Investors substantially inflated the number of delinquencies for some customers when it reported customers' last 24 months of consecutive payment activity. In one case, First Investors reported that a consumer was delinquent eleven times, when in fact the consumer had only been delinquent twice.

- **Mischaracterization of vehicle surrender:** When loans reach a certain stage of delinquency, First Investors has the option to repossess the car. Before that happens, though, consumers have the option to voluntarily surrender their vehicle and avoid a "repossession" showing up on their credit report. First Investors told credit reporting agencies that some of its customers had their vehicles repossessed, when in fact those individuals had voluntarily surrendered their vehicles back to the lienholder.

Enforcement Action

First Investors violated the FCRA by inaccurately furnishing information and it violated the Dodd-Frank Wall Street Reform and Consumer Protection Act by misrepresenting to consumers that the company would only furnish accurate information. The CFPB's order requires First Investors to take the following actions:

- **Correct errors on credit reports:** First Investors must identify all consumer accounts affected by its reporting errors and fix any inaccuracies. The company must either provide the correct information, or, in cases where accurate information is not available, First Investors must delete references to the loan altogether.

- **Help consumers obtain free copies of their credit reports:** First Investors will identify and inform all affected consumers about this action. It will also help all affected consumers receive free copies of their credit reports so consumers can check the reports' accuracy for themselves.

- **Establish consumer safeguards:** First Investors must change how it does business and establish safeguards to ensure that it reports only accurate information about its customers to credit reporting agencies. In addition, it must ensure it has the staffing, facilities, systems, and information necessary to timely and completely respond to consumer disputes. And, it must establish an audit program to identify any systemic inaccuracies.

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- **Pay a civil monetary penalty of $2.75 million:** First Investors will pay a $2.75 million fine for the illegal actions.

The CFPB will continue to enforce federal laws to ensure accuracy in credit reporting and protect consumers from deceptive acts and practices. Consumers should check their credit report for inaccuracies at least once a year. Consumers can order a free credit report once every 12 months from AnnualCreditReport.com.

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.