

The importance of expanding personal financial data rights for consumers



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The Consumer Financial Protection Bureau is rolling out an important new rule to give consumers access to their financial data. It's called the "Personal Financial Data Rights Rule." This rule could be a golden opportunity to empower auto loan shoppers and improve their borrowing experience.

Unfortunately, the current CFPB proposal does not apply to auto loan documents. Instead, it focuses on open access requirements to savings and checking accounts, digital wallets and credit cards.

This omission is troubling because of all the major consumer lending products, consumers likely have the least knowledge of the contents of their auto loans. Consumers directly engage lenders to obtain mortgages, student loans, and savings accounts. In contrast, seventy to eighty percent of car buyers get their auto financing indirectly through car dealer networks.

For these loans, it is the dealer, not the consumer, who shops for loan offers. It is the dealer who selects the loan it finds most favorable. Consumers show dealers their applications, pay stubs, bank statements, insurance coverage information and sign key loan documents, they do not actually see the lending package (called a "deal jacket") that the dealer submits to the lender. Deal jackets are voluminous documents that can run 60 or more pages.

According to the Federal Reserve Bank of New York, total household debt reached \$17 trillion in Q3 2023. Car loans are tied with student loans for the second highest debt item on the household balance sheet at \$1.6 trillion. Only mortgage loans, at a whopping \$12.14 trillion, hold a larger share of household debt. Given the importance of auto loans to consumer wealth and financial health, consumers should have more control and understanding of the information underlying these debt instruments.

If consumers had the right to see their own loan deal jackets, the entire lending ecosystem could benefit. Consumers would see tangible improvements in the price, transparency, and accuracy of their loans. Lenders could reduce fraud and enjoy improved, up-front communications with consumers about ancillary products, which would reduce consumer confusion and problems during servicing.



Here is how giving consumers access to their loan information could help:

1. Improve knowledge of key terms in ancillary product contracts: There are literally tens of thousands of ancillary product contracts. Dealers do not always provide vehicle buyers with the full contract terms when they purchase these products. Without access to their deal jackets, many consumers do not know their rights to cancel or get refunds for these products.

2. Misrepresentations of income: By getting access to their loan documents, consumers can ensure that their income is reported correctly to the lender and can catch any overstatement or understatement of their income.

3. Powerbooking: A fraudulent practice where the value of a car for loan purposes is overstated by claiming features on the vehicle like leather seats or a navigation system, which are not present. Consumers know the features on the car they purchased and can help lenders catch these overstatements.

4. Catching incorrect charges: By seeing the actual loan document, consumers can catch charges for ancillary products they did not purchase.

Our research shows that consumer-submitted information to dealers can diverge from what is filed with lenders. Recently, for example, we completed a study of 40,000 auto lending applications, and found that the income reported to the relevant lender differed by at least 5% from the consumer-submitted information in more than a quarter of the credit applications.

One cause of these discrepancies is fraud. Fully 1.15% of the

loan applications we see includes at least one fraudulently generated paystub. While the vast majority of dealers operate ethically, a few bad apples manipulate consumer data. In these small instances, to get by lender income restrictions, employees at these dealerships typically present fraudulent bank statements copied from legitimate consumer accounts, changing only the identity information of the consumer. There have also been similar document manipulation by dealers with documents showing proof of residence. Giving consumers more insight into their data could reduce this fraud vector.

The CFPB has seen first-hand, as the primary regulator of the Fair Credit Reporting Act, how consumers have leveraged their right to access the information in their credit bureau files to identify innumerable data errors and reduce harm. Enabling consumer access to their car loan deal jackets will produce similarly positive results. Both lenders and consumers will benefit from this increased transparency and accuracy of car loan records.

Granting consumer access to their auto loan deal jacket is entirely consistent with Section 1033. The statutory language of 1033 requires the CFPB to "make available to a consumer, upon request, information in the control or possession of the covered person concerning the consumer financial product or services that the consumer obtained from such covered person, including information relating to any transaction, series of transactions, or to the account including costs, charges, and usage data." Auto deal jackets contain granular transaction information, costs and charges.

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