

OFFICE OF  
INSPECTOR GENERAL

*Report of Inspection*

Borrower Complaint Process

I-10-01

**Tammy Rapp  
Auditor-in-Charge**



**September 16, 2010**

FARM CREDIT ADMINISTRATION



September 16, 2010

The Honorable Leland A. Strom  
Chairman of the Board  
Farm Credit Administration  
1501 Farm Credit Drive  
McLean, Virginia 22102-5090

Dear Chairman Strom:

The Office of the Inspector General completed an inspection of the Borrower Complaint Process at the FCA. The objective of this inspection was to evaluate FCA's process for reviewing, tracking, and responding to borrowers' complaints and identify whether improvements are needed.

We determined that the process was effective for responding to borrower complaints. Although the process was generally consistent with Agency policies and procedures, we identified areas of improvement that can be made to increase efficiency, transparency, and accountability. Management agreed with all of our recommendations which we converted to agreed-upon actions.

We appreciate the courtesies and professionalism extended to OIG staff. If you have any questions about this inspection, I would be pleased to meet with you at your convenience.

Respectfully,

A handwritten signature in black ink that reads 'Carl A. Clinefelter'.

Carl A. Clinefelter  
Inspector General

Enclosure

# Borrower Complaint Process Inspection Report #I-10-01



## Summary of Observations & Areas for Improvement

Report Issued: 9/16/2010

Farm Credit Administration  
Office of Inspector General  
(OIG)



# Borrower Complaint Process Inspection

- Objectives, Scope, & Methodology
- Overall Conclusion
- Farm Credit Administration's (FCA) Policies and Procedures
- Borrower Complaint Statistics
- Primary Causes for Complaints
- Referrals by Office of Congressional and Public Affairs (OCPA) to Other Offices for Research
- Actual Borrower Complaint Process Compared to Policies and Procedures
- Duplicate and Follow-up Complaints
- Time from Receipt of Complaint to Final Response
- FCA's Goal to Respond within 30 Days



## Objectives, Scope, & Methodology

- The objective of this inspection was to evaluate FCA's process for reviewing, tracking, and responding to borrowers' complaints and identify whether improvements are needed.
- Identified and reviewed key policies and procedures
- Created graphs and charts to analyze key statistical data
  - Analyzed # borrower complaints received by year
  - Identified primary cause for borrower complaints
  - Calculated time elapsed for key steps in process
- For complaints received in 2009, where the response exceeded 30 days from receipt, reviewed files to determine cause for extended response
  - Reviewed data and documentation maintained in the Correspondence Tracking System (CTS), OCPA files, and Office of Examination (OE) files to identify timeline and obtain history of research used in responding to borrower complaints
  - Compared actual process to policies and procedures
  - Did not evaluate sufficiency of analysis or response



## Objectives, Scope, & Methodology

- Conducted interviews:
  - OCPA, OE's Examination Policy Division (EPD), Office of General Counsel (OGC), and Office of Secondary Market Oversight (OSMO) staff with day to day responsibility for researching and responding to borrower complaints
  - Director, OCPA
  - Chief Examiner
  - Chief Operating Officer
- Determined how technology was used for the borrower complaint process
- Determined how time spent dealing with borrower complaints was reported
- Inspection performed at FCA Headquarters in McLean, Virginia from March 2010 through July 2010
- Conducted exit conference with management officials on July 13, 2010
- Inspection performed in accordance with the former President's Council on Integrity and Efficiency's<sup>1</sup> *Quality Standards for Inspections*

<sup>1</sup>The PCIE was abolished by the Inspector General Reform Act of 2008 and replaced by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). CIGIE is now in the process of reviewing the Quality Standards for Inspections for any needed changes and will reissue them in the future under CIGIE's authorship.



## Overall Conclusion

- Process is effective for responding to borrower complaints
- Key personnel are dedicated in researching and responding appropriately to borrower complaints
- Centralized process
  - The entire borrower complaint process from receipt thru final response is centralized and controlled by OCPA.
- Actual process was generally consistent with process outlined in documented Agency policies and procedures
- Improvements can be made to increase efficiency, transparency, and accountability
- Management agreed with all recommendations which were converted to agreed-upon actions



## FCA's Policies and Procedures

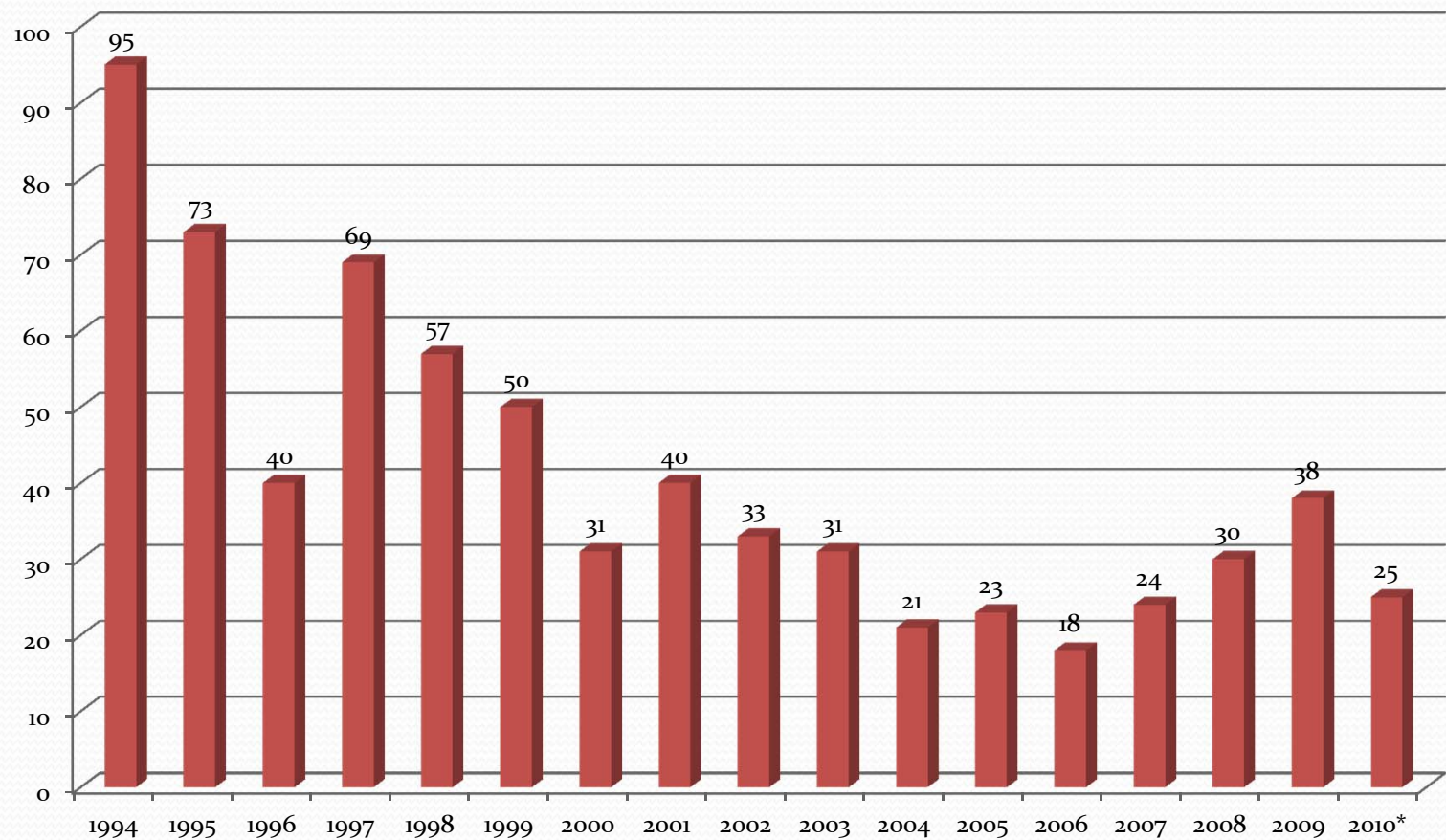
- Agencywide Policies & Procedures Manuals (PPM) and Office Directives
  - PPM 501 – Complaints and Congressional Inquiries
    - In process of revision
  - Agreed-Upon Action:
    1. OCPA will expedite its review and issuance of PPM 501 to prepare for increased volume in borrower complaints. While reviewing PPM 501, ensure desired policies and procedures are reflected and consider observations from this inspection.
- In the past year, FCA has taken a proactive approach and increased emphasis on borrower rights compliance
  - National Oversight Plan for Fiscal Year 2010
  - Informational Memorandum, Consumer and Borrower Rights Regulatory Compliance Requirements
  - Borrower rights posted on FCA web site (including Frequently Asked Questions)
  - Senior staff presentation at Farm Credit Council Annual Meeting (January 2009)



# Borrower Complaints Received by FCA are Trending Upward

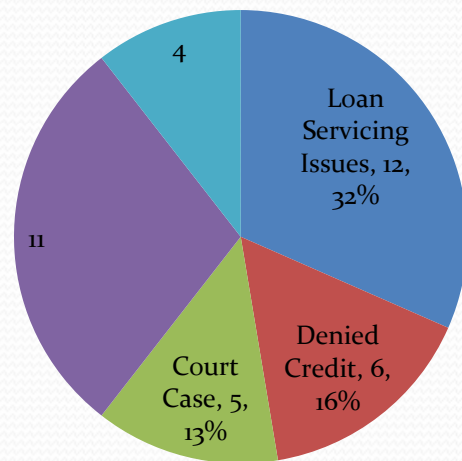
(\*2010 complaints received as of 6/30/2010)

## Borrower Complaints



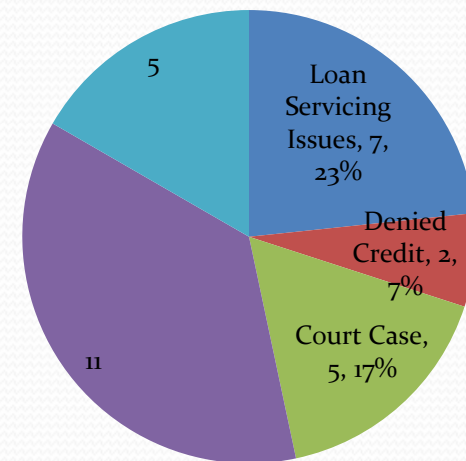
# Primary Cause for a Borrower Complaint is Related to Loan Servicing or Denied Credit

**Complaints received in 2009  
by Primary Issue**



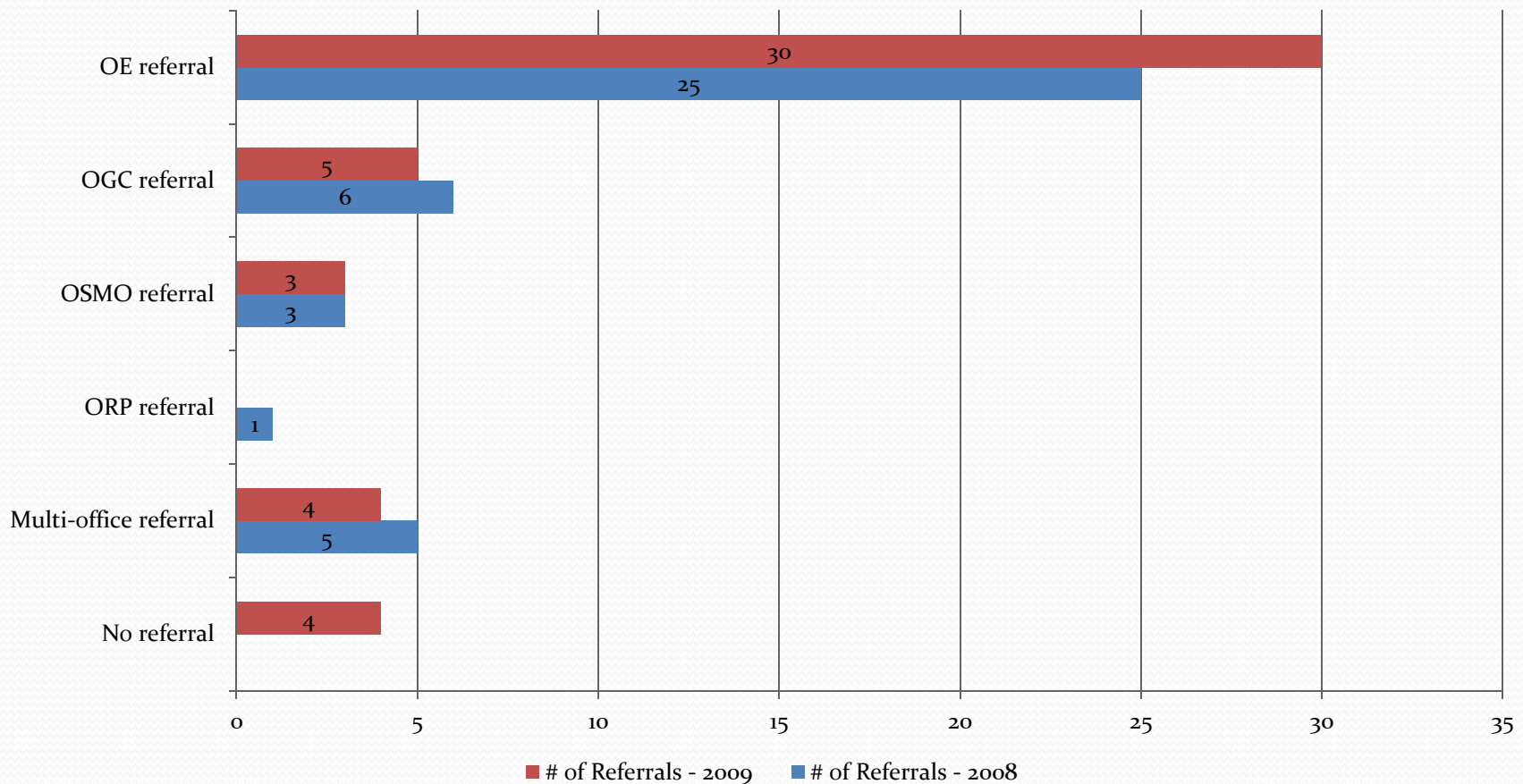
- Loan Servicing Issues
- Denied Credit
- Court Case
- Duplicate or Follow-up Complaints
- Other

**Complaints received in 2008  
by Primary Issue**



- Loan Servicing Issues
- Denied Credit
- Court Case
- Duplicate or Follow-up Complaints
- Other

# OCPA Refers Most Borrower Complaints to Other Offices for Research Before Responding





## Actual Borrower Complaint Process

- Borrower complaints are received through various means
  - Letter, e-mail, telephone, fax, constituent referral
- OCPA receives borrower complaints and logs into CTS
- OCPA screens complaint to determine if referral needed
  - If complaint was not referred to another office, OCPA responded within 2 weeks
- Acknowledgement letters
  - The goal stated in PPM 501 is to send acknowledgement letter within 3 business days
  - OCPA does not send acknowledgement letters on duplicate or follow-up complaints. PPM 501 does not indicate whether acknowledgement letters will be limited to original complaints.
  - Acknowledgement letters were sent for all original complaints within 7 business days
    - Although 7 did not meet goal of sending an acknowledgement letter within 3 business days, referral to other offices was made within 2 business days of receipt
  - **Agreed-Upon Action:**
    2. OCPA will expand its acknowledgement letter to include a description of FCA's responsibilities, limitations, and research process. Also, provide the complainant with the approximate length of time to research and respond to complaints.



## Actual Borrower Complaint Process

- Referral to subject matter office (i.e., OE, OGC, OSMO)
  - All but 1 complaint were referred within 2 days
  - The exception was a duplicate complaint that was referred in 4 business days
- Research and analysis performed and draft response prepared for OCPA
  - Examiners often perform research, sometimes includes contacting Association and complainant for supporting documentation, coordinated by OE-EPD
  - Documentation reviewed by examiners may include loan files, application package, payment history, and notices sent by Association to the borrower
  - Confidentiality notices and encryption are not routinely used on e-mails outside of FCA regarding borrower complaints. FCA policy defines borrower complaints as sensitive information requiring encryption.
    - **Agreed-Upon Action:**
      3. FCA will develop written instructions on the use of confidentiality notices and e-mail encryption for borrower complaints. The instructions will be provided to staff each time a borrower complaint is assigned for review.



## Actual Borrower Complaint Process

- On occasion, complainant is contacted to clarify their concerns or request additional information
  - Written procedures indicate FCA will “conduct investigation of each inquiry,” however not all complainants are contacted
  - To ensure FCA has a full understanding of the complaint and received all relative documentation, complainant may need to be contacted
  - FCA has recently increased the # of calls to complainants
  - **Agreed-Upon Action:**
    4. FCA will develop a policy regarding calls to complainants (i.e., when complainants will be called, who will call or participate in the call, and what should or should not be said during the call). Without a policy, there is a risk that an FCA employee will unintentionally say the wrong thing to a complainant during a call.

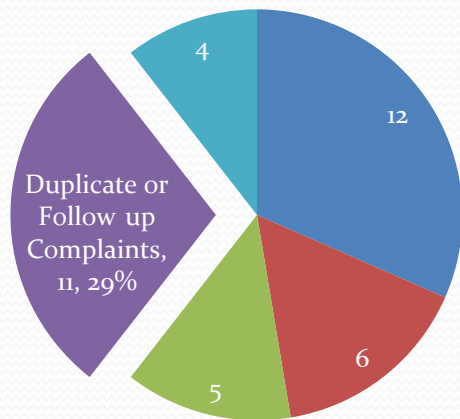


## Actual Borrower Complaint Process

- OCPA reviews analysis and proposed draft response, revises response as necessary, and sends final response to complainant signed by the OCPA Director
  - If complaint was received via constituent referral, response is sent to Congressman unless otherwise directed in their letter
  - If complaint is not specific to an individual borrower's loan, results of confidential analysis are not disclosed to the complainant
- OCPA and OE have weekly meetings to discuss status of outstanding borrower complaints
- OCPA Director is involved in all borrower complaints
- FCA employees and managers are not consistently reporting time spent on borrower complaints in Time Recording System (TRS) resulting in inaccurate data
  - **Agreed-Upon Action:**
    5. Written guidance regarding how to code time spent on borrower complaints will be provided to examiners and other staff each time a borrower complaint is assigned for review.

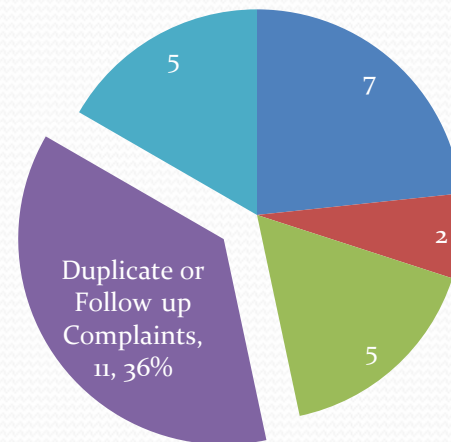
# A Significant Number of Duplicate or Follow-up Complaints are Received

## Complaints received in 2009 by Primary Issue



- Loan Servicing Issues
- Denied Credit
- Court Case
- Duplicate or Follow-up Complaints
- Other

## Complaints received in 2008 by Primary Issue



- Loan Servicing Issues
- Denied Credit
- Court Case
- Duplicate or Follow-up Complaints
- Other

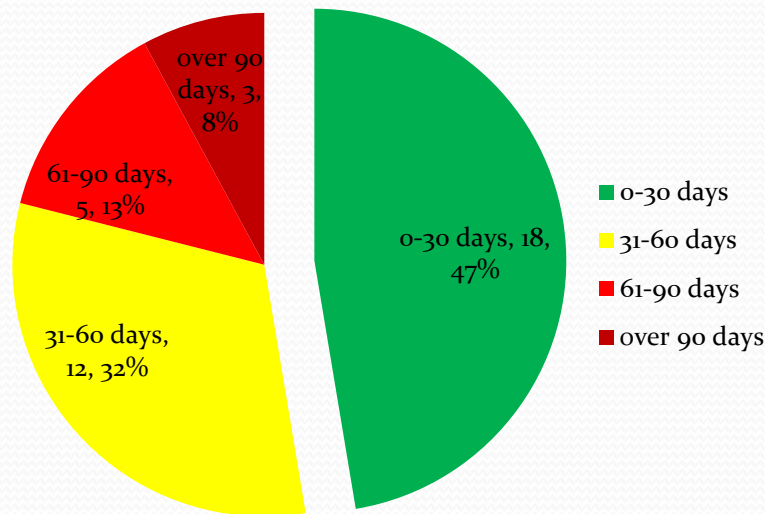


# Duplicate and Follow-up Complaints

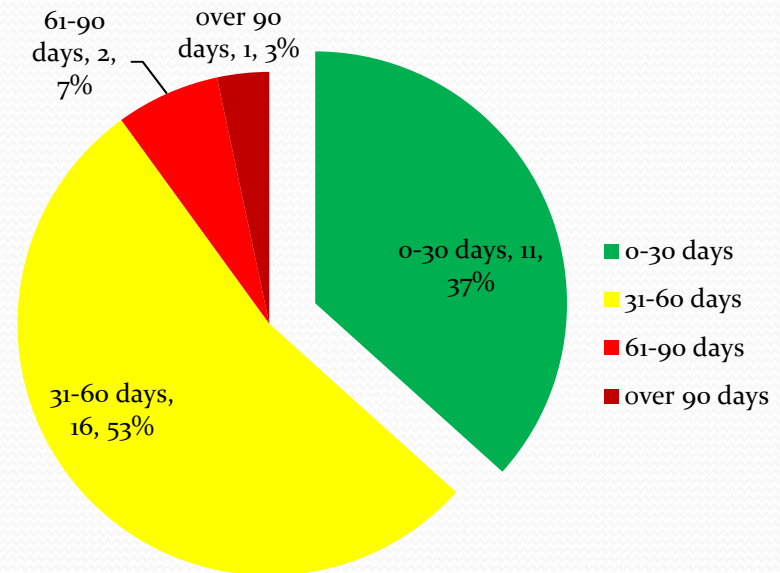
- The common element of duplicate or follow-up complaints in 2009
  - 7 - Not satisfied with FCA's response and/or sent letter to multiple parties (i.e., Senator, Representative, Department of Treasury, Department of Agriculture, OIG, etc.)
  - 3 - Not satisfied with FCA's response and provided additional information
  - 1 - Delay in response and lack of contact with FCA
- Each time a duplicate or follow-up complaint was received, it was assigned a different CTS# because the original CTS# is closed once a final response is sent
  - Offices researching and responding to duplicate or follow-up complaints manually cross reference to original complaint(s)
  - Risk of providing an inconsistent or incomplete response if complaints are not maintained together
  - **Agreed-Upon Action:**
    6. To simplify tracking and maintain related history on duplicate or follow-up complaints together, OCPA will request OMS to reopen closed borrower complaints so related correspondence from a complainant will be recorded under the same tracking number.

# Final Response to Complaints Within 30 Days Improved From 37% in 2008 to 47% in 2009

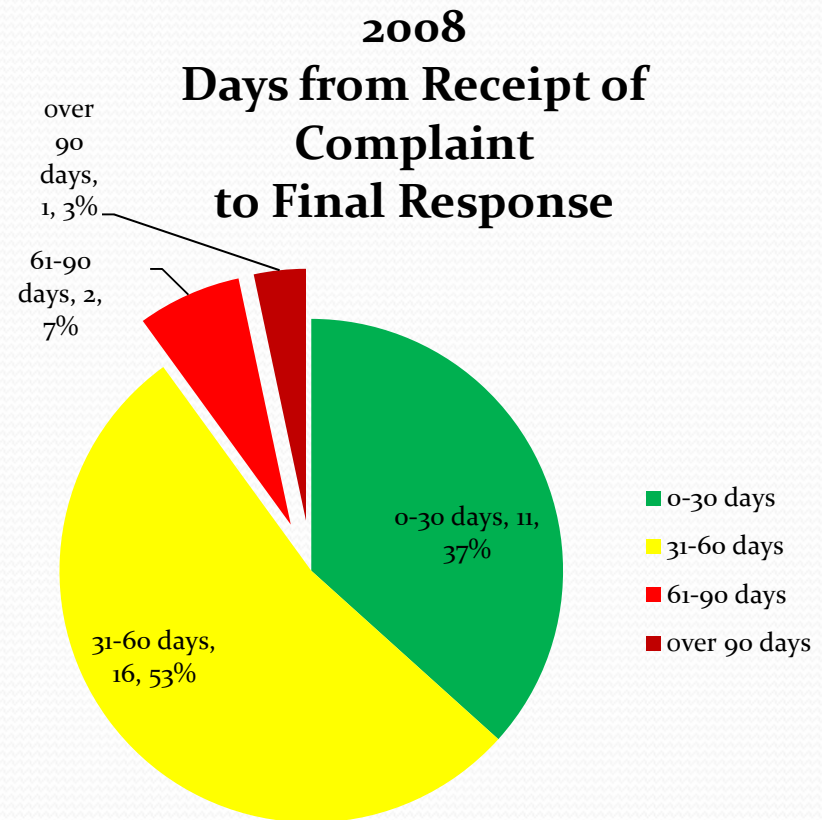
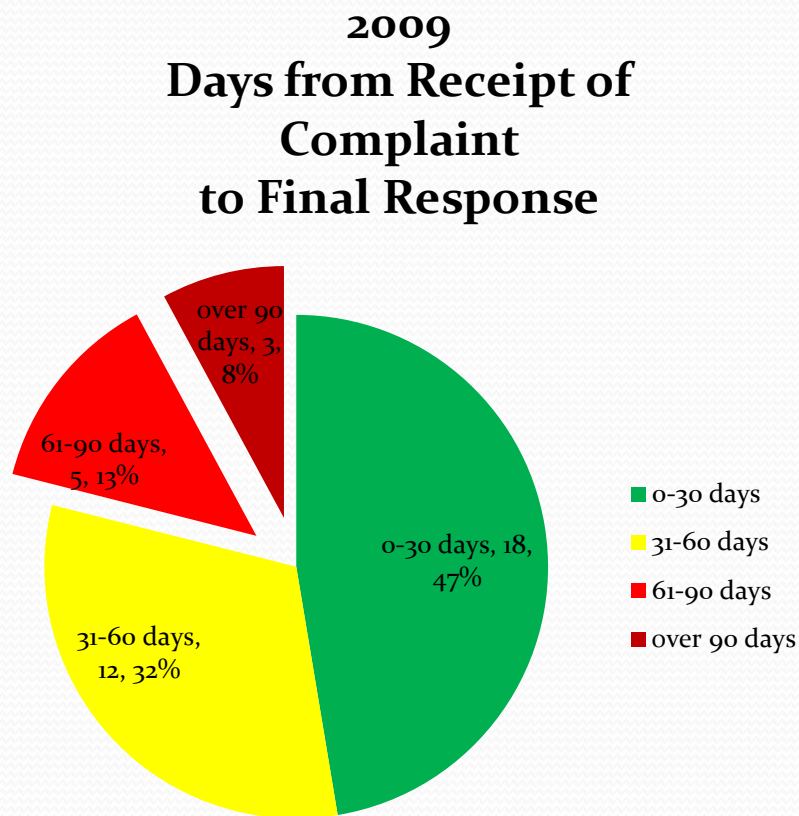
**2009**  
**Days from Receipt of Complaint to Final Response**



**2008**  
**Days from Receipt of Complaint to Final Response**



# Final Response to Complaints Over 60 Days Increased From 10% in 2008 to 21% in 2009





## FCA's Goal to Respond Within 30 Days

- The PPM indicates a goal to respond to complaint within 30 days:
  - 2 days for OCPA to log complaint and determine if referral is needed
  - 21 days for subject matter office to complete research and prepare draft response after receiving referral from OCPA
  - 7 days for OCPA to prepare and send final response after receipt of analysis and draft response
- FCA's goal to respond to borrower complaints was often not achieved
  - Agreed-Upon Action:
    7. OCPA will communicate with the complainant when research is taking an extended period of time. To keep the complainant and/or congressional offices informed of progress on their complaints and achieve the President's goal for transparency, OCPA will send update letters every 30 days to the complainant when reviews take longer to complete.



## FCA's Goal to Respond Within 30 Days

- 30 days was not sufficient to adequately respond to some borrower complaints requiring extensive research or when negotiations between complainant and Association continued
  - 8 complaints took over 30 days due to the complexity of the complaint, level of research required, negotiations continuing between Association and complainant, or complainant sending additional information
  - 2 complaints were delayed due to an examiner's competing priority
- Could not locate all relative documentation to recreate the history for some borrower complaints or identify the cause for a delayed response
  - In 4 cases, OE research took 30+ days and documentation was not sufficient to identify cause of delay.
  - In 6 cases, OCPA preparation and final response took 14+ days and documentation was not sufficient to explain cause in delay. In 3 of these cases, the OCPA Director was on extended leave.
- **Agreed-Upon Action:**
  8. OE and OCPA will develop a back-up plan when key personnel are not available to perform timely research or response



## FCA's Goal to Respond Within 30 Days

- Documentation was maintained in several locations physically and electronically making it difficult to recreate the history of a borrower complaint
  - Agreed-Upon Action:
    9. OCPA will work with OGC and OMS to establish a better organized, more efficient, and easy-to-retrieve recordkeeping system.
- CTS was not consistently used by all offices resulting in incomplete data regarding the status of a borrower complaint
  - Agreed-Upon Action:
    10. FCA will improve routing and tracking thru CTS (or its successor) for key steps in borrower complaint research. CTS needs to be consistently used to be an effective tool for tracking the borrower complaint process.