

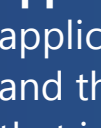
# UDAAP

## AND YOUR VENDORS



### WHAT YOU NEED TO KNOW

**UDAAP, an acronym for unfair, deceptive or abusive acts or practices**, is a term that presents concern to many third party risk and compliance managers since the creation of the Consumer Financial Protection Bureau as it has been a major focal point for regulatory enforcement. The addition of the extra "A", for Abusive, has been quite controversial, as the term has not been well-defined except through enforcement actions, causing much confusion as to the technicality of an abusive practice.



**Compliance managers appreciate clear direction** on the application of regulatory guidance and the abusive standard, lacking that is problematic to understand much less implement confident and appropriate steps to avoid issues that may give rise to a UDAAP concern.



### WHY IS UDAAP DIFFICULT TO GRASP?

Here are a couple reasons why UDAAP is difficult for people to grasp:

1

The definitions of unfair, deceptive or abusive acts or practices in Dodd-Frank are very broad.

2

It can be very difficult to proactively determine whether a practice would be considered unfair, deceptive or abusive by the Consumer Financial Protection Bureau (CFPB) absent firm written guidelines.



### HOW TO IMPLEMENT UDAAP COMPLIANT PROCEDURES

Embedding procedures around UDAAP into your third party risk program is a must. In order to do so, we recommend you take the following steps:

1

**Meet with your compliance team, legal counsel and internal audit teams.** Fully understand if there are any critical mishaps to point out and, if so, be sure to begin correcting them.

2

**Make sure your third party vendors understand your organization's UDAAP expectations.** The best way to do this is to have them contractually commit to provide you with the opportunity to review and approve any new marketing materials or consumer facing disclosures. This will help your team stay ahead of any negative publicity.

3

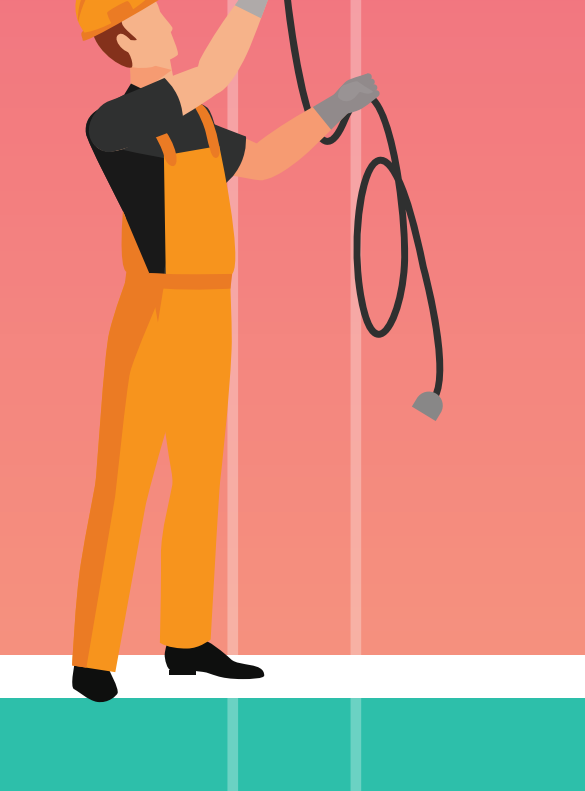
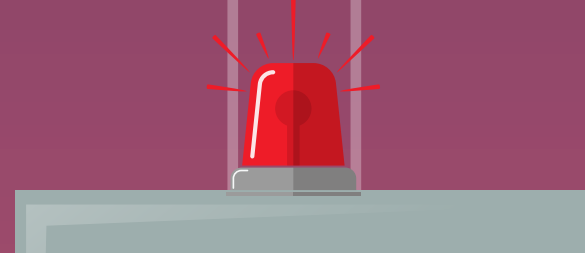
**Test your program.** Monitor, test and be on the lookout for any items that could be confusing to your customers.

4

**Review complaints.** Don't just review but understand their underlying cause and determine the impact to your organization. This is a great way to address any issues before they become a huge problem.

5

**Study enforcement actions.** Look for elements that may be present in your own organization.



### 4 BEST PRACTICES TO PROPERLY MONITOR UDAAP AND MANAGE VENDORS

Monitoring UDAAP effectively can be tricky. Here are our recommendations.

1

**As mentioned in step 5, you can better understand UDAAP by studying enforcement actions.** It's a great way to further develop your organization's working definition of UDAAP. All of the major regulators make their enforcement actions public.

**Enforcement actions help to:**



**Shed some light** on what a regulator feels is and isn't concerning behavior



**Reveals trends** in the industry – good or bad



**Assists with decoding** what the regulator's broader agenda may be

2

**Conduct adequate ongoing monitoring that allows you to see your products or services from a consumer's perspective.** Be on the lookout for terms that could be confusing, inordinately burdensome or give rise to consumer complaints.

3

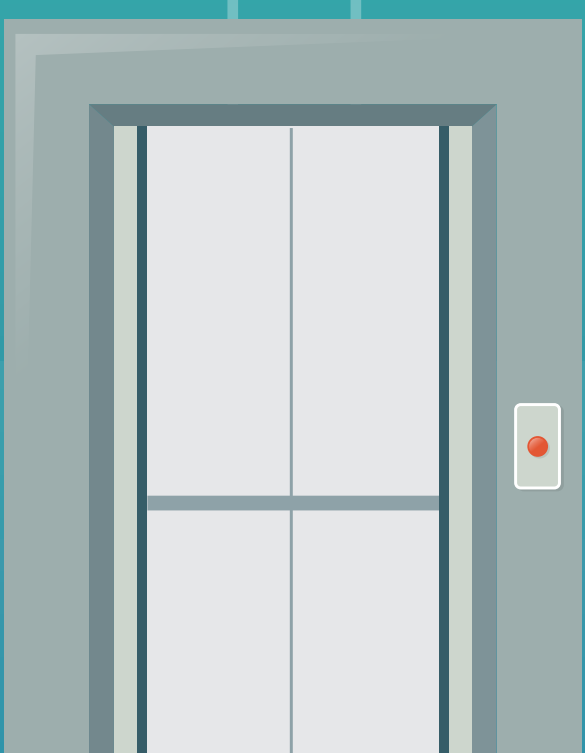
**Beware of add-on products or heavily fee-laden features** as they are a current hot button for regulatory enforcement investigations.

4

**Study, document and develop preventative measures** when customers complain about a product, service or fee.



**Pro Tip:** Review [Payment Law Advisor](#). Their UDAAP actions tracker is a great source for UDAAP enforcement actions and even breaks them down by prudential regulator.



### 4 BENEFITS OF PROPER UDAAP MONITORING

Proper UDAAP monitoring provides a real strategic advantage and helps your organization perform third party risk management well.

**Here are four benefits:**

1

**Ensures customer satisfaction** with your organization's products and services

2

**Helps achieve expense reductions**

3

**Improves staff alignment** to only work with reputable vendors

4

**Reduces reputation risk**



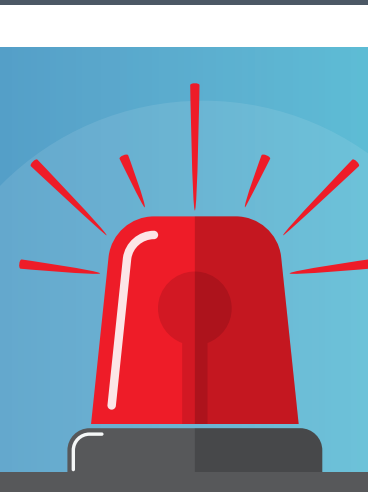
**UDAAP issues can be costly and damage your organization's reputation.**

*The best defense is a good offense.*

Proactively monitoring and aggressively addressing potential UDAAP issues can save you time, money, customers, reputation and headaches.

**Download free due diligence samples** and see how Venminder can help you reduce your third party risk management workload.

[DOWNLOAD NOW](#)



[PRINTABLE VERSION](#)

Copyright © 2019 by Venminder, Inc.

**venminder**  
400 Ring Road, Suite 131, Elizabethtown, KY 42701  
(270) 506-5140 | [www.venminder.com](http://www.venminder.com)