

## **CFPB Settles with Savings and Loan Association for Alleged Violations of the FCRA**

Article By:

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The Consumer Financial Protection Bureau announced a settlement with State Farm Bank, FSB for alleged violations which involved obtaining and furnishing consumer reports, which in some cases were inaccurate, to Consumer Reporting Agencies. The order finds that State Farm Bank, an Illinois federal savings association with over \$10 billion in assets, violated the Fair Credit Reporting Act, the first U.S. Sectorial privacy law, and the Consumer Financial Protection Act in a number of ways.

The order outlines the following alleged violations of the FCRA:

- Obtaining consumer reports without a permissible purpose.
- Furnishing consumer report information to Consumer Reporting Agencies (CRAs) about consumers that it knew or had reasonable cause to believe was inaccurate.
- Furnishing information to CRAs without providing notice that the information was disputed by the consumer.
- Failing to establish and implement reasonable written procedures regarding the accuracy and integrity of information provided to CRAs.

Specifically, the order notes that State Farm Bank's agents and team members initiated credit applications for the wrong consumer by incorrectly inputting consumer information into its application system or by selecting the wrong consumer from a list of possible consumers identified in the system thereby obtaining consumer reports without a permissible purpose, in violation of Section 604 of the FCRA. According to the order, prior to September 2016, State Farm Bank did not have appropriate policies and procedures about permissible purposes for using or obtaining consumer reports.

In addition, the order finds that State Farm Bank violated the furnisher provisions of the FCRA in the following four ways:

- Furnished inaccurate information to CRAs including 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 its records.

- Failed to notify the CRAs or provide corrections to make inaccurate information accurate. In some instances, it was found that State Farm Bank failed to make such corrections even after consumers made repeated requests to State Farm to do so.
- Furnishing information that State Farm Bank knows is disputed by the consumer and failing to provide notice to the CRA.
- Failing 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 CRA pursuant to 12 CFR §1022.42(a) (The Furnisher Rule).

The order requires State Farm Bank to implement written policies and procedures to remedy the challenged conduct. The order does not provide for a monetary penalty.

The guiding principles behind the FCRA, which was enacted in 1970 include privacy, accuracy, and transparency. Only those who have a permissible purpose can obtain consumer reports. In addition, there are a number of provisions to help ensure the accuracy of such information including consumer's ability to dispute and correct inaccurate information. As part of the FACT Act amendments to the FCRA, the federal agencies promulgated the Furnisher Rule that requires that those who furnish consumer report information to CRAs have written policies and procedures regarding the accuracy and integrity of information provided to the CRAs.

The CFPB shares enforcement authority of the FCRA with the Federal Trade Commission.

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