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TSI Compliance Overview

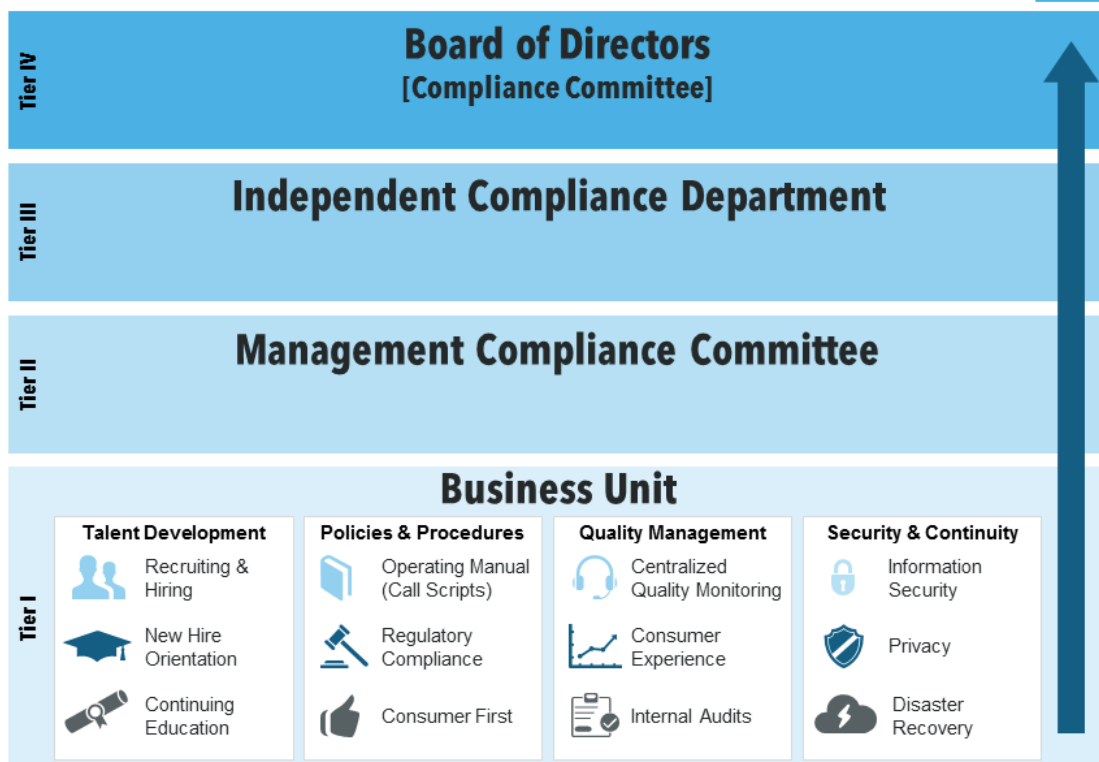
Summary of CFPB & Debt Collection

TSI's Compliance Management System

1. Governance – to provide for effective board and management oversight;
2. Compliance Program – written compliance program setting forth core compliance components;
3. Consumer Complaint Management – to capture, analyze and address consumer complaints, and
4. Compliance Testing – to provide testing of the Company's compliance with consumer protection laws and regulations and adherence to internal policies and procedures.

TSI Quality Control Governance Structure

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Consumer Compliance

- Consumer laws are not new – the consolidation of oversight and enforcement of consumer laws is, and the consolidation is to the Consumer Financial Protection Bureau (“CFPB”).
- The CFPB was created by Title X of the Dodd-Frank Act, the Consumer Financial Protection Act of 2010, to address “widespread failures in consumer protection and rapid growth in irresponsible lending practices.”

- Agency was formed to – among other things – exercise responsibility for supervision and enforcement of consumer protection laws as well as regulate providers of consumer financial products and services that escaped regular federal oversight.

Core CFPB Functions:

- Rule-making
- Supervision, and Enforcement for federal consumer financial protection laws
- Restrict unfair, deceptive, or abusive acts or practices (UDAAP)
- Process Consumer Complaints
- Promote financial education
- Research consumer behavior
- Monitor financial markets for new risks to consumers
- Enforce laws that outlaw discrimination and other unfair treatment in consumer finance

CFPB Have Two Types of Authority...

- SUPERVISORY AUTHORITY, which includes the power to examine and require reports from the persons that it supervises to:
 - assess compliance with federal consumer financial law
 - obtain information about such persons' activities and compliance systems or procedures
 - detect and assess risks to consumers and to the consumer financial markets
- ENFORCEMENT AUTHORITY, which allows it to bring to bear its enforcement powers against an entity that has violated one of its inherited areas of jurisdiction or committed an unfair, deceptive, or abusive act or practice ("UDAAP").

Supervisory Authority over Debt Collectors:

- The CFPB has the authority to supervise nonbank "larger participant[s]" in markets for other consumer financial products or services
- The CFPB has defined larger participants in the debt collection and consumer reporting areas
- Debt collection jurisdiction would cover 175 of the approximately 4,500 U.S. debt collectors, debt buyers, and collection law firms; i.e., those firms with over with more than \$10 million in annual receipts
 - TSI is a supervised larger market participant

Enforcement Authority over Debt Collectors:

- Nonbank entities are subject to the CFPB's regulatory and enforcement authority regardless of size *or whether they are subject to the Bureau's supervisory authority*, i.e., everybody is subject to enforcement action
- The CFPB is in the position of drafting rules that interpret the inherited laws and is able to enforce compliance with those rules

- The CFPB also has catch-all authority to address unfair, deceptive or abusive acts and practices (UDAAP) and is able to include a UDAAP, and in some cases a fair lending component, to each of its rules, thereby giving itself additional enforcement jurisdiction

Enforcement Remedies

- Rescission or reformation of contracts
- Refund of money or return of real property
- Restitution
- Disgorgement or compensation for unjust enrichment
- Payment of damages or other monetary relief
- Public notification regarding the violation
- Limits on the activities or functions of the person against whom the action is brought
 - Civil Money Penalties
 - up to \$5,000 per day for the violation of a rule imposed by the CFPB
 - up to \$25,000 per day for the reckless violation of a federal consumer protection law
 - up to \$1,000,000 per day for a knowing violation of a federal consumer financial law

CFPB's Remedies for Violation

- Rescission/Reformation
- Refund/Return
- Restitution
- Disgorgement/Compensation
- Payment of Damages
- Public Notification
- Limits on Activities
- Civil Monetary Penalties
- No Criminal Enforcement – Referred to DOJ

Sample Debt Collection Examination Findings

- Failure to obtain appropriate authorization prior to initiating recurring EFTs
- Excessive calls
- Deceptive representations
- Unlawful imposition of convenience fees
- False threats of litigation
- Faulty training materials
- Weaknesses in compliance management systems (“CMS”)
- Failure to conduct investigations of dispute notices from consumers and consumer reporting agencies
- Failure to have reasonable written policies and procedures regarding information furnished to consumer reporting agencies

- Beneficial practice of using exception reports provided by consumer reporting agencies

CFPB's Debt Collection Enforcement Actions

- Wells Fargo Bank: \$185 million in restitution and penalties for illegally enrolling consumers in debit and credit card accounts.
- American Express: \$85 million in restitution and \$27.5 million in penalties for deceptive debt collection and other illegal practices.
- Cash America: \$14 million in restitution and \$5 million in penalties for robo-signing, illegally overcharging service members, and exam misconduct.
- ACE Cash Express: \$5 million in restitution and \$5 million in penalties for unfair, deceptive, and abusive payday loan debt collection practices.
- Frederick J. Hanna & Associates, P.C.: Settled with \$3.1 million penalty.
- Corinthian Colleges, Inc.: Default judgment and \$480 million in student loan forgiveness.
- Richard F. Mosely, Sr. et al. (Hydra Group): Active litigation against an online payday lender.
- Freedom Stores, Inc.: \$2.5 million in refunds and penalties.
- National Corrective Group, Inc. et al.: Active litigation against a check diversion program provider.
- Universal Debt & Payment, et al.: Active litigation against debt collector and vendors.

CFPB's Proposed Debt Collection Rules

- Debt Substantiation: Collector must have reasonable basis for claiming consumer owes debt
- Validation Notice: Enhancements and clarifications of consumer rights
- Time-Barred Debts: Time-barred debt notice disclosure
- Communication Limits: Frequency and content of messages

What a Creditor Needs to Consider When Selecting a Debt Collection Vendor

The CFPB is not anti-debt collection. The CFPB recognizes that debt collection serves an important role in consumer creditor markets by reducing creditor losses, and the consumers benefit from reduced losses by having more credit available at lower prices.

The CFPB envisions a debt collection market where everyone who collects debts substantiates the debts they are collecting, accurately identifies debtors, provides debtors with appropriate information, and communicates with debtors about their debts in a respectful, lawful, consumer-oriented way.

Creditors need to look for and find the following in their chosen debt collection vendor, because examiners will evaluate the effectiveness of Compliance Management System (CMS):

- Effectiveness of Compliance Management in preventing violations of federal consumer protection laws;
- Compliance with consumer protection laws;
- Avoidance of UDAAP & other risks to consumers; and
- Board oversight, policies, training, complaint process, and monitoring (including service provider oversight).