

September 2015

Community Bank Advisory Council

September 30, 2015



Meeting of the Community Bank Advisory Council

The Community Bank Advisory Council (CBAC) of the Consumer Financial Protection Bureau (CFPB) met in person at 8:32 a.m. on September 30, 2015. The CBAC met at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

Board members present	CFPB staff present
Guillermo Diaz-Rousselot, Chair	CFPB Director, Richard Cordray
David Reiling, Vice Chair	Julian Alacazar
Julia R. Debery	Maggie Anderson
Angela Belike	Michael Byrne
Kathleen Cook	Matt Cameron
Michael Gallagher	Paul Ceja
Jack Hopkins	Crystal Dully
Ricardo 'Ricky' Leal	Ren Essene
Paul Mackin	Sarita Frattaroli
J. David Motley	Jeff Haywood
Cara L. Quick	Nicholas Hluchyj
Thomas E. Spitz	Gene Koo
Yee Phong (Alan) Thian	Manny Mañón
Monica Thomas	Zixta Martinez
Christopher Triplett	Patricia McClung
Kathryn Underwood	Debbie Seidner

Megan Thibos

Lora Vieira

Julie Vore

September 30, 2015

Welcome

Richard Cordray, CFPB Director

Guillermo Diaz-Rousselot, CBAC Chair

Zixta Martinez, associate director, External Affairs

Matt Cameron, senior advisor, Advisory Board and Councils

Chair Diaz-Rousselot called the meeting of the Community Bank Advisory Council (CBAC) to order on September 30 at 8:32am and welcomed CBAC members to meeting.

Director Cordray welcomed CBAC members and invited them to introduce themselves and the institutions they represent. The director commented on the importance of the discussions held in the CBAC meetings and on the value they add to the work done at the Bureau. He made mention of various major accomplishments of the Bureau since its inception. CBAC members raised issues and concerns about changes in the definition of rural, examination processes, and the changing marketplace with electronic third party service providers.

Matt Cameron, senior advisor of the Advisory Board and Councils Office, reviewed the day's agenda with CBAC members.

Updates on HMDA and Owning a Home

Ren Essene, program manager of Mortgage Data Assets, Mortgage Markets

Michael Byrne, HMDA technical ops lead, Technology and Innovation

Megan Thibos, policy analyst, Mortgage Markets

Julie Vore, organizations analyst, Mortgage Markets

Maggie Anderson, product management specialist, Consumer Engagement

Gene Koo, assistant director, Consumer Engagement

Patricia McClung, assistant director mortgage markets, Research, Markets, and Regulations

CFPB subject matter experts updated CBAC members on the work being done by the Bureau to streamline and modernize the Home Mortgage Disclosure Act (HMDA) data collection system. Staff shared the progress made on developing a pilot web-based reporting application that aims to reduce the reporting burden on banks. The Bureau is doing this by minimizing manual

processes, reducing data transmissions, and allowing the application to adapt to future regulatory changes.

Staff explained that alongside the proposed rule changes, the Bureau recognized an opportunity to modernize the HMDA data collection system. Staff elaborated on the process the Bureau went through to pinpoint key inefficiencies in the current system, which included consulting with various financial institutions and government agencies. Staff noted the emphasis put on usability, data security, and time efficacy when developing the new application. Several CBAC members asked for clarification on the safeguards put in place for data security in the new system and for details on reporting formalities.

Staff then shared an update on the Bureau's Consumer Engagement tool "Owning a Home." Staff explained the functionality of the explore interest rates tool and new guide to the mortgage process which is available on consumerfinance.gov. Staff also informed the council about the real estate professional's page on the Bureau's website, which provides professionals dealing with consumers a platform to remain informed on the evolving regulatory environment. The Bureau also has a free downloadable brochure 'Your Home Loan Toolkit' that provides consumers information on the mortgage market and allows them to better understand what type of loan best suits them. This session concluded with CBAC members and staff discussing the translation of the 'Your Home Loan Toolkit' to other languages other than Spanish.

Working Lunch: Mortgages Committee Session on Rural and Small Lender Updates

**Patricia McClung, assistant director mortgage markets, Research, Markets, and
Regulations**

Paul Ceja, senior counsel & special advisor, Regulations

Nicholas Hluchyj, senior counsel, Regulations

Jeff Haywood, paralegal specialist, Regulations

Debbie Seidner, business analyst, Operations

Lora Vieira

CFPB staff updated CBAC members on the final rule titled: "Amendments Relating to Small Creditors and Rural or Underserved Areas under the Truth in Lending Act (Regulation Z)," which was released on September 21, 2015. The rule revised the CFPB's regulatory definitions of small creditor and rural and underserved areas for purposes of certain special provisions and

exemptions from various requirements provided to certain small creditors under the Bureau's mortgage rules. Staff highlighted the changes made by the rule, for instance, the loan origination limit for small creditors was raised and their portfolio requirements were altered. Staff also reviewed the criteria required to qualify as a small creditor and the updates to the definition of rural. Staff then explained the procedure the Bureau goes through to certify that small creditors serve rural/underserved regions—they further elaborated on technicalities of the expansive definition, specifically in terms of urban-rural interfaces.

Committee Breakout Sessions

Angela Beilke, chair, Mortgages Committee

The Mortgages Committee discussed various issues relating to regulatory changes that affect community banks. Several CBAC members mentioned that the recent changes in the Real Estate Settlement Procedures Act (RESPA), which alter the mortgage servicing standards, have significantly increased the cost of mortgage servicing for many community banks. Several CBAC members also asked for further clarification on the definition of rural. Finally, the committee agreed that integrating electronic-signatures into the mortgage loan closing process would increase efficiency. CFPB staff took note of these comments and responded that the Bureau will look into the feasibility of implementing electronic-signatures for closing documents.

Kathryn Underwood, chair, Consumer Lending Committee

The Consumer Lending Committee examined how community banks offer small dollar lending products and how community banks make the products accessible to the unbanked and underbanked. Most small dollar loans originate via payday lenders rather than banks because of consumer demand. This demand is driven by payday lenders' convenience and accessibility. CBAC members discussed the operational details behind one members' small dollar loan product. Other CBAC member's commented and compared it to similar products in the marketplace.

Paul Mackin, chair, Card, Payment and Deposit Markets Committee

The Card, Payment and Deposit Markets Committee began the breakout session discussing the timeline for overdraft rulemaking. The committee agreed that the Bureau should release guiding principles on overdraft fees. Staff asked CBAC members to share any issues they have recently identified in card, payment and deposit markets. Various members voiced concerns about community banks' minimal use of customer check systems as a screening tool in lieu of credit reporting agencies, even though many would like to. This is due to unclear regulation and

reporting standards. CFPB staff took note and responded that the Bureau will look into the matter. Members also discussed differences in Automated Clearing House (ACH) fees related to real-time and same day payment settlements.

CFPB Community Bank Advisory Council Meeting Public Session

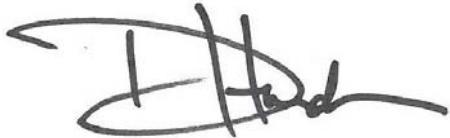
Zixta Martinez, associate director of External Affairs, welcomed audience members to the CBAC public meeting and introduced CBAC members, Director Cordray, and CFPB staff. Director Cordray also welcomed the CBAC and members of the public. He introduced the discussion topic and elaborated on three primary areas the Bureau believes payment systems can improve in: transparency, security, and access.

Following the director's remarks, CBAC chair Guillermo Diaz-Rousselot, introduced CFPB staff Gary Stein, deposits markets program manager, Office of Credit Information Collections and Deposits Markets and Sarita Frattaroli, counsel, Office of Regulations. They presented on consumer challenges that have arisen with the emergence of more sophisticated and faster payment systems. They outlined nine guiding principles the Bureau considers govern these emerging payment systems—the overarching concepts were consumer accessibility, accountability for all parties involved, and data privacy. The floor then opened up for discussion. CBAC members voiced concerns about possible synchronization issues of back-end fraud protection systems with new real-time payment systems, lack of demand from consumers, and difficulties transacting with vendors that operate these new systems. Multiple CBAC members also acknowledged that faster payment systems, if configured with the proper safeguards, may actually reduce fraud and thus the intermediary role banks have between law enforcement and the consumer. There was general agreement regarding the need to balance expanded access to consumers with the risks associated with faster automated systems. The video of the public session is available on consumerfinance.gov.

Adjournment

Chair Diaz-Rousselot adjourned the 8th meeting of the CFPB Community Bank Advisory Council on September 30, 2015 at 4:32 p.m.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.



Delicia Reynolds Hand
Staff Director, Advisory Board and Councils Office
Consumer Financial Protection Bureau