

US Fintech UDAAP Policy Template



Instructions for Implementing UDAAP Policy Template

Dear Builder Extraordinaire 

Thank you for choosing our UDAAP Policy Template. This document provides a comprehensive guide on how to customize and implement it effectively within your organization. Our Policy Templates are best suited for individuals with at least 2 - 3 years of subject matter experience. Please follow these steps to ensure the policy aligns with your specific departments, job titles, and systems:

Download and Review the Template:

Begin by downloading the UDAAP Policy Template provided. Familiarize yourself with its contents to gain a thorough understanding of its structure and components.

Customize Organizational Information:

Open the template using your preferred word-processing software. Locate and replace all instances of "[Your Organization, COMPANY NAME]" with the actual name of your organization.

Identify and Replace Department Names:

Review the template and identify placeholders for department names (e.g., [Department Name]). Replace these placeholders with the actual names of the relevant departments within your organization.

Update Job Titles:

Identify placeholders for job titles (e.g., [Job Title]) and replace them with the specific job titles used in your organization. Ensure that all positions mentioned in the policy are accurate and up to date.

Adapt System References:

Locate any references to specific systems or tools used in the policy (e.g., [System Name]). Replace these with the names of the actual systems employed by your organization.

Review and Customize Policy Content:

Carefully review each section of the policy to ensure it aligns with your organization's practices, values, and procedures. Modify any language or processes as needed to reflect your specific operations.

Insert Contact Information:

Include the contact details of relevant individuals or departments responsible for reviewing issues for UDAAP compliance. This could include Legal personnel, supervisors, or designated marketing copy review teams.

Incorporate Legal and Regulatory Requirements:

Ensure the policy complies with any relevant legal or regulatory frameworks specific to your industry or location. Add or modify sections as necessary to address compliance issues.

Seek Expert Help (if necessary):

If you have any doubts about the implications or compliance requirements of the policy, reach out to experienced compliance professionals for assistance. We are always an email away. We'll help you to ensure it meets all necessary standards.

Review and Finalize:

Once you have made all necessary customizations, carefully review the policy to verify accuracy and consistency.

Distribute and Train:

Disseminate the finalized policy to all relevant personnel within your organization. Provide training or informational sessions to ensure everyone understands the new UDAAP policy.

Establish a Review Schedule:

Regularly review and update the policy to reflect any changes in your organization's structure, procedures, or applicable laws.

By following these steps, you will successfully customize and implement the UDAAP Policy Template to meet the specific needs of your organization. If you have any further questions or need additional assistance, please do not hesitate to reach out.

Thank you for your commitment to ensuring fair and transparent communications are had between your organizations and consumers.

Sincerely,

AskDegree LauchpadTeam



*Insert
Logo
Here*

Company Name

UDAAP POLICY

Version X.X

Month YYYY

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UDAAP POLICY

1.0 Purpose

COMPANY NAME, and all subsidiaries collectively referred to as “COMPANY NAME” or the “Company” and its Board of Directors (the “Board”) adopt this (the “Policy”) is committed to the mitigation of potential risks posed by ***Unfair, Deceptive, or Abusive Acts and Practices*** (UDAAP) under federal regulatory guidelines. UDAAP can cause significant financial injury to consumers, erode consumer confidence, and undermine the financial marketplace and, therefore, Company Name is committed to conducting its business in a manner devoid of UDAAP.

Under the Dodd-Frank Act, it is unlawful for COMPANY NAME as a broker/OR provider of ***consumer financial products or services*** to engage in any UDAAP. UDAAP also provides the Consumer Financial Protection Bureau (CFPB) with rule-making authority and, with respect to entities within its jurisdiction, enforcement authority to prevent UDAAP in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. In addition, CFPB has supervisory authority for detecting and assessing risks to consumers and to markets for consumer financial products and services.

2.0 Enforcement Management & Oversight

The INSERT ROLE/ JOB TITLE, or their designee, is responsible for the oversight of ensuring compliance with this policy is maintained. To ensure compliance, each officer, manager, or supervisor is assigned the responsibility of overseeing the day-to-day role of enforcing the UDAAP Policy.

3.0 Authority

This Policy is a general statement of COMPANY NAME’s objectives, direction, and expectations regarding adherence to the UDAAP Policy. As such, it is the authority, basis, and platform for the development, communication, implementation, interpretation, and enforcement of appropriate and applicable operating guidelines that follow in subsequent sections of this Policy.

4.0 Policy Summary

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), it is the policy of COMPANY NAME to refrain from committing UDAAP in violation of the Act. As such, COMPANY NAME’s UDAAP Compliance Program, at a minimum, consists of the following practices in its normal course of business to minimize all possible risks associated with unfair, deceptive, or abusive acts or practices:

1. **Risk Assessment**. COMPANY NAME conducts a periodic risk assessment of multiple factors related to UDAAP to identify potential risks that may bring harm to consumers that are particular to those activities, with special attention focused on the review of products that combine features and terms in a manner that can increase the difficulty of consumer understanding of the overall costs or risks of the product and the potential harm to the consumer associated with the product.

It is the responsibility of Senior Management, through a directive issued by the Board, to conduct this risk assessment on a periodic basis that will include:

A formal review by the Legal/Compliance Department, with the concurrence and formal approval by Senior Management, is required to ensure that COMPANY NAME fairly and adequately describes the terms, benefits, and material limitations of the product or service being offered, including any related or optional products or services, and that they do not misrepresent such terms either affirmatively or by omission. In addition, a review is performed to ensure that these materials do not use fine print, separate statements or inconspicuous disclosures to correct potentially misleading headlines and ensure that there is a reasonable factual basis for all representations made.

In general, COMPANY NAME utilizes the following guidelines with regard to product and service development:

- a. All representations are factually based.
- b. All materials are clearly, prominently, and accurately described.
- c. All advertisement and marketing materials are reviewed and approved by the Compliance Department prior to publishing.

2. **Internal Controls**. Continually assessing through a system of documented internal controls, COMPANY NAME 's practices to ensure that the overall risk of unfair, deceptive, or abusive acts or practices are properly mitigated.

3. **Related Laws, Rules and Regulations**. Understanding the interplay between unfair, deceptive, or abusive acts or practices and other consumer protection statutes. An unfair, deceptive, or abusive act or practice may also violate other federal or state laws. For example, pursuant to the Truth in Lending Act (TILA), creditors must "clearly and conspicuously" disclose the costs and terms of credit. An act or practice that does not comply with these provisions of TILA may also be unfair, deceptive, or abusive.

Conversely, a transaction that is in technical compliance with other federal or state laws may nevertheless violate the prohibition against UDAAP. For example, an advertisement may comply with TILA's requirements but contain additional statements that are untrue or misleading, and compliance with TILA's disclosure requirements does not insulate the rest of the advertisement from the possibility of being deceptive.

5.0 Understanding UDAAP, Its Application, and Examples of Violations

Unfair Acts or Practices. The Dodd-Frank Act and COMPANY NAME prohibit conduct that constitutes an unfair act or practice. An unfair act or practice is unfair when:

1. It causes or is likely to cause substantial injury to consumers;
2. The injury is not reasonably avoidable by consumers; and
3. The injury is not outweighed by countervailing benefits to consumers or to competition.

A "substantial injury" typically takes the form of monetary harm, such as fees or costs paid by consumers because of the unfair act or practice. However, the injury does not have to be monetary. Although emotional impact and other subjective types of harm will not ordinarily amount to substantial injury, *in certain circumstances emotional impacts may amount to or contribute to substantial injury. In addition, actual injury is not required; a significant risk of concrete harm is sufficient.*

An injury is not reasonably avoidable by consumers when an act or practice interferes with or hinders a consumer's ability to make informed decisions or take action to avoid that injury. Injury caused by transactions that occur without a consumer's knowledge or consent is not reasonably avoidable. Injuries that can only be avoided by spending large amounts of money or other significant resources also may not be reasonably avoidable. Finally, an act or practice is not unfair if its consumer or competitive benefits outweigh the injury it causes or is likely to cause.

Deceptive Acts or Practices. The Dodd-Frank Act, and as such COMPANY NAME, also prohibits conduct that constitutes a deceptive act or practice. An act or practice is deceptive when:

1. The act or practice misleads or is likely to mislead the consumer;

2. The consumer's interpretation is reasonable under the circumstances; and
3. The misleading act or practice is material.

To determine whether an act or practice has misled or is likely to mislead a consumer, the totality of the circumstances is considered. Deceptive acts or practices can take the form of a representation or omission. The CFPB, and as such COMPANY NAME, also looks at implied representations, including any implications that statements about the consumer's debt can be supported. Ensuring that claims are supported before they are made will minimize the risk of omitting material information and/or making false statements that could mislead consumers.

The CFPB and COMPANY NAME look to the following factors in assessing whether the disclosure or other qualifying statement is adequate to prevent the deception:

1. Whether the disclosure is prominent enough for a consumer to notice;
2. Whether the information is presented in a clear and easy-to-understand format; the placement of the information; and
3. The proximity of the information to the other claims it qualifies.

Abusive Acts or Practices. The Dodd-Frank Act, and as such COMPANY NAME, prohibits conduct that constitutes an abusive act or practice. An abusive act or practice is abusive when it:

1. Materially interferes with the ability of a consumer to understand a term or condition of a consumer financial product or service; or
2. Takes unreasonable advantage of a consumer's:
 - a. Lack of understanding of the material risks, costs, or conditions of the product or service;
 - b. The inability of the consumer to protect his or her interests in selecting or using a consumer financial product or service; or
 - c. Reasonable reliance by the consumer on a covered person to act in his or her interests.

It is important to note that, although abusive acts or practices may also be unfair or deceptive, each of these prohibitions are separate and distinct, and are governed by separate legal standards.

6.0 UDAAP & Advertisement

The Board directs Senior Management to consider the following practices when putting internal controls in place to avoid misleading our consumers or the general public about our products and services:

1. Review all promotional materials and consumer agreements to ensure they fairly and adequately describe the terms, benefits, and material limitations of the product or service being offered, including any related or optional products or services, and that they do not misrepresent such terms either affirmatively or by omission.

2. Ensure these materials do not use fine print, separate statements, or inconspicuous disclosures to correct potentially misleading headlines, and ensure there is a reasonable factual basis for all representations made.
3. Draw the attention of consumers to key terms, including limitations and conditions, that are important in enabling the customer to make an informed decision regarding whether the product or service meets the customer's needs.
4. Clearly disclose all material limitations or conditions on the terms or availability of products or services, such as material prerequisites for obtaining particular products, services, or terms;
5. Inform consumers in a clear and timely manner about any fees, penalties, or other charges that have been imposed, and the reasons for their imposition.
6. When using terms such as "pre-approved" or "guaranteed," clearly disclose any limitations, conditions, or restrictions on the offer.
7. Tailor advertisements, promotional materials, disclosures, and scripts to take account of the sophistication and experience of the target audience. Do not make claims, representations, or statements that mislead members of the target audience about the cost, availability, cost savings, benefits, or terms of the product or service.
8. Ensure costs and benefits of optional or related products and services are not misrepresented or presented incompletely.
9. When making claims about amounts of credit available to consumers, accurately and completely represent the amount of potential, approved, or usable credit that the consumer will receive.
10. Avoid advertising terms that are not available to most customers and use unrepresentative examples in advertising, marketing, and promotional materials.
11. Clearly disclose a telephone number or mailing address (and, as an addition, an e-mail or Website address, if available) that customers may use to contact the Company or its third-party servicers regarding any complaints they may have, and maintain appropriate procedures for resolving complaints. Consumer complaints should also be reviewed by the Company to identify practices that have the potential to be misleading to customers.
12. Implement and maintain effective risk and supervisory controls to select and manage third-party servicers.
13. Ensure employees and third parties who market or promote Company products, or service loans, are adequately trained to avoid making statements or taking actions that might be unfair or deceptive.

7.0 UDAAP & FDCPA

Debt Collectors That Are Covered. Under the FDCPA, a “debt collector” is defined as any person who regularly collects, or attempts to collect, consumer debts for another person or institution or uses some name other than its own when collecting its own consumer debts. This definition does not include COMPANY NAME, but this definition is applicable to any third party working upon COMPANY NAME’s request (debt collectors, other financial services companies/financial institutions), as it regularly collects debts. This includes reciprocal service arrangements where COMPANY NAME solicits the help of another institution such as a financial institution who may also have accounts with a mutual consumer in collecting a defaulted debt from a consumer.

Debt Collectors That Are Not Covered. COMPANY NAME is not a debt collector under the FDCPA when it collects:

1. Another organization’s debts in isolated instances;
2. Its own debts under its own name (applies to COMPANY NAME’s own collections department, but not when outsourced to a third party);
3. Debts it originated and then sold but continues to service;
4. Debts that were not in default when they were obtained (applies in the event Company Name purchases consumer loans); and
5. Legal process servers.

8.0 UDAAP & TISA

The Truth in Savings Act (TISA) requires COMPANY NAME to provide interest and fee disclosures for deposit accounts so that customers may compare deposit products.

1. Advertisements shall not be misleading or inaccurate, and cannot misrepresent COMPANY NAME’s account agreement.
2. An act or practice that does not comply with these provisions TISA may also violate the Dodd-Frank Act.
3. A transaction that is in technical compliance with TISA may nevertheless violate the Dodd-Frank Act. For example, customers could be misled by advertisements of “guaranteed” or “lifetime” interest rates and fees when COMPANY NAME intends to change the rates and fees, whether or not the disclosures satisfy the TISA technical requirements.
4. COMPANY NAME will disclose on periodic statements the aggregate dollar amounts charged for fees (for the statement period and the year-to-date).

9.0 Prohibited Product and Service Features

The following represents some examples of product or service features that are prohibited by COMPANY NAME.

It should be noted that the following examples may not be all-inclusive:

1. A credit product is not underwritten on the basis of a borrower’s ability to repay.
2. A product’s or service’s profitability depends significantly on penalty fees or “back-end” rather than upfront fees.
3. A product or service has high rates of re-pricing or other changes in terms.
4. A product or service combines features and terms in a manner that can increase the difficulty of consumer understanding of the overall costs or risks of the product and the potential harm.

5. Penalties are imposed on a consumer when he or she terminates his or her relationship with the Company Name.

Applicability of Collection of Consumer Debts. The following represents examples of UDAAP in relation to the collection of consumer debt that Company Name will absolutely avoid, depending however on the facts and circumstances of each unique case. The examples below are not all-inclusive:

1. Collecting or assessing a debt and/or any additional amounts in connection with a debt (including interest, fees, and charges) not expressly authorized by the agreement creating the debt or permitted by law.
2. Failing to post payments timely or properly or to credit a consumer's account with payments that the consumer submitted on time and then charging late fees to that consumer.
3. Taking possession of property without the legal right to do so.
4. Revealing the consumer's debt, without the consumer's consent, to the consumer's employer and/or co-workers.
5. Falsely representing the character, amount, or legal status of the debt.
 - a. **NOTE:** The obligation to avoid UDAAPs under the Dodd-Frank Act is in addition to any obligations that may arise under the FDCPA. Original creditors and other covered persons and service providers involved in collecting debt related to any consumer financial product or service are subject to the prohibition against UDAAP in the Dodd-Frank Act.

10.0 Consumer Complaint

It is the responsibility of the Head of Operations to forward all complaints to the Risk & Compliance Department within one (1) business day of receipt of a complaint alleging a UDAAP violation.

11. Monitoring & Testing

COMPANY NAME has implemented a compliance monitoring and testing program administered by its in-house Compliance Department. The objective of testing and monitoring is to assess adherence to the contents of this Policy. At least once each year, the INSERT TITLE, or designee, will conduct testing of the controls within this area.

Marketing Testing

Please check COMPANY NAME Marketing and Advertising Policy for details

Third Party Vendors

COMPANY NAME will continuously monitor all third-party vendors to ensure UDAAP compliance is upheld.

12. Retention

COMPANY NAME must maintain at its office a file of all advertising copy used for at least two (2) years after the last date of its use.

COMPANY NAME must note the name of all advertising media used for each advertising copy and the dates used.

For radio or television advertising, if the broadcaster keeps advertising copy and makes it available to COMPANY NAME that suffices, otherwise, COMPANY NAME needs to keep a copy or transcribe the full text and keep such copy.

13. Training

It is the responsibility of the COMPANY NAME's Compliance Department to ensure that all of COMPANY NAME's personnel receive appropriate training on the directives of this Policy.

COMPANY NAME's Training Program requires that all Company personnel receive ongoing training on the directives of the UDAAP Policy as applicable to their job responsibilities. COMPANY NAME's training program includes:

1. Regulatory requirements and COMPANY NAME's internal UDAAP policies, procedures, and processes, including any changes;
2. Current developments and changes to any related regulations;
3. Company employee monitoring requirements;
4. Reinforcing the importance that the Board of Directors and Executive Management place on COMPANY NAME's compliance with the UDAAP Policy and ensure that all employees understand their role in maintaining an effective compliance program;
5. Understanding and communicating the context and the purpose of the UDAAP Policy.

ALL OFFICERS OF COMPANY NAME ARE RESPONSIBLE FOR THE COMPLETE COMPREHENSION OF THIS POLICY AND VERIFYING THAT THEIR EMPLOYEES UNDERSTAND THEIR RESPONSIBILITIES.

14. Consultations and Revisions Log

DOCUMENT TITLE: COMPANY NAME UDAAP POLICY			
DOCUMENT NUMBER:		VERSION: X.X	ISSUE DATE:
APPROVAL	NAME	ROLE	DATE
Prepared by			
Reviewed by:			
Approved by:			

DOCUMENT REVISION HISTORY			
DATE	AUTHOR	REMARKS	DATE COMMUNICATED