CFPB's consumer complaint database

Analysis reveals valuable insights

September 2013

With the Dodd-Frank Act's creation of the Consumer Financial Protection Bureau (CFPB) in 2010,[1] lawmakers signaled the beginning of a new era in consumer protection. The CFPB's subsequent introduction of the Consumer Complaint Database in July 2012 underscored the CFPB's intent to fulfill two core objectives: enforcing federal consumer protection laws more vigorously and analyzing consumers, financial services providers and market activities.[2]

More than two years after the CFPB began collecting complaint data (see "How the Consumer Complaint Database Works"), the Consumer Complaint Database is now a public repository of over 100,000 consumer complaints. It's a rich resource for CFPB analysts and financial institutions searching for emerging trends about consumer complaints relating to financial services products, including reasons for those complaints and actions financial institutions are taking to resolve them.

To date, attention on the database has focused on comparing financial institution performance. However, Deloitte's analysis[3] has produced a number of valuable insights about the nature and sources of recent complaints, including:

- Troubled mortgages are behind the majority of the complaints – a growing trend
- Customer misunderstanding may create more complaints than financial institution error
- Affluent, established neighborhoods were more likely sources of complaints
- Complaint resolution times have improved

A closer look at these observations can help financial institutions understand their own internal complaint issues and databases as they relate to data from Consumer Complaint Database, and use the resulting insights to potentially improve their regulatory compliance efforts, customer experience, and their own operational effectiveness.

Overview: troubled mortgages drive the majority of complaints

Mortgage-related issues dominated the analysis data set, making up more than half (55.9%) of the approximately 94,000 complaints submitted from March 1, 2012 to April 30, 2013.[4] In fact, consumer concerns over mortgages seem to be growing. The volume of mortgage complaints rose from 2,999 in March 2012 to 4,731 in April 2013 (See Figure 1), while the share of mortgage complaints rose from 48.1 percent to 63.4 percent (See Figure 2). The increases in both volume and share indicate that mortgage complaints continue to impact both consumers and financial institutions.

The most common type of mortgage loan complaint involves troubled mortgages through loan modification, collection, and foreclosure issues.[5] Overall, complaints related to these situations represent nearly 60 percent of the 58,071 mortgage complaints reported from December 2011 through April 2013. The second most common type of mortgage complaint, representing a quarter of the total, related to loan servicing, payments and escrow accounts. The remaining quarter of the mortgage complaints related to issues such as loan application, origination, settlement, and mortgage brokers. Troubled mortgages largely explain the fluctuations in mortgage-related complaint activity (See Figure 3).

How the Consumer Complaint Database works[2]

As mandated under the Dodd-Frank Act, the CFPB began accepting consumer complaints in July 2011. Starting with credit card complaints, the complaint process has expanded to include mortgages, consumer loans, bank products and services, private student loans, credit reporting problems, and more recently, money transfers and debt collection services.

The CFPB reviews consumer complaints for completeness, jurisdiction, and non-duplication. Complaints that meet these criteria are then forwarded to the appropriate financial institution for review and resolution. Companies are given 15 days to respond to each consumer complaint, and are expected to resolve and close all but the most complex complaints within 60 days.

Consumers then have the opportunity to dispute resolved complaints. The CFPB does not assess complaints for accuracy and the Database does not differentiate complaints by issue severity or risk.

---

[1] The Dodd–Frank Wall Street Reform and Consumer Protection Act was signed into federal law by President Barack Obama on July 21, 2010.

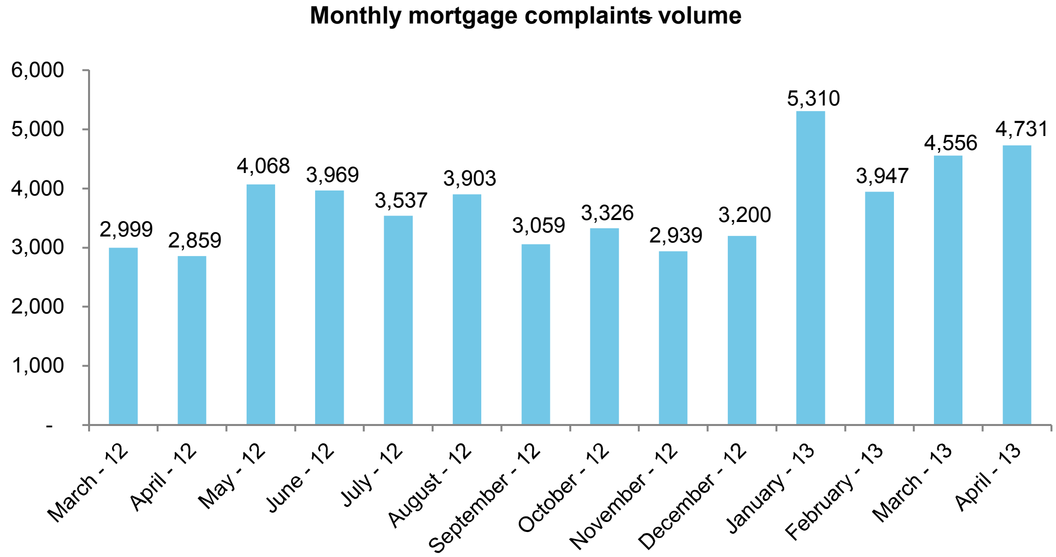
[2] Consumer Financial Protection Bureau. "About us/Core functions." http://www.consumerfinance.gov/the-bureau/

[3] The 103,125 complaints analyzed in this report were submitted to the CFPB between December 1, 2011 and April 30, 2013. The data was extracted on July 26, 2013. The Consumer Complaint Database is updated nightly and complaints in progress are amended as information becomes available. Complaint data regarding credit reporting and money transfers was first released on May 31, 2013 and is not included in this analysis.

[4] Since the Database expanded to include additional products (bank account or service, consumer loans, and student loans) beginning in March 2012, our analysis of product trends covers the less than 100,000 complaints reported between March 2012 and April 2013. Mortgage and credit card complaints were available beginning December 1, 2011, and as such our analysis of mortgage product issues includes this extended timeframe.

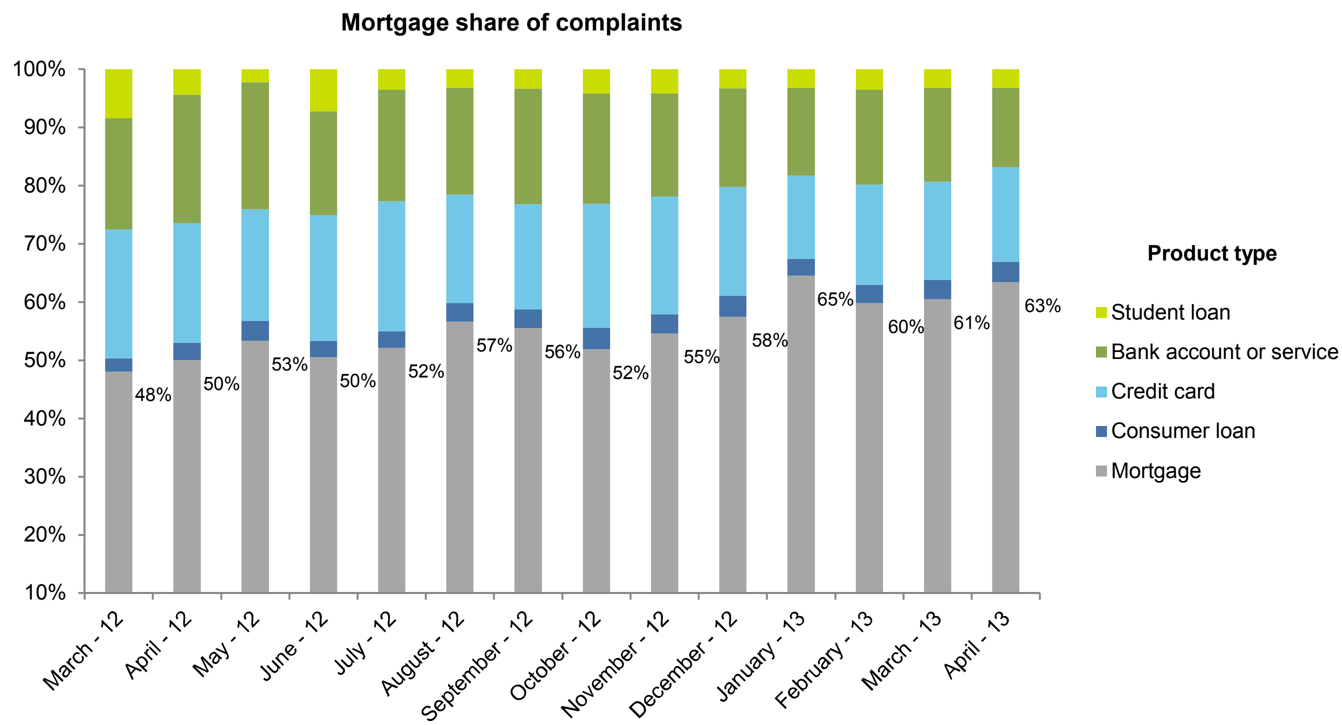
[5] The CCD classifies consumer mortgage complaints into one of seven types of issues.

Figure 1: Increasing volume of mortgage complaints (March 2012 – April 2013)



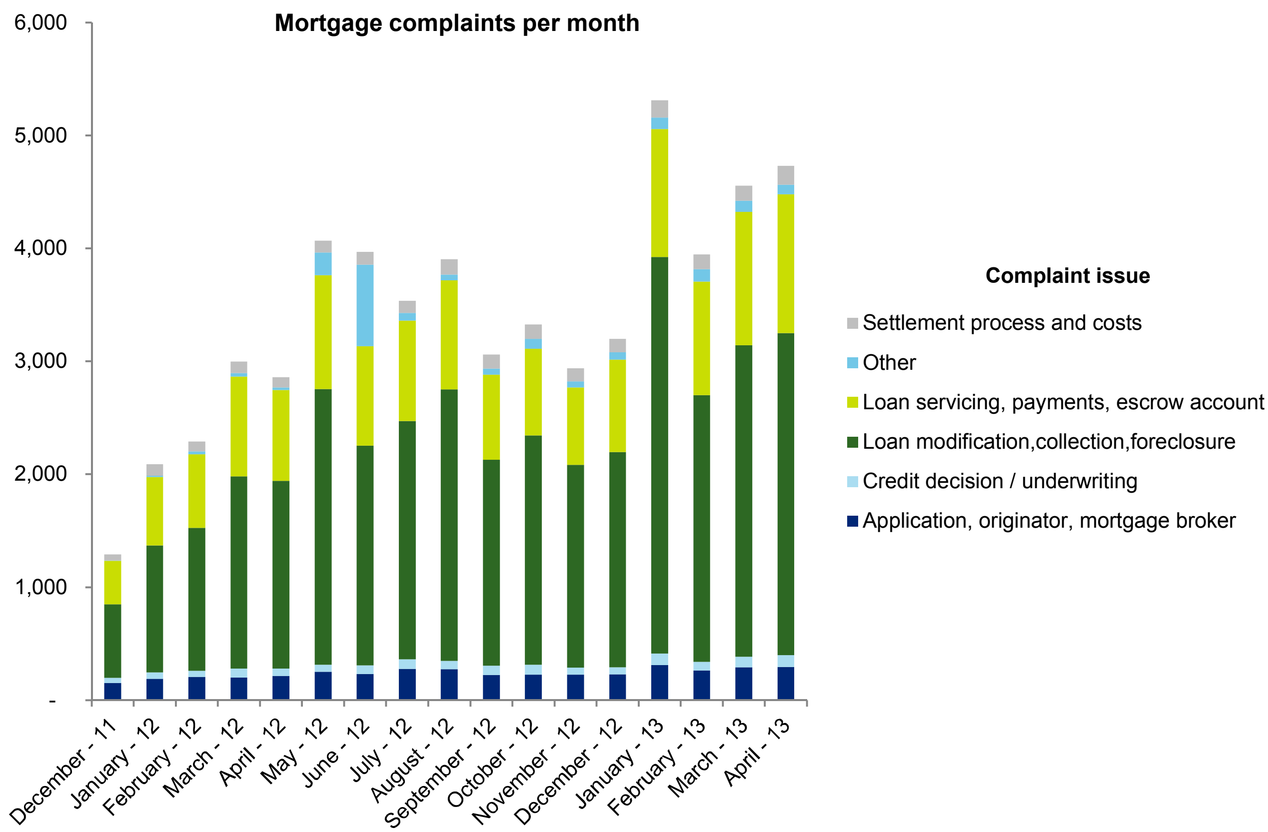
Source: Consumer Financial Protection Bureau Consumer Complaint Database. See footnotes 3 and 4 for additional context.

Figure 2: Increasing share of mortgage complaints (March 2012 – April 2013)



Source: Consumer Financial Protection Bureau Consumer Complaint Database. See footnotes 3 and 4 for additional context.

Figure 3: Troubled mortgages drive complaint activity (December 2011 – April 2013)



Source: Consumer Financial Protection Bureau Consumer Complaint Database. See footnotes 3 and 4 for additional context.

While mortgages led the complaints, the second most common *product* category in the database was credit card complaints, which totaled 17,790 (19.0%) of all complaints during the entire sample period. Despite some monthly volatility, credit card complaint volumes generally declined, falling to 16.3% of total complaints in April 2013. The most common consumer issues represented were related to billing disputes, which accounted for 16.1 percent of credit card complaints. Issues related to interest rates (10.2%) and credit reporting (8.2%) were the next two largest complaint issues for credit cards.

Another 17.9 percent of consumer complaints revolved around bank accounts or bank services, closely following the volume of credit card complaints. Over three-quarters (78.5%) of the bank account complaints related to checking accounts, with the remaining complaints pertaining to savings accounts, CDs or check cashing. The most cited issue in bank account complaints involved account opening, closing, or management.

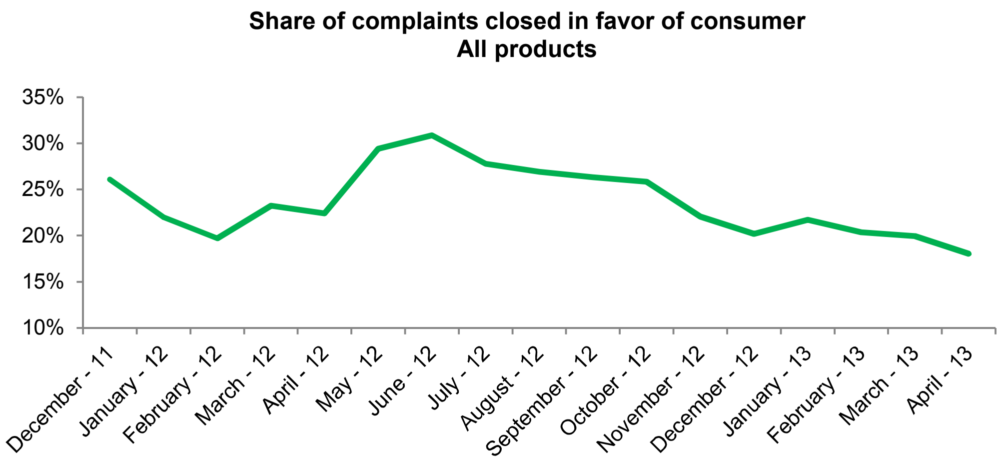
Student loan complaints declined over the analysis period, falling from 8.4 percent to 3.2 percent of total complaints. Complaints related to repayment represent nearly two-thirds (66.4%) of the student loan complaints. Nearly all of the student loan complaints for this product are related to non-federal loans (99.6%).

Customer misunderstanding may create more complaints than financial institution error

Financial institutions have a number of options for resolving consumer complaints. They can close a complaint *in favor* of the consumer by offering monetary or non-monetary relief, or they can close the complaint *not* in favor of the consumer, perhaps providing only an explanation. The percentage of complaints closed in favor of consumers declined during the analysis period, falling from 30.9 percent in June 2012 to 18.0 percent in April 2013,[6] a trend that was reflected in the monthly complaint respolutions for all products (See Figure 4).

[6] Responses considered to be closed in favor of the consumer include: "closed with relief", "closed with non-monetary relief", and "closed with monetary relief." Calculation excludes 475 complaints listed as "In progress" or "Untimely response."

Figure 4: Fewer complaints are resolved in favor of the consumer



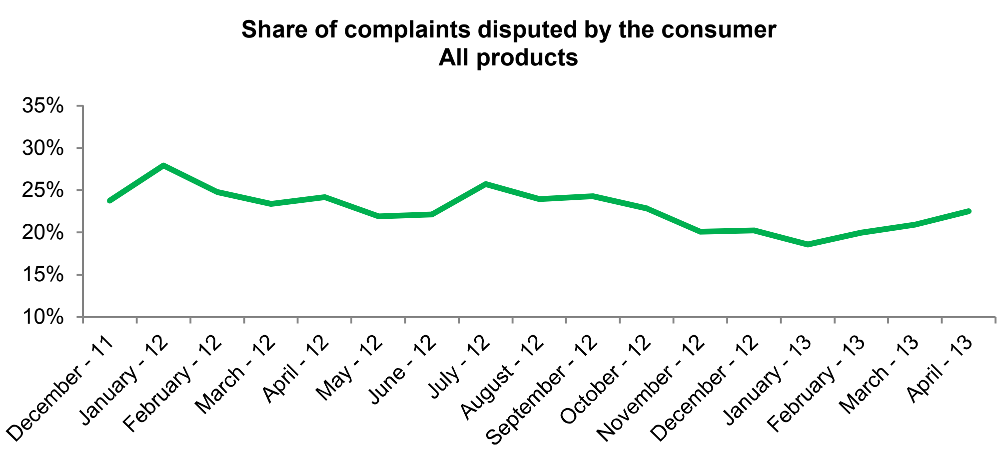
Source: Consumer Financial Protection Bureau Consumer Complaint Database. See footnotes 3 and 4 for additional context.

In fact, with 82.0 percent of complaints in April 2013 not being resolved in consumers' favor, the data suggests that many complaints may be the result of customer misunderstanding or frustration rather than actual mistakes or operational errors by financial institutions. *Better communication with customers may help firms manage consumer expectations as well as help inform firms about how to improve their processes to address future frustrations.*

In spite of fewer complaints closed with relief, consumers have been disputing fewer resolutions. In aggregate, the percentage of resolutions that were disputed fell from a peak of 27.9 percent in January 2012 to 18.6 percent in January 2013. Dispute rates ticked up slightly to 22.5 percent in April 2013. In line with the aggregate measure, dispute rates fell over the period for every retail banking product (See Figure 5).

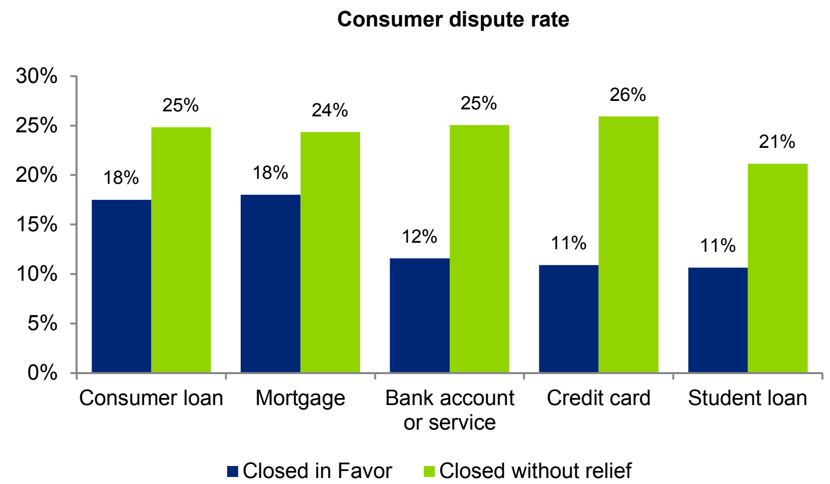
At first glance, fewer disputes despite less relief may not seem logical. Yet, this trend may show that there is more to keeping the consumer satisfied than merely providing relief. Financial institutions may be communicating more clearly with their customers, as well as doing a better job understanding and targeting the root cause of the complaint – reinforcement of the notion that quality communications in complaint/dispute situations are highly important.

Figure 5: Dispute rates have fallen over the same period



Source: Consumer Financial Protection Bureau Consumer Complaint Database. See footnotes 3 and 4 for additional context.

Figure 6: Complaints closed in favor of consumers have lower consumer dispute rates



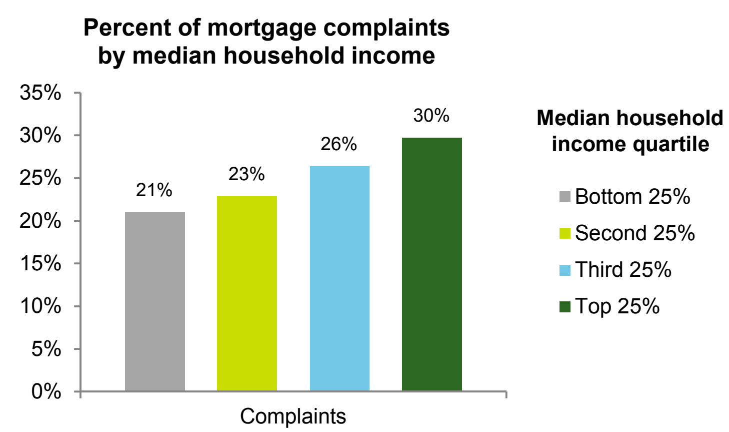
Source: Consumer Financial Protection Bureau Consumer Complaint Database. See footnotes 3 and 4 for additional context.

Affluent, established neighborhoods were more likely sources of complaints

Identifying where complaints originate and determining possible impacts on the data were important steps in understanding the Consumer Complaint Database. The analysis revealed evidence that consumers in wealthier, older residential areas (identified by zip codes) were more likely to submit complaints to the CFPB. Such consumers likely have more products and thus a greater chance of having a problem, but their greater propensity to file complaints proved true even after adjusting for differences in product ownership.

To adjust for differences in product ownership, only mortgage complaints from areas with high mortgage concentration were analyzed – defined as the most concentrated 25 percent of zip codes by mortgage penetration. The analysis showed that the likelihood of filing complaints rose as an area's income increased. (See Figure 7).[8]

Figure 7: Mortgage complaints increased as median income increased



Source: Consumer Financial Protection Bureau Consumer Complaint Database. See footnotes 3 and 4 for additional context."

Companies face challenges resolving mortgage complaints

Effectively resolving mortgage complaints appears to pose unique challenges. Since December 2011, only 15.4 percent of mortgage-related complaints have been resolved in favor of the consumer, compared to credit cards and bank accounts, which were closed in favor of the consumer more than twice as frequently (39.4% and 34.3%, respectively).[7]

Mortgage complaints that included relief had higher dispute rates than other product complaints with relief. Consumers disputed 18 percent of mortgage and consumer loan complaint resolutions that included relief, while the dispute rate ranged from 10.7 percent to 11.6 percent for the other three product categories (See Figure 6).

This discrepancy in dispute rates for resolutions with relief was apparent, while the dispute rate for resolutions without relief was fairly uniform across all products. *In the end, lenders should consider working closely and communicating clearly with mortgage borrowers if they wish to make significant progress on reducing complaint volume. The improving economy and real estate market may provide some relief for struggling borrowers and may reduce complaint volumes.*

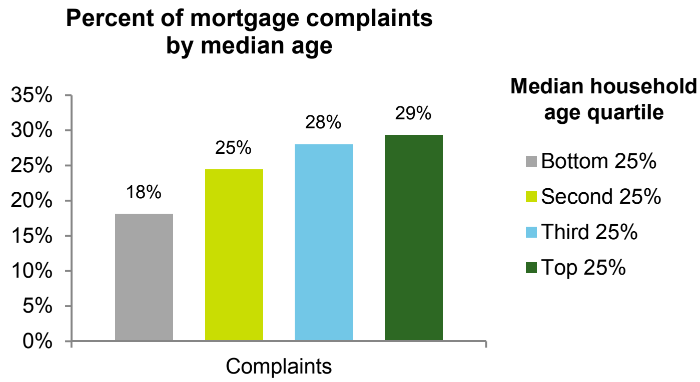
---

[7] Responses considered to be closed in favor of the consumer include: "closed with relief," "closed with non-monetary relief," and "closed with monetary relief."

[8] Data from these zip codes were ranked into quartiles by both median income and median age. The percentage of total mortgage complaints for each quartile revealed that the propensity to submit complaints rose as median income and age increased. The share of complaints increased as incomes increased, rising from 20.9 percent for the lowest quartile (under $54,333) to 29.7 percent for the highest quartile (over $84,649). The highest quartile of zip codes by mortgage penetration included areas where at least 76.1 percent of owner occupied homes had mortgages.

The data showed a similar trend for age: the propensity to file mortgage complaints increased as the age of the areas' populations increased. In areas of high mortgage incidence, the share of complaints increased from 18.1 percent for the youngest quartile (median age below 32) to 29.3 percent for the oldest quartile (age 37.8 and older) (See Figure 8).

Figure 8: Mortgage complaints increased as median age increased



Source: Consumer Financial Protection Bureau Consumer Complaint Database. See footnotes 3 and 4 for additional context.

So, simply put, age and income appear to be factors driving mortgage complaints, after holding product ownership constant. Social factors and awareness of the Consumer Protection Database may be explanations for this finding, an important consideration when analyzing the database, particularly for financial institutions that have a footprint outside older, wealthier communities.

One additional implication of this observation is that the database may not be an accurate barometer of certain consumers of particular concern to CFPB, such as underbanked households or consumers in lower socioeconomic segments.[9] While these groups likely have fewer products to complain about, they may also be less inclined to submit complaints even for products that they do hold. *Further analysis focused solely on these populations may likely be needed to produce a more accurate understanding of their behavior, product needs, and preferences.*

Deloitte's analysis also brought to light certain anomalies that could impact the interpretation of the database. Bulk referrals of complaints from other agencies, as well as spikes in direct submissions concentrated in small geographic regions over short time periods were discovered.

Complaint resolution response times have improved

Despite some remaining challenges, financial institutions appear to have improved their effectiveness at addressing complaints. As described above, the trend toward fewer consumer disputes suggests firms are becoming more adept at providing a satisfactory response to consumers.

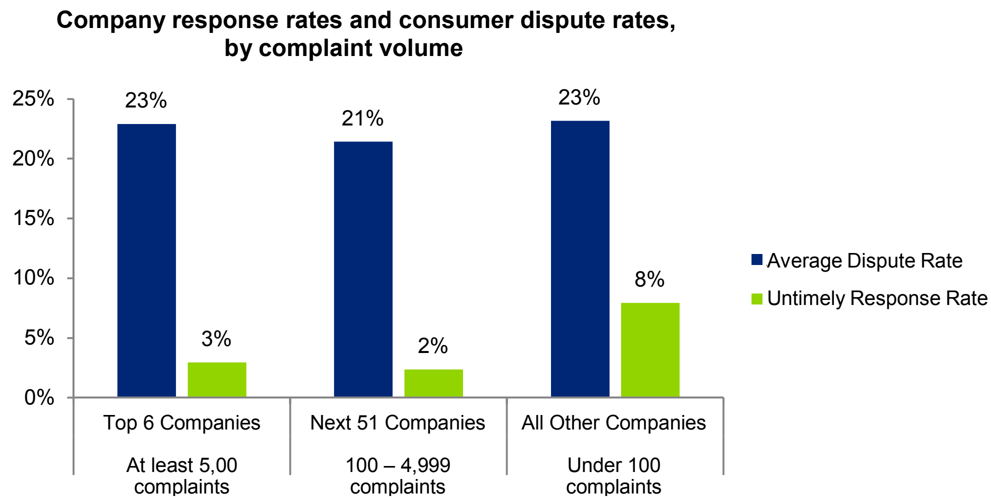
Moreover, analysis of the Consumer Protection Database showed that financial institutions are responding faster to customer complaints. Firms have reduced their untimely response rate from 9.9 percent in December 2011 to 1.1 percent in April 2013, a significant improvement. This decrease in untimely responses may indicate that the database has had a discernible impact on complaint resolution and that firms are improving operations and procedures to improve consumer experience. *Given this foundation, the next area of focus financial institutions should consider is using the database and their improved processes to proactively remediate root causes of more prevalent complaint issues.*

Analysis of the database also revealed that complaint volume does not appear to impact the ability to provide timely and satisfactory resolutions to complaints, except for firms with only a few complaints. Among firms divided into three groups

[9] Consumer Financial Protection Bureau's Strategic Plan. April 2013. http://www.consumerfinance.gov/strategic-plan/

based on their volumes of complaints (see Figure 9), the group with the smallest volume (fewer than 100 complaints) had a 7.9 percent untimely response rate, higher than the 2.4 to 3.0 percent for the groups with more complaints. Despite this discrepancy in timely responses, the groups shared similar dispute rates.

Figure 9: Firms with few complaints had higher untimely response rates



Source: Consumer Financial Protection Bureau Consumer Complaint Database. See footnotes 3 and 4 for additional context.

These results suggest that financial institutions with few complaints may have less formalized or less robust processes for resolving complaints than the firms with greater volumes. Firms with few complaints may have an opportunity to improve responsiveness by enhancing investigation procedures and implementing a more advanced monitoring system.

Moving forward

Financial institution management and board members are expected to have a firm understanding of their organization's complaint history and demonstrate that consumer protection is not just acknowledged, but is an integral part of decision making and strategy. *To meet today's heightened expectations, financial institutions are likely to benefit from looking closely at CFPB consumer complaint data, as well as their own internal complaint databases and the processes that impact their customer experience. A deep dive into complaint data can potentially help firms understand their exposure, especially which involves consumer segments important to the CFPB – specifically, underbanked, lower income, or other disadvantaged populations. These consumers may be overlooked because they tend to complain less frequently than older, wealthier consumers.*

CFPB complaint data is organized by products, and financial institutions generally address complaints in product silos. *However, firms may benefit significantly by working towards an enterprise-wide capability so they provide service and address issues in a holistic rather than siloed manner. By mining their own complaint data with visibility across various products, as well as data from the Consumer Complaint Database, firms might better understand the factors contributing to complaints instead of simply resolving complaints one-by-one. The possibilities for utilizing complaint data go beyond backward-looking complaint analysis. By leveraging complaint data along with more advanced analytical procedures such as call center audio analysis (e.g. tone of voice, talkover, sentiment, and keyword), institutions could develop advanced analytics aimed at identifying and rectifying potential compliance issues before they escalate to a higher level of regulatory and reputational risk.*

Importantly, since the Consumer Complaint Database only includes complaints submitted to the CFPB, it is unlikely that the database fully reflects a financial institution's own complaint records. Yet, as the only public resource currently available for measuring complaints and consumer experience, the database will likely help shape firms' image in the marketplace. *Firms – even those with strong internal track records – should consider monitoring what their CFPB data shows and compare it to their own analysis of internal complaint information so they can confirm the CFPB data carefully reflects their commitment to consumer protection.*

While the Consumer Complaint Database may identify new risks for financial institutions, it also presents opportunities. By developing a data-driven, enterprise-wide view of their internal complaint data, firms could potentially better address their regulatory compliance responsibilities and simultaneously elevate their customer experience and operational effectiveness.

Authors

Dennis Kiefer, Director, Deloitte Financial Advisory Services LLP, dkiefer@deloitte.com

Ted Stafford, Manager, Deloitte Financial Advisory Services LLP, tstafford@deloitte.com

Ryan Zagone, Lead Market Insights Analyst, Center for Financial Services, Deloitte Services LP, rzagone@deloitte.com

Jason Chiu, Manager, Deloitte Consulting LLP, jaschiu@deloitte.com