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From: David Tuyo [REDACTED]
Sent: Saturday, January 7, 2023 11:54 AM
To: DFPI Regulations
Cc: Bae, David@DFPI
Subject: CCFPL/PRO 03-21 Comments on Proposed Regs

Follow Up Flag: Follow up
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Good morning!

In response to the request for the notice of modifications to proposed regulations under California Consumer Financial Protection Law (CCFPL): Consumer Complaints and Inquiries (PRO 03-21), University Credit Union has prepared the below for your review and consideration. Thank you for the opportunity and we appreciate the process.

In order to implement the proposed changes, we would need to designate an individual with responsibility to monitor all channels for complaints and while it may not be a full FTE 100% of the time, it appears that it comes very close to it if we make a literal interpretation of the changes. In addition, for redundancy and to ensure compliance, this would most likely require two FTEs in some form.

1a – We would need 1-2 FTEs and 2 different ½ FTE to serve as designees or support.

1b – The full FTEs can implement the revised rules from all parts of the credit union and there is a clear understanding of what is required.

1c – Regarding the number of complaints in CY 2021, total number is approximately 746,

1d – The economic impact to UCU would be an additional FTEs and potentially 3 FTEs dedicated to the complaint process. I don't believe this can be handled by existing individuals in addition to their current responsibilities.

1e – Monetary costs would include initially the FTEs. We would approximate this cost to be \$360,000 given our average salary and benefit expense.

1f – anticipated benefits in monetary terms is difficult to estimate as we already capture this today. With this proposal, it would be a negative return to UCU.

2a – currently, the member with the complaint is contacted by a member of management written or orally. A review of what transpired is conducted and all parties involved are consulted with in order to determine the facts in the complaint. Any complaint sent to Payments, Risk or Compliance are saved in folders along with all internal communications. Each complaint has a follow up in the folder with the outcome/solution to the complaint.

2b – the revised rules would actually formalize the internal process and while I think it would improve our process in some areas, the costs clearly outweigh the benefits.

Section 3 asks for regulatory alternatives that could be pursued. I would suggest that there is some threshold for both number of complaints as a percentage of membership or severity of complaint. If a member complains that we are not open on Sundays or that we should charge higher interest on loans to pay them more for deposits, would that be required in this proposal?

4a – the creation or elimination of jobs within the state could be negligible especially for FIs like us who have a work from anywhere policy.

4b – creation of new businesses or elimination of businesses: most likely there would be a consultancy created or facilitated from current industry player and assist smaller FIs to manage this process.

4c – I do think this could create a competitive disadvantage for business in the state. I do think some may change their charter from state to federal or possibly search out merger partners from outside the state of California.

4d – unsure of the increase or decrease of investment in the state.

4e – this could create innovation in processes as FIs are forced to provide for process improvements which in turn can lead to capital and resources spent elsewhere. However, I would argue this should already be in place for organizations of any size.

4f – expansion of business in state is tied to 4b.

4g – the benefits to the welfare of California residents would be more transparency on complaints or issues with various financial institutions in the state.

Here are my questions and comments:

A complaint is defined as an oral or written expression of dissatisfaction. This means that any escalation over the phone, Ask the CEO emails or social media posts would need to be addressed through this new process. This is a dramatic change in how escalations are handled.

One of the requirements for every web page with information on financial products must have a statement and link within instructions for oral and written complaints seems unrealistic. Our Marketing Team would have concerns with this. I can see having the statement and link on one web page and then have it be a standard function with AI bots in web, digital banking apps, and contact center.

All the other rule changes are possible but are redundant with current processes. Redundant but not the same resulting in rework based in semantics with same outcomes. The annual reporting to DFPI further supports the reasoning behind having a dedicated individual monitoring the complaint process.

As a point of reference, UCU had approximately 746 complaints of any kind. During that time, our members have utilized our services with several thousand new accounts and loans, millions of dollars transacted or transferred, and over 500,000 interactions online as well as in our call center. We view member complaints as opportunities to improve and given the volume of business at UCU, the complaints are not significant and we act on each and every one. I am not sure the problem being solved with this proposed regulation.

Again, thank you for the opportunity to comment and please let us know if you have any further questions.

Respectfully yours,

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