

UNITED STATES OF AMERICA
BUREAU OF CONSUMER FINANCIAL PROTECTION

ADMINISTRATIVE PROCEEDING

File No. 2018-BCFP-0009

In the Matter of:

STATE FARM BANK, FSB

CONSENT ORDER

The Bureau of Consumer Financial Protection (Bureau) has reviewed the activities of State Farm Bank, FSB, (Respondent, as defined below) related to furnishing, obtaining, and using consumer reports and has identified the following law violations: (1) Respondent obtained consumer reports without a permissible purpose in violation of § 604(f) of the Fair Credit Reporting Act (FCRA), 15 U.S.C. § 1681b(f); (2) Respondent furnished inaccurate information about consumers' credit to Consumer Reporting Agencies (CRAs) that it knew or had reasonable cause to believe was inaccurate in violation of § 623(a)(1)(A) of FCRA, 15 U.S.C. § 1681s-2(a)(1)(A); (3) Respondent failed to promptly update or correct information furnished to CRAs that respondent determined was not complete or inaccurate in violation of § 623(a)(2) of FCRA, 15 U.S.C § 1681s-2(a)(2); (4)

Respondent furnished information to CRAs without providing notice that the information was disputed by the consumer in violation of § 623(a)(3) of FCRA, 15 U.S.C. § 1681s-2(a)(3); and (5) Respondent failed to establish and implement reasonable written policies and procedures regarding the accuracy and integrity of information provided to CRAs in violation Regulation V, 12 C.F.R. 1022.42(a). These FCRA violations also constitute independent violations of the Consumer Financial Protection Act (CFPA), 12 U.S.C. §§ 5536(a)(1)(A). Under §§ 1053 and 1055 of the Consumer Financial Protection Act of 2010 (CFPA), 12 U.S.C. §§ 5563, 5565, the Bureau issues this Consent Order (Consent Order).

I. Jurisdiction

1. The Bureau has jurisdiction over this matter under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565, and § 621 of FCRA, 15 U.S.C. § 1681s(b)(1)(H).

II. Stipulation

2. Respondent has executed a “Stipulation and Consent to the Issuance of a Consent Order,” dated November 29, 2018 (Stipulation), which is incorporated by reference and is accepted by the Bureau. By this Stipulation, Respondent has consented to the issuance of this Consent Order by the Bureau under §§ 1053 and 1055 of the CFPA, 12 U.S.C. §§ 5563 and 5565, without admitting or denying any of the findings of fact or

conclusions of law, except that Respondent admits the facts necessary to establish the Bureau's jurisdiction over Respondent and the subject matter of this action.

III. Definitions

3. The following definitions apply to this Consent Order:
 - a. "Board" means Respondent's duly-elected and acting Board of Directors.
 - b. "Effective Date" means the date on which the Consent Order is entered.
 - c. "Regional Director" means the Regional Director for the Midwest Region for the Office of Supervision for the Bureau of Consumer Financial Protection, or his or her delegate.
 - d. "Related Consumer Action" means a private action by or on behalf of one or more consumers or an enforcement action by another governmental agency brought against Respondent based on substantially the same facts as described in Section IV of this Consent Order.
 - e. "Respondent" means State Farm Bank, FSB, and its successors and assigns.

IV. Bureau Findings and Conclusions

The Bureau finds the following:

4. Respondent is a federal savings association headquartered in Bloomington, Illinois. As of December 31, 2017, Respondent reported more than \$16 billion in assets.
5. Respondent is an insured depository institution with assets greater than \$10,000,000,000 within the meaning of 12 U.S.C. § 5515(a).
6. Respondent is a “covered person” as that term is defined by 12 U.S.C. § 5481(6).
7. Respondent provides various banking deposit and credit products to consumers, including vehicle loans, credit cards, home mortgages, and online banking services.
8. Respondent does not maintain retail bank branches, but markets and offers its bank products through a network of bank-certified agents of State Farm Mutual Automobile Insurance Company (Agents), who are independent contractors, and bank-certified agent team members (Team Members), who are employed by the Agents.
9. Respondent also solicits consumers through various advertisements and direct mailings.

10. The majority of Respondent's business is from consumer credit cards and vehicle loans, many of which are loans to refinance existing vehicle loans.
11. A consumer report is automatically obtained when a credit application is submitted for a credit card or vehicle loan, and Respondent has certified to CRAs that it uses the report in connection with a credit transaction with the consumer on whom the information is sought.
12. Respondent also furnishes credit information about consumers to CRAs, either through its own systems or through a service provider.
13. Because Respondent uses and obtains consumer reports and furnishes consumer-credit information to CRAs, it is subject to FCRA and Regulation V. 15 U.S.C. § 1681 et seq.; 12 C.F.R. pt. 1022.

**Findings and Conclusions as to
Violations of § 604(f) of FCRA**

14. Section 604(f) of FCRA mandates that consumer reports be used or obtained only for permissible purposes enumerated in the statute. 15 U.S.C. § 1681b(f).
15. FCRA states that a "person shall not use or obtain a consumer report for any purpose unless—(1) the consumer report is obtained for a purpose for which the consumer report is authorized to be furnished" and one other condition is met. 15 U.S.C. § 1681b(f).

16. The authorized purposes specified in FCRA include consumer reports furnished “in connection with a credit transaction involving the consumer on whom the information is to be furnished and involving the extension of credit to, or review or collection of an account of, the consumer.” 15 U.S.C. § 1681b(a)(3)(A).
17. In certain instances, Respondent obtained consumer reports of consumers who were not seeking an extension of credit from or involved in any form of credit transaction, account review, or account collection with Respondent, and Respondent had no other permissible purpose for the consumer reports it obtained.
18. In some instances, Respondent’s Agents and Team Members initiated credit applications for the wrong consumer by incorrectly inputting consumer information into Respondent’s application system or by selecting the wrong consumer from a list of possible consumers identified in the system. When Agents and Team Members initiated applications in error, Respondent obtained a consumer report and generated a credit inquiry for the wrong consumer—not the consumer who had applied for the credit product.
19. In certain instances when the consumer had neither applied for a loan nor authorized Respondent to obtain a consumer credit report, Agents and

Team Members initiated vehicle-loan applications for consumers for the purpose of soliciting those consumers, thereby triggering a credit inquiry.

20. Prior to September 2016, Respondent did not have appropriate policies and procedures about permissible purposes for using or obtaining consumer reports, particularly with respect to Agents and Team Members, and Respondent provided inadequate training and oversight to Agents and Team Members with respect to FCRA and the permissible use and obtaining of consumer reports. Around September 2016, Respondent implemented a written policy regarding disciplinary practices for FCRA violations and improved its FCRA training for Agents and Team Members.
21. In 2017, Respondent developed and implemented a Consumer Report Consent Management System to reduce the likelihood of obtaining or using a consumer report without a permissible purpose.
22. As a result of the conduct described in Paragraphs 17, 18, and 19, Respondent violated § 604(f) of FCRA, 15 U.S.C. § 1681b(f).

**Findings and Conclusions as to
Violations of § 623(a)(1)(A) of FCRA**

23. Section 623(a)(1)(A) of FCRA prohibits a furnisher from furnishing any information relating to a consumer to any CRA if the furnisher knows or

has reasonable cause to believe that the information is inaccurate. 15

U.S.C. § 1681s-2(a)(1)(A).

24. In some instances, Respondent furnished inaccurate information to CRAs, including furnishing account information for the wrong consumer, reporting current accounts as delinquent, and reporting inaccurate payment histories and past-due amounts, even though the identities of existing customers and their account-payment information were in Respondent's records.
25. Respondent knew or had reasonable cause to believe that the furnished information was inaccurate because the furnished information was in direct conflict with the consumer information contained in Respondent's credit applications, loan files, or payment system-of-record.
26. Respondent did not clearly and conspicuously specify to consumers an address at which consumers could notify it that furnished information was inaccurate.
27. As a result of the conduct described in Paragraphs 24 and 25, Respondent violated § 623(a)(1)(A) of FCRA, 15 U.S.C. § 1681s-2(a)(1)(A).

**Findings and Conclusions as to
Violations of § 623(a)(2) of FCRA**

28. Section 623(a)(2) of FCRA requires any person who regularly and in the ordinary course of business furnishes information to a CRA and who has

furnished information that the person determines is not complete or accurate to promptly notify the CRA and provide corrections to make the information complete and accurate. 15 U.S.C. § 1681s-2(a)(2).

29. Respondent regularly and in the ordinary course of business furnishes information to CRAs in connection with providing credit products to consumers.
30. In some instances, after determining that information it furnished to a CRA was not complete or accurate, Respondent, often through a service provider, took multiple months to correct the incomplete or inaccurate information.
31. Respondent also failed on certain occasions to make prompt corrections and updates even when consumers made repeated requests to Respondent over the course of multiple months to correct inaccurate information.
32. As a result of the conduct described in Paragraphs 30 and 31, Respondent violated § 623(a)(2) of FCRA, 15 U.S.C. § 1681s-2(a)(2).

**Findings and Conclusions as to
Violations of § 623(a)(3) of FCRA**

33. Under Section 623(a)(3) of FCRA, if the completeness or accuracy of any information furnished by a furnisher to any CRA is disputed to the furnisher by a consumer, the furnisher may not furnish the information to

any CRA without notice that the information is disputed by the consumer.

15 U.S.C. § 1681s-2(a)(3).

34. In certain instances when consumers disputed information, Respondent, often through a service provider, furnished the information to CRAs without providing notice to the CRAs that the consumer disputed the information.
35. As a result of the conduct described in Paragraph 34, Respondent violated § 623(a)(3) of FCRA, 15 U.S.C. § 1681s-2(a)(3).

Findings and Conclusions as to Violations of Regulation V

36. Regulation V requires furnishers to “establish and implement reasonable written policies and procedures regarding the accuracy and integrity of the information relating to consumers that it furnishes to a consumer reporting agency.” 12 C.F.R. § 1022.42(a).
37. The policies and procedures must be appropriate to the nature, size, complexity, and scope of the furnisher’s activities. 12 C.F.R. § 1022.42(a).
38. Section 1022.42(b) of Regulation V requires that Furnishers consider guidelines in Appendix E of the Furnisher Rule, including guidance that the policies and procedures should address establishing and implementing internal controls for accuracy and integrity of information furnished to CRAs about consumers; training staff that furnishes information;

providing appropriate and effective oversight of service providers; deleting, updating, and correcting information in the furnisher's records, as appropriate, to avoid furnishing inaccurate information; designing appropriate technology to communicate with CRAs; and conducting a periodic evaluation of its policies and practices. 12 C.F.R. § 1022, Appendix E.

39. Respondent's written policies and procedures regarding the accuracy and integrity of the consumer information that it furnishes to CRAs were inadequate given the high volume and complexity of Respondent's furnishing activities and were not reasonable or appropriate given the nature, size, complexity, and scope of Respondent's activities.
40. From 2012 until about September 2016, Respondent's FCRA-related policies and procedures consisted of general statements setting forth the roles and responsibilities of various personnel with respect to compliance with FCRA without delineating specific guidance for complying with FCRA or setting forth processes regarding the accuracy and integrity of information furnished to CRAs.
41. Before 2017, Respondent's policies and procedures failed to adequately set forth processes regarding the accuracy and integrity of information furnished to CRAs.

42. Respondent routinely relied on its service providers to establish and implement policies and procedures regarding the accuracy of information furnished to CRAs about its customers without providing oversight or ensuring that any such policies or procedures were adequate.
43. As a result of the conduct described in Paragraphs 39, 40, 41, and 42, Respondent violated Regulation V by failing to establish and implement the required reasonable written policies and procedures, 12 C.F.R. § 1022.42(a) – (c).

Findings and Conclusions as to Violations of the CFPA

44. It is a violation of the CFPA for any covered person to commit any act or omission in violation of a “Federal consumer financial law.” 12 U.S.C. § 5536(a)(1)(A).
45. FCRA and Regulation V are “Federal consumer financial laws” under the CFPA. 12 U.S.C. § 5481(12)(F), (14).
46. As a result, by violating the FCRA and Regulation V, Respondent also violated the CFPA, 12 U.S.C. § 5536(a)(1)(A).

ORDER

V. Conduct Provisions

IT IS ORDERED, under §§ 1053 and 1055 of the CFPA, that:

47. Respondent and its officers, agents, servants, employees, and attorneys who have actual notice of this Consent Order, whether acting directly or indirectly, may not violate §§ 604(f), 623(a)(1)(A), 623(a)(2), or 623(a)(3) of FCRA or Regulation V, 12 CFR 1022.42(a).
48. Respondent must also implement and maintain reasonable written policies, procedures, and processes:
 - a. To prevent obtaining and using consumer credit reports without a permissible purpose;
 - b. To ensure sufficient training on the obligations of users of consumer reports under the FCRA for any persons, including Agents and Team Members, that cause consumer reports to be used or obtained;
 - c. To ensure appropriate oversight of any persons that cause consumer reports to be used or obtained on behalf of or for the benefit of Respondent, including Agents, Team Members, personnel, and any third parties that act on behalf of Respondent regarding using or obtaining consumer reports;
 - d. To ensure auditing of Respondent's practices regarding using or obtaining consumer credit reports;
 - e. To avoid furnishing information to any CRA that Respondent knows or has reasonable cause to believe is inaccurate, provided that Respondent

may qualify for the safe harbor set forth in § 623(a) of FCRA if it clearly and conspicuously specifies to consumers an address for notices that specific information is inaccurate;

- f. To ensure that Respondent promptly notifies CRAs and provides corrections to make information complete and accurate when it determines that it has furnished consumer information that is not complete or accurate;
- g. To ensure that Respondent notifies CRAs of disputes when the completeness or accuracy of consumer information it furnished is disputed to it by a consumer;
- h. To ensure appropriate oversight of any persons, including personnel and any third parties, that perform any activities relating to furnishing consumer information to CRAs for or on behalf of Respondent, whether directly or indirectly, or in whole or in part; and
- i. To address each of the requirements and all guidelines of Regulation V, 12 C.F.R. 1022.42(a), and Appendix E.

VI. Compliance Plan

IT IS FURTHER ORDERED that:

- 49. Within 60 days of the Effective Date, Respondent must submit to the Regional Director for review and determination of non-objection a

comprehensive compliance plan designed to ensure that Respondent's consumer credit reporting activities comply with all applicable Federal consumer financial laws and the terms of this Consent Order (Compliance Plan). The Compliance Plan should reflect actions already implemented by Respondent (such as the ongoing furnishing and dispute-handling functions) and must also include, at a minimum:

- a. Detailed steps or actions to be taken to comply with §§ 604(f), 623(a)(1)(A), 623(a)(2), or 623(a)(3) of FCRA or Regulation V, 12 CFR 1022.42(a), and other actions required by this Consent Order;
 - b. Specific timeframes and deadlines for implementation of the steps described above, or if previously implemented the date those steps were taken;
 - c. Copies of policies and procedures, audits, training materials and records, and any other documents required to comply with this Consent Order, or a timeframe and deadline for when the documents will be provided.
50. The Regional Director will have the discretion to make a determination of non-objection to the Compliance Plan or direct the Respondent to revise it. If the Regional Director directs Respondent to revise the Compliance Plan, Respondent must make the revisions and resubmit the Compliance Plan to the Regional Director within 20 days.

51. After receiving notification that the Regional Director has made a determination of non-objection to the Compliance Plan, Respondent must implement and adhere to the steps, recommendations, deadlines, and timeframes outlined in the Compliance Plan.

VII. Role of the Board

IT IS FURTHER ORDERED that:

52. The Board (or a relevant committee thereof) must review all submissions required by this Consent Order prior to submission to the Bureau.
53. Although this Consent Order requires Respondent to submit certain documents for the review or non-objection by the Regional Director, the Board will have the ultimate responsibility for proper and sound management of Respondent and for ensuring that Respondent complies with Federal consumer financial law and this Consent Order.
54. In each instance that this Consent Order requires the Board to ensure adherence to, or perform certain obligations of Respondent, the Board must:
 - a. Authorize whatever actions are necessary for Respondent to fully comply with the Consent Order;
 - b. Require timely reporting by management to the Board on the status of compliance obligations; and

- c. Require timely and appropriate corrective action to remedy any material non-compliance with any failures to comply with Board directives related to this Section.

VIII. Reporting Requirements

IT IS FURTHER ORDERED that:

55. Respondent must notify the Bureau of any development that may affect compliance obligations arising under this Consent Order, including but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to this Consent Order; the filing of any bankruptcy or insolvency proceeding by or against Respondent; or a change in Respondent's name or address. Respondent must provide this notice, if practicable, at least 30 days before the development, but in any case no later than 14 days after the development.
56. Within 7 days of the Effective Date, Respondent must designate at least one telephone number and email, physical, and postal address as points of contact, which the Bureau may use to communicate with Respondent.
57. Within 90 days of the Effective Date, and again one year after receiving notice of non-objection to the Compliance Plan, Respondent must submit

to the Regional Director an accurate written compliance progress report (Compliance Report) that has been approved by the Board, which, at a minimum:

- a. Lists each applicable paragraph and subparagraph of the Order and describes in detail the manner and form in which Respondent has complied with each such paragraph and subparagraph of the Consent Order;
- b. Describes in detail the manner and form in which Respondent has complied with the Consent Order and Compliance Plan; and
- c. Attaches a copy of each Order Acknowledgment obtained under Section IX, unless previously submitted to the Bureau.

IX. Order Distribution and Acknowledgment

IT IS FURTHER ORDERED that,

58. Within 30 days of the Effective Date, Respondent must deliver a copy of this Consent Order to each of its board members and executive officers, as well as to any managers, employees, Service Providers, or other agents and representatives who have responsibilities related to the subject matter of the Consent Order.
59. For 5 years from the Effective Date, Respondent must deliver a copy of this Consent Order to any business entity resulting from any change in

structure referred to in Section IX, any future board members and executive officers, as well as to any managers, employees, Service Providers, or other agents and representatives who will have responsibilities related to the subject matter of the Consent Order before they assume their responsibilities.

60. Respondent must secure a signed and dated statement acknowledging receipt of a copy of this Consent Order, ensuring that any electronic signatures comply with the requirements of the E-Sign Act, 15 U.S.C. § 7001 *et seq.*, within 30 days of delivery, from all persons receiving a copy of this Consent Order under this Section.

X. Recordkeeping

IT IS FURTHER ORDERED that

61. Respondent must create, or if already created, must retain for the duration of the Consent Order, the following business records:
 - a. All documents and records necessary to demonstrate full compliance with each provision of this Consent Order, including all submissions to the Bureau.
 - b. Copies of all training materials, including records of training attendance, policies, and procedures, relating to the subject of this Consent Order, including any such materials used by a third party on behalf of

Respondent.

- c. All consumer complaints and disputes, whether received directly or indirectly, relating to the subject of this Consent Order, and any responses to those complaints or disputes.
62. Respondent must retain the documents identified in Paragraph 61 for the duration of the Consent Order.
63. Respondent must make the documents identified in Paragraph 61 available to the Bureau upon the Bureau's request.

XI. Notices

IT IS FURTHER ORDERED that:

64. Unless otherwise directed in writing by the Bureau, Respondent must provide all submissions, requests, communications, or other documents relating to this Consent Order in writing, with the subject line, "*In re* State Farm Bank, FSB, File No. 2018-BCFP-0009," and send them by overnight courier or first-class mail to the below address and contemporaneously by email to Enforcement_Compliance@cfpb.gov:

Regional Director, Bureau Midwest Region
Bureau of Consumer Financial Protection
Kluczynski Federal Building
230 South Dearborn Street, 15th Floor
Chicago, IL 60604.

XII. Compliance Monitoring

IT IS FURTHER ORDERED that:

65. Within 14 days of receipt of a written request from the Bureau, Respondent must submit additional Compliance Reports or other requested non-privileged information, related to requirements of this Consent Order, which must be made under penalty of perjury; provide sworn testimony related to requirements of this Consent Order and Respondents' compliance with those requirements; or produce non-privileged documents related to requirements of this Consent Order and Respondents' compliance with those requirements.
66. For purposes of this Section, the Bureau may communicate directly with Respondent, unless Respondent retains counsel related to these communications.
67. Respondent must permit Bureau representatives to interview any employee or other person affiliated with Respondent who has agreed to such an interview regarding the requirements of this Consent Order and Respondent's compliance with those requirements. The person interviewed may have counsel present.

68. Nothing in this Consent Order will limit the Bureau's lawful use of civil investigative demands under 12 C.F.R. § 1080.6 or other compulsory process.

XIII. Modifications to Non-Material Requirements

IT IS FURTHER ORDERED that:

69. Respondent may seek a modification to non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) by submitting a written request to the Regional Director.
70. The Regional Director may, in his or her discretion, modify any non-material requirements of this Consent Order (*e.g.*, reasonable extensions of time and changes to reporting requirements) if he or she determines good cause justifies the modification. Any such modification by the Regional Director must be in writing.

XIV. Administrative Provisions

71. The provisions of this Consent Order do not bar, estop, or otherwise prevent the Bureau, or any other governmental agency, from taking any other action against Respondent, except as described in Paragraph 72.
72. The Bureau releases and discharges Respondent from all potential liability for law violations that the Bureau has or might have asserted based on the

practices described in Section IV of this Consent Order, to the extent such practices occurred before the Effective Date and the Bureau knows about them as of the Effective Date. The Bureau may use the practices described in this Consent Order in future enforcement actions against Respondent and its affiliates, including, without limitation, to establish a pattern or practice of violations or the continuation of a pattern or practice of violations or to calculate the amount of any penalty. This release does not preclude or affect any right of the Bureau to determine and ensure compliance with the Consent Order or to seek penalties for any violations of the Consent Order.

73. Any pending motions are hereby denied as moot.
74. This Consent Order is intended to be, and will be construed as, a final Consent Order issued under § 1053 of the CFPA, 12 U.S.C. § 5563, and expressly does not form, and may not be construed to form, a contract binding the Bureau or the United States.
75. Duration of the Order: This Consent Order will terminate 5 years from the Effective Date. The Consent Order will remain effective and enforceable until such time, except to the extent that any provisions of this Consent Order have been amended, suspended, waived, or terminated in writing by the Bureau or its designated agent.

76. Calculation of time limitations will run from the Effective Date and be based on calendar days, unless otherwise noted.
77. Should Respondent seek to transfer or assign all or part of its operations that are subject to this Consent Order, Respondent must, as a condition of sale, obtain the written agreement of the transferee or assignee to comply with all applicable provisions of this Consent Order.
78. The provisions of this Consent Order will be enforceable by the Bureau. For any violation of this Consent Order, the Bureau may impose the maximum amount of civil money penalties allowed under § 1055(c) of the CFPA, 12 U.S.C. § 5565(c). In connection with any attempt by the Bureau to enforce this Consent Order in federal district court, the Bureau may serve Respondent wherever Respondent may be found, and Respondent may not contest that court's personal jurisdiction over Respondent.
79. This Consent Order and the accompanying Stipulation contain the complete agreement between the parties. The parties have made no promises, representations, or warranties other than what is contained in this Consent Order and the accompanying Stipulation. This Consent Order and the accompanying Stipulation supersede any prior oral or written communications, discussions, or understandings.

80. Nothing in this Consent Order or the accompanying Stipulation may be construed as allowing the Respondent, its Board, officers, or employees to violate any law, rule, or regulation.

IT IS SO ORDERED, this 5 th day of December, 2018.

A handwritten signature in blue ink, appearing to read 'M. Mulvaney', is written over a horizontal line. The signature is stylized and includes the date '12/06' written below it.

Mick Mulvaney
Acting Director
Bureau of Consumer Financial Protection