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This Letter is submitted on behalf of USAA Federal Savings Bank ("USAA-FSB"), and acknowledges that, beginning in 2018, USAA-FSB, on its own initiative, began an internal review of servicing practices in its consumer bankruptcy cases. The review primarily encompassed Federal Rule of Bankruptcy Procedure 3002.1 filing requirements; proof of claim accuracy; implementation of bankruptcy plan provisions; and payment application issues.

During its review, USAA-FSB identified certain bankruptcy issues relating to consumer loans, credit cards and home equity lines of credit. The review prompted USAA-FSB to adopt various enhancements to improve its Bankruptcy operations, and to add Bankruptcy subject-matter experts to its Legal Department and Bankruptcy line of business. The Bankruptcy issues and operational enhancements are outlined in Exhibit 1. USAA-FSB also remediated all impacted accounts and retained Pricewaterhouse Coopers ("PwC") to perform an independent[1] assessment of the remediation. As outlined in Exhibit 2, PwC conducted over 160 tests and found no known adverse impacts. Further, USAA-FSB confirmed, after consulting with its third-party bankruptcy notification provider, that the search methods used by the provider to identify account populations using members' names, current addresses and other relevant data points were sufficiently comprehensive and conducted in accordance with industry standards.

This Letter and its contents are submitted on the consent of USAA-FSB but are not to be construed as an admission of liability, violation, or wrongdoing by USAA-FSB to any person or entity or on any legal or equitable theory. This Letter is made without trial or adjudication of any issue of fact or law. In submitting this Letter, USAA-FSB does not waive any privilege, including the Attorney-Client Privilege. Nothing in this Letter, nor the remediation or other corrective

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1 As PwC explained in Exhibit 2, the term "independent" is defined as the performance of assessment and testing procedures by an objective third party that was not involved in any aspect of USAA management's design or execution of USAA's remediation of its USAA-identified bankruptcy servicing issues for credit cards, home equity lines of credit and consumer loans.

actions described herein, impacts the rights of affected accountholders or the United States Trustee Program's ability to take actions in the future should USAA-FSB's representations regarding its remediation or other corrective actions prove to be inaccurate or incomplete.

Outside Counsel for USAA Federal Savings Bank

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EXHIBIT 1

USAA FEDERAL SAVINGS BANK
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USAA

Katherine Longstreth
VP, Deputy Bank CCO
USAA FSB

June 17, 2022

Reference: Implementation and Bank Compliance Validation of USAA Federal Savings Bank Bankruptcy Operational Enhancements

United States Trustee Program
U.S. Department of Justice
441 G Street NW, Suite 6150
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USAA Bank Compliance implements and maintains compliance programs designed to oversee, supervise, monitor, and enforce compliance with the laws, rules, and regulations to which USAA Federal Savings Bank ("Bank") is required to adhere. Bank Compliance is independent from the business operations of the Bank, the Assistant Vice President with oversight for Bankruptcy requirements, Caren Puckett, reports to the Deputy Bank Chief Compliance Officer, who reports to the Bank Chief Compliance Officer, Celie Niehaus, who reports to the Chief Risk Officer, Neeraj Singh, who reports to the USAA enterprise-wide Chief Executive Officer, Wayne Peacock.

Since 2018, the Bank has reworked its bankruptcy operations for credit cards ("CC"), consumer loans ("CL") and Home Equity Lines of Credit ("HELOC") and implemented numerous operational enhancements to address proof of claim accuracy, Federal Rule of Bankruptcy Procedure 3002.1 filing requirements, payment application issues and other bankruptcy servicing issues described below (the "Operational Enhancements"). Bank Compliance evaluated and validated the Operational Enhancements by reviewing the Bank's present-day bankruptcy policies, procedures, training, quality assurance/quality control programs, and third-party risk management oversight within the Bank's default servicing operation, which is referred to as Member Debt Solutions ("MDS").

Operational Enhancement Test Results: Bank Compliance found that the Operational Enhancements were implemented adequately and continue to function appropriately. Policies and procedures provide the guidance and steps needed to accurately and timely track bankruptcy plan payments and to file court documents. Bankruptcy training is provided on a recurring basis to existing staff and new staff is required to complete such training upon on-boarding. Quality review programs include a multi-level pre- and post-filing review of documents. The Bank's new bankruptcy servicing vendor law firm, Robertson, Anschutz, Schneid, Crane & Partners PLLC ("RAS Crane"), also conducts a quality review of filings. In addition, RAS Crane is managed through the Bank's Third-Party Risk Management program which includes a review to verify adherence to contracts and a quality review of completed work. Continuous testing of bankruptcy servicing is in place and the testing results show that the Bank has sustained the Operational Enhancements with adequate controls to prevent and detect errors. Bank Compliance testing validated that all Operational Enhancement requirements were satisfactorily completed and are sustainable. The Bank Compliance results were further confirmed by a recent Bank Audit of the design and operating effectiveness associated with bankruptcy processing and controls which gave a "Satisfactory" rating to the MDS bankruptcy operations.

The following details the Operational Enhancements, Bank Compliance's review, and results:

Operational Enhancement	Bank Compliance Review and Result
Bankruptcy Servicing Practices (General):	
(Additions to Bank Counsel Bankruptcy Legal Team) In 2018 and 2019, the Bank added two new bankruptcy attorneys to provide legal guidance to the MDS bankruptcy team, the first from the United States Trustee Program and the second with decades of large financial institution bankruptcy experience. (Additions to Business Bankruptcy Team) In 2020, the Bank added three new bankruptcy managers to lead the MDS bankruptcy team, each with more than a decade of bankruptcy experience at financial institutions. (New Bankruptcy Attorney Vendor) In early 2020, the Bank replaced its former bankruptcy vendor law firm with RAS Crane, which has extensive experience representing financial institutions in consumer bankruptcy cases.	Bank Compliance engages with the Bank Counsel bankruptcy attorneys and MDS bankruptcy team daily. Bank Compliance was also involved in the process to on-board the new bankruptcy vendor law firm, RAS Crane.
Proof of Claim Accuracy (CC/CL):	
(New Process Implementation) MDS implemented a process change in January 2018 to ensure that the bankruptcy vendor law firm is provided with accurate Proof of Claim ("POC") balances for CLs as of the bankruptcy filing date Further, MDS implemented a process change in July 2018 to stop filing POCs for CC accounts until appropriate Information Technology updates can be implemented (QA/QC Monitoring) On a daily basis, an MDS Quality Assurance team member conducts a review of CL accounts placed with the bankruptcy attorney vendor The MDS QC Team member validates that the MDS Bankruptcy Specialist gathered the required documentation for every account that is placed with the bankruptcy attorney vendor Any errors found are communicated to the Bankruptcy Specialist to be corrected Results of the QC review are documented in the Quality Assurance framework	Bank Compliance reviewed and verified that the Bank updated the existing procedure/process for providing the bankruptcy attorney vendor with information to file a POC on its behalf, ensuring that the information provided to the vendor is accurate and timely and based on the bankruptcy filing date. Additionally, Bank Compliance reviewed and verified that the Bank had implemented controls requiring MDS Quality Assurance Specialists to review the accounts before the documents/information are sent to the vendor for filing. An additional control was implemented to ensure that the vendor timely files POCs and the POCs are based on the information provided by the Bank. These enhancements resolve the risk of error and ensure that the bankruptcy attorney vendor is provided the account information needed to evaluate and file a POC for every placed account

Systematically Code Charged-Off Accounts (CL/HELOC):	
(Exception Reporting) The MDS bankruptcy team implemented an exception report process in December 2017 to ensure that CL and HELOC accounts that charged-off prior to bankruptcy are still appropriately coded upon bankruptcy filing On a daily basis, an MDS Bankruptcy Specialist accesses the exception report to ensure that the accounts on the report are accurately coded as bankrupt in the host system (QA/QC Monitoring) On a monthly basis, the MDS Quality Assurance team performs transactional testing to review the process for accuracy The testing population consists of all manual transactions from the current month and the sample size is statistically valid based on the populations or targeted percentage	Bank Compliance reviewed and verified that, as part of the conversion from Electronic Bankruptcy Notification to LexisNexis, several controls were implemented to ensure that any initial and subsequent bankruptcy notices are processed successfully. Bank Compliance further confirmed that, if a bankruptcy update could not be processed, an error report control ensures the update is completed and a final QA control was added for all manual updates to ensure associates are processing bankruptcy notifications accurately and timely. Results of the control validations reflected that these controls are effective at resolving this issue. The risk of miscoding charged-off accounts upon receiving the bankruptcy case updates has been resolved with this system conversion as well as the controls implemented with it.
Track and Execute Lien Strips and Lien Avoidance (CL/HELOC):	
(New Process Implementation) The MDS bankruptcy team implemented a proactive lien release process to ensure liens are released if required following a bankruptcy discharge (QA/QC Monitoring) On a monthly basis, the MDS Quality Assurance team performs transactional testing to review the process for accuracy The population consists of all manual transactions from the current month, and the sample size is based on the populations or targeted percentage	Bank Compliance reviewed and verified that a proactive discharge and lien review process was documented and implemented. Bank Compliance reviewed and verified that, to facilitate a proactive review of the lien release, the MDS bankruptcy team created a report to generate bankruptcy cases that have reached discharge. After receiving this report, and to resolve the risk of non-compliance with the lien release requirements, the MDS bankruptcy team accesses and processes the report in a timely manner to confirm the discharge in PACER, code the account appropriately and submit a request for bankruptcy lien release on all secured loans. Bank Compliance has validated the steps taken

	by the MDS bankruptcy team and the new and enhanced processes and controls.
<u>Properly Track Bankruptcy Plan Payments (CL/HELOC):</u>	
(<u>New Process Implementation</u>) The MDS bankruptcy team implemented a pencil ledger process to track payments according to confirmed bankruptcy plans, service newly identified chapter 11, 12 and 13 bankruptcy filings, and provide ongoing account maintenance for active accounts in the population. (<u>Procedure Update</u>) Associated procedures were developed for CL and HELOC accounts, which outline how the pencil ledger process should operate for newly identified chapter 11, 12 and 13 bankruptcy filings, including ongoing maintenance steps performed when tracking payments pursuant to a bankruptcy plan (<u>Third-Party Servicing Contract</u>) The Bank engaged KPMG US LLP to assist with the Bank's bankruptcy remediation efforts KPMG, with the assistance of Bank Counsel, initially created and maintained pencil ledgers for CL and HELOC accounts and developed a QC function to oversee the accuracy of the pencil ledgers prior to review by the Bank This QC function provides three levels of review and is designed to (1) assess whether reviews and adjustments relating to account activity are performed correctly, (2) enhance the quality and accuracy of the data provided to the Bank; and (3) provide an additional level of review The functions previously performed by KPMG were transferred to RAS Crane	Bank Compliance reviewed and verified that the Bank utilized the resources of external vendors to help build the process for handling bankruptcy plan payments. In this regard, Bank Compliance reviewed and verified that KPMG had developed pencil ledgers with the assistance of Bank Counsel The pencil ledgers are a form of manual accounting completed monthly to track payments on the member's account(s). Procedures were developed (per product) to outline how the pencil ledgers operate for newly identified bankruptcy filings, monthly maintenance steps for existing pencil ledgers, pre- and post-petition payment applications, along with scenarios for cramdowns. The pencil ledgers were implemented on 12/2/2019 and subsequently transferred from KPMG to the third-party bankruptcy vendor RAS Crane. In addition to verifying KPMG and RAS Crane's own internal controls, Bank Compliance verified that the Bank had established independent controls and oversight of the work performed by the vendor. The MDS Quality Assurance team developed a control to review pencil ledgers to ensure accuracy of the intake and maintenance of the accounts handled. Cram down and payment application pencil ledger entries are reviewed for accuracy against host systems and internal procedures daily. Bank Compliance reviewed the control reports and testing and requested additional evidence to support

(<u>Training</u>) Training was provided in November 2019 and December 2019 to the Account Review Team for CL and HELOC accounts	remediation of any errors identified by the vendor in control. Bank Compliance confirmed that any errors were corrected.
<u>*Track Terms of Cramdowns (CL, HELOC, CC):*</u>	
The actions implemented above to track bankruptcy plan payments also serve to track and implement the terms of cramdowns. An appendix was added to the Bank Bankruptcy CL and HELOC Maintenance Review Procedures to specify the actions to be taken to track and implement the terms of cramdowns in the pencil ledgers.	Bank Compliance reviewed and verified that the pencil ledger procedures and controls address the cram down scenario. Given the newly established process and control, Bank Compliance concluded that these procedures and controls resolved this issue.
<u>***HELOC Bankruptcy Servicing Requirements (HELOC):***</u>	
Filing Proof of Claim: (<u>Procedure Update</u>) The MDS bankruptcy team implemented procedure changes as part of the account referral process to accurately calculate and populate the Proof of Claim/B410A form Additionally, the QC process of reviewing the referral prior to forwarding to the bankruptcy attorney vendor was updated (<u>Third-Party Servicing Contract</u>) KPMG implemented procedures to complete the B410A form and developed a QC function to oversee the accuracy of the form prior to review by the Bank These KPMG functions have been transferred to RAS Crane (<u>Controls Implemented</u>) The MDS bankruptcy team implemented supervisory controls to ensure that HELOC POCs are filed accurately and timely and are corrected when issues are identified.	HELOC accounts in bankruptcy have several unique servicing requirements, some of which overlap with issues referenced above, including: • Proof of Claim • Payment Change Notice (PCN) • Notice of Final Cure • Payment Application • Lien Release • Cramdown • Exempt from Discharge Review In addition to the steps taken under the respective Operational Enhancements above, which have been verified by Bank Compliance as they overlap with some of the HELOC servicing requirements, the MDS bankruptcy team also implemented more than a dozen other procedures and controls that were reviewed and

(Training) Training was provided in January and March of 2020 to the Bankruptcy Specialist Team for HELOC accounts

Filing Notice of Payment Change:

(Procedure Update) The MDS bankruptcy team implemented procedure changes to accurately file a Payment Change Notice (PCN) timely within the 21-day requirement The QC process to review the PCN prior to forwarding to the bankruptcy attorney vendor was also updated

(Controls Implemented) The MDS bankruptcy team implemented supervisory controls to ensure that PCNs are filed accurately and timely and issues are corrected when identified

(Training) Training was provided in April of 2020 to the Bankruptcy Specialist Team for HELOC accounts

Filing Response to Notice of Final Cure:

(New Procedure) The MDS bankruptcy team implemented a new procedure to respond to a Notice of Final Cure (NOFC) filed by the trustee accurately and timely This process involves engaging the pencil ledger team to complete the response to the NOFC form and the MDS bankruptcy team validates the accuracy prior to forwarding to the bankruptcy attorney vendor for filing

(Third Party Servicing Contract) KPMG implemented procedures to complete the response to NOFC form and developed a QC function to oversee the accuracy of the form prior to review by the Bank These KPMG functions have been transferred to RAS Crane

approved by Bank Compliance. These procedures and controls addressed, among other things, HELOC bankruptcy placement, Form B410A preparation, required balance waivers, payment change account adjustments, post-petition fee waivers, payment change notifications, responses to notices of final cure, review for discharge and accounts exempt from discharge, and quality control.

With the newly created/updated processes and controls, RAS Crane was onboarded and trained to execute the POC, PCN and NOFC processes. Documentation was updated to reflect the enhanced processes and vendor updates. Given the newly created processes and controls to review legal documents before they are filed with the bankruptcy courts as well as the new HELOC processes to ensure accuracy and timeliness, along with the steps taken under other related issues listed above, Bank Compliance agrees that the steps taken by the MDS bankruptcy team adequately address the HELOC bankruptcy servicing requirements listed in the bullet points above.

(<u>Controls Implemented</u>) The MDS bankruptcy team implemented supervisory controls to ensure that responses to NOFC forms are filed accurately and timely with and issues are corrected when identified (<u>Training</u>) Training was provided in February of 2020 to the Bankruptcy Specialist Team for HELOC accounts **Exempt from Discharge Review:** (<u>New Procedure</u>) The MDS bankruptcy team implemented a new procedure that identifies and codes HELOC accounts that should be exempt from discharge following the case reaching discharge (<u>Controls Implemented</u>) The MDS bankruptcy team implemented supervisory controls to ensure that HELOCs that are exempt from discharge are being identified and coded, and issues are corrected when identified (<u>Training</u>) Training was provided in January of 2020 to the Bankruptcy Specialist Team for HELOC accounts **Motion and Document Review:** The new processes and procedures described above include newly implemented steps for the MDS bankruptcy team to review all documents prior to filing by the bankruptcy attorney vendor	
<u>Coding Consumer Loans with Uncollectible Deficiency Balances (CL):</u>	

(Enhanced Procedure) The MDS bankruptcy team enhanced procedures to ensure that a proof of claim is not filed on post-repossession deficiency balances in states with anti-deficiency statutes. (Enhanced Controls) The MDS bankruptcy team implemented enhanced QA controls to ensure that proofs of claim are not filed for post-repossession deficiency balances in states with anti-deficiency statutes. (Training) Training was provided in September 2021 to the MDS Bankruptcy Specialist and Quality Assurance teams.	Bank Compliance reviewed and verified the enhanced procedure and QA control as the sustainable solution to resolve the associated risk(s). The control provides a quality review of consumer loan (CL) accounts to ensure that collection activity does not occur on post-repossession deficiency balances for CL accounts in states with anti-deficiency statutes. Training was conducted in September 2021. Bank Compliance agrees this resolves the risk that an account with an uncollectible deficiency balance is excluded from proof of claim filing.

In conclusion, the Bank has implemented numerous Operational Enhancements to address bankruptcy practices that needed improvement. Bank Compliance reviewed the Operational Enhancements and confirmed that the Bank's current policies and procedures are structured to prevent similar errors in the future.

Sincerely,

Katherine Longstreth
VP, Deputy Bank CCO
USAA FSB

EXHIBIT 2

Executive Summary

Synopsis of Overall Results

This report describes PwC's independent[1] assessment of USAA's design and execution of certain member remediation activities to address USAA-identified bankruptcy servicing issues for three products: credit cards, home equity lines of credit ("HELOC"), and consumer loans. PwC performed extensive data-driven and manual testing including 168 sets of testing procedures to assess whether USAA's remediation activities for identifying and remediating impacted members were consistent with USAA's formal bankruptcy remediation business requirements and specifications. PwC identified 47 draft observations and shared the draft observations with USAA including:

- *1 observation that had a potential adverse impact on USAA's remediation population and/or remediation treatment of members;*
- *13 observations that had an "unknown impact" on USAA's remediation population and/or remediation treatment of members; and*
- *33 observations that did not have an adverse impact on USAA's remediation population and/or remediation treatment of members (e.g., documentation observations).*

After discussing the draft observations with PwC, USAA performed research and provided PwC with additional information. Subsequent testing by PwC resulted in PwC closing:

- *the potential adverse impact observation,*
- *a new observation with an adverse impact found by PwC through its subsequent testing that USAA acknowledged and addressed by increasing the remediation amount for 321 consumer loan accounts, and*
- *10 of the 13 unknown impact observations.*

For the remaining 3 unknown impact observations, which related to LexisNexis searches, USAA decided not to send additional information such as historical member address information to LexisNexis. Accordingly, there is a risk that some members may have been incorrectly excluded from the remediation population. PwC is not able to quantify the risk, which is dependent upon USAA sending additional member data to LexisNexis and, if a LexisNexis bankruptcy filing match is found, USAA applying its specifications to determine if the members are eligible for remediation.

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[1] The term "independent" is defined as the performance of assessment and testing procedures by an objective third party that was not involved in any aspect of USAA management's design or execution of USAA's remediation of its USAA-identified bankruptcy servicing issues for credit cards, home equity lines of credit and consumer loans. See the PwC-USAA Project Addendum dated February 22, 2021 for a full definition of "independent."

Overview

USAA engaged PwC to perform an independent assessment of the design and execution of certain remediation activities completed by USAA to address USAA-identified bankruptcy servicing issues for three products: credit cards, home equity lines of credit ("HELOC"), and consumer loans. PwC assessed whether the design and execution of USAA's remediation activities met USAA's documented requirements and specifications for identifying populations of members to be potentially remediated, and whether the remediation type or amount a member should receive was completed according to USAA's formal bankruptcy remediation business requirements and specifications. This report describes PwC's assessment and testing procedures, testing results and observations for USAA's consideration.

USAA performed a distinct set of remediation activities for each of the three products. The remediation activities were a series of automated and manual processes designed to identify USAA members potentially impacted by the bankruptcy servicing errors during a time period selected by USAA. USAA designed and executed a remediation population "waterfall" for each product consisting of a large, initial population of potentially impacted members (e.g., all active accounts during a given time period) and applied a series of data filters to exclude members who did not meet USAA's specifications for remediation. USAA provided PwC with the documented business requirements and the results of the remediation activities for each product. The business requirements described a series of automated data retrievals, filters, segmentation activities, and manual account-level review procedures performed by USAA to identify the impacted members and to select the remediation form or dollar amount to be delivered to impacted members.

PwC Testing Procedures

PwC designed and executed an extensive set of data-driven and manual testing procedures based on USAA's documented remediation business requirements and the scope of testing USAA requested for each product, as defined in the Statement of Work between PwC and USAA and its related addendums. While many of the PwC testing procedures assessed the consistency of USAA's activities with the documented business requirements, PwC performed other procedures designed to assess the risk that USAA incorrectly excluded members from the remediation population due to factors not considered in USAA's requirements (e.g., such as data limitations in USAA source systems).

PwC used several different testing methods including conceptual assessments and analytical methods for testing USAA's data retrieval, filtering, and segmentation activities as well as reperformance testing of USAA's manual account-level review activities. When performing manual account-level testing procedures, PwC used both statistical and risk-based judgmental sampling methodologies to select sample sizes. Table 1 summarizes the categories of testing procedures and the number of testing procedure sets performed by PwC for each product.

Table 1. Summary of PwC Testing Procedures

		Number of Testing Sets by Banking Product		
PwC Test Procedure Category	**Description**	**Credit Card**	**HELOC**	**Consumer Loan**
Population waterfall analytics & source code accuracy	These tests assessed whether USAA's data analytics source code was designed to produce the results intended by USAA's formal bankruptcy remediation business requirements and specifications. The tests included procedures such as assessing if USAA's source code matched the bankruptcy remediation requirements and specifications and were tailored to the USAA source data (including potential data anomalies) as well as identifying and testing the assumptions made when implementing the source code.	17	26	30
Population waterfall completeness	These tests assessed whether accounts were incorrectly removed by USAA from the remediation waterfall steps due to improper data handling (such as improper merging or joining data sets), source code errors, or other errors that occurred as USAA executed the population waterfall.	15	19	19
Data anomaly identification procedures	PwC performed procedures to identify potential anomalies in USAA source data (such as missing values for key account-level data attributes) that typically require special handling in the population waterfall to minimize the risk of improper removal of accounts from the remediation population.	8	8	8
Manual testing procedures	PwC performed manual testing of sampled accounts to re-perform USAA's account-level manual review procedures. In addition, PwC performed manual testing of sampled accounts to test if accounts were appropriately retained in the remediation population (also known as "positive testing") or removed from the remediation population (also known as "negative testing") at certain waterfall steps.	3	8	7
	TOTAL TESTING SETS BY PRODUCT:	43	61	64
	GRAND TOTAL OF TESTING SETS:	168		

PwC performed 168 sets of testing procedures and customized the procedures to USAA's formal bankruptcy remediation business requirements, specifications, and data sets. Therefore, the number of testing procedures PwC performed varied by product due to the differences in complexity and the number of steps in USAA's remediation population waterfall across the three products. Additionally, many testing procedure sets consist of several tests depending upon the scope and intent of the testing procedure. Data anomaly tests, for example, were in some cases performed on each field within each data table that supported USAA's analysis. Manual testing procedures, for example, include multi-question checklists that were performed on sampled accounts.

While executing testing activities, if PwC's testing procedures produced results that did not match USAA's results, PwC researched these exceptions to understand the root cause of the differences. PwC documented an "observation" and the impact of the "observation" when PwC found:

- An exception with an adverse impact that could indicate the under-remediation of one or more members (i.e., members were incorrectly excluded from USAA's final remediation population) based on USAA's bankruptcy remediation business requirements and specifications; or
- An exception with an adverse impact that caused the actual remediation amount to be less than expected based on USAA's bankruptcy remediation business requirements and specifications; or
- An exception where PwC could not assess the impact of the exception on the final remediation population or account-level remediation amount, so the impact was considered "unknown"; or
- An exception where PwC concluded there was no adverse impact on USAA's remediation population or account-level remediation amount, but PwC noted the exception for USAA's consideration (e.g., cases where USAA's documentation describing its remediation business requirements and specifications was inconsistent with USAA's actual remediation processes) or where the remediation could result in a member receiving more than the prescribed remediation amount per USAA's business requirements and specifications).

Draft Report Observations

On June 30, 2021, PwC delivered a draft version of the assessment report to USAA management to confirm the factual accuracy of its observations. In the draft report, PwC identified 47 observations:

- 1 with a potential adverse impact, where PwC identified an observation that impacted the remediation population;
- 13 with an unknown impact, where it was unclear whether or not the observation impacted the remediation population or amount; and
- 33 with no adverse impact which included 16 documentation related observations (i.e., where USAA's documentation was incomplete or inconsistent with the actual remediation actions).

Subsequent to the delivery of the draft report, USAA reviewed and analyzed the observations and PwC met with USAA to discuss the factual accuracy and potential impact of the draft observations. USAA then took one of the following actions which resulted in changes to the draft report:

- USAA agreed with the observation and performed additional analysis or research, or revised existing remediation-related documentation, which resolved the observation as confirmed via additional testing by PwC;
- USAA agreed with the observation but did not perform any additional analysis; or
- USAA did not agree with the observation and provided PwC with evidence and/or an explanation for why, which PwC evaluated. Based on PwC's evaluation of the USAA-supplied evidence and USAA's explanation, PwC (i) removed the draft observation from the report; or (ii) revised the draft observation; or (iii) took no action.

USAA addressed the potential adverse impact observation and 10 of the 13 draft unknown impact observations. USAA also addressed 19 of 33 draft observations with no adverse impact on the remediation population or amount.

In addition to the draft report observations, USAA provided additional information on a PwC-identified testing limitation related to recalculating the remediation amount for consumer loans. The additional information enabled PwC's performance of remediation amount testing after the issuance of the draft report. When performing this additional testing, PwC noted exceptions and discussed them with USAA. USAA researched the exceptions and discovered a data retrieval error that impacted the remediation amount calculation on 321 consumer loan accounts. After USAA corrected the error and recalculated the remediation amount on the impacted accounts (resulting in an increase in the remediation amount), PwC performed additional testing on sampled accounts and concluded that the exception was addressed.

Final Report Observations

As noted earlier, PwC identified three observations with unknown impacts on USAA's remediation population. These observations appeared in the draft report and were discussed with USAA. While USAA performed research and shared its point of view on these observations, PwC concluded that these observations could potentially increase the remediation population, but the size of the potential increase could not be reasonably estimated.

The three PwC observations relate to a common observation across the three products. USAA's first remediation step for each product sought to compile a list of members, accounts, and other related information (such as social security number and current address) related to accounts that were open during the remediation's relevant timeframe. This information was then sent to LexisNexis to identify those members who had filed for bankruptcy. For consumer loans and HELOCs where USAA was missing a social security number or didn't have a valid social security number, USAA sent LexisNexis blank address information or an invalid social security number for member accounts even though member information was available in other USAA data systems. In other cases, where USAA had a valid social security number, USAA did not use available historical address information which may have improved LexisNexis's ability to find a matching bankruptcy filing.

After discussing the observation with PwC, USAA performed additional research on HELOC and consumer loan accounts with a missing or invalid social security number and sent a supplemental file to LexisNexis. After receiving matches from LexisNexis, USAA performed data analytics using the HELOC and consumer loan remediation requirements and determined that these additional matches would have been excluded from the remediation population. PwC performed additional testing and agreed with USAA's conclusion. USAA performed similar research for credit cards on a subpopulation of accounts where (a) USAA could find an alternative data source that contained a valid social security number and (b) for which USAA believed the record being researched was an obligor (rather than an authorized user). For this subpopulation of accounts, PwC reviewed USAA's analysis and agreed with USAA's conclusion that no additional credit card accounts required remediation.

However, while USAA corresponded in writing with a LexisNexis representative about common practices among creditors for sending address information to LexisNexis and LexisNexis's proprietary data and matching algorithm, USAA could have performed research on the potential impact to the remediation population of using all available historical address information when sending data files to LexisNexis for the three products. This common observation across the three products remains unaddressed in this final report.

Final Report Organization

The rest of the report describes the work performed by PwC, including PwC's scope, assumptions, and limitations. PwC's testing results for each product are described in individual sections, including additional testing results for observations which appeared in the draft report and that USAA addressed through additional research, analysis, or revised documentation. The report also contains four appendices:

- Appendix A describes PwC's sampling methodology.
- Appendix B contains observations that, despite having no impact on USAA's remediation population or amount, PwC noted for USAA's consideration. PwC provided these observations for two reasons: 1) so USAA could revise remediation documentation to more accurately reflect the actual remediation activities and 2) so USAA is aware of limitations PwC observed in certain USAA data retrieval, filtering, and segmentation activities in the event USAA re-uses the remediation analytics in the future.
- Appendix C contains the list of observations where USAA documentation was incomplete or inaccurate and organizes the observations by USAA document name to help USAA organize documentation revision activities.
- Appendix D describes the disposition of the 47 observations that appeared in PwC's draft report.