

Academic Research Council Meeting

August 13, 2021

Meeting of the CFPB Advisory Committees

The Consumer Financial Protection Bureau's (CFPB) Academic Research Council (ARC) met via WebEx at 1 p.m. Eastern on August 13, 2021.

ARC members present	CFPB staff present
Chair Joshua Wright	Acting Director Dave Uejio
Vicki Bogan	Jason Brown
Terri Friedline	Erik Durbin
Tom Miller	Patrick Heck
Michael Staten	Melissa Knoll
Anthony Yezer	Feng Liu
	Manny Mañón
	Ryan Sandler

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Welcome

Dave Uejio, Acting Director

Manny Mañón, Staff Director, Advisory Board and Councils Section, Office of Stakeholder Management

Joshua Wright, Chair, Academic Research Council

CFPB Section for Advisory Board and Councils Acting Staff Director Manny Mañón convened the ARC meeting and welcomed committee members and members of the listening public.

Manny provided a brief overview of the meeting's agenda and introduced Acting CFPB Director Dave Uejio. Acting Director Uejio provided remarks on the Bureau's priority related to COVID-19 response, HMDA data, and research partnerships. Following the Acting Director's remarks, ARC Chair Joshua Wright welcomed attendees and explained the advisory committees' mission and expressed his appreciation for being able to serve as Chair of the ARC.

COVID-19 Session: Emerging Issues and Analysis

Erik Durbin, Section Chief, Consumer and Household Research and Policy, Office of Research

Ryan Sandler, Senior Economist, Office of Research

Staff from the Office of Research provided an update on COVID-19 emerging issues and data, specifically on trends in consumer credit. Staff shared highlights from the Consumer Credit Panel. In August 2020, a report from the Office of Research found limited negative impacts on consumer credit outcomes, including delinquency rates, payment assistance, credit access, and account balance measures. In 2021 the Office of Research released a series of blog posts reporting on updated trends through May and June of 2021. The findings showed that, for the most part, negative credit outcomes continued to be limited. Broadly, the research found a continuation of the trends from the Bureau's April 2020 and August 2020 COVID Special Issue Briefs: Delinquencies remain low, payment assistance is falling but remains high, and credit card utilization remains low, although access to credit card credit has declined. Credit limits on credit cards have declined during the pandemic for high credit score borrowers, and stagnated or grown slowly for other credit score groups.

Staff concluded that credit record data hasn't shown much of a negative effect from the pandemic on consumer credit outcomes. They said that at least part of the story is that economic stimulus and payment assistance have kept some consumers afloat. Staff asked ARC members what areas of consumer financial distress are being missed by the data available to the Bureau. They also asked if there are datasets that the Office of Research should pursue to better measure the full picture of financial distress. Given that credit card utilization and usage patterns seemed to have changed during the pandemic, staff asked if ARC members think that will revert as the economy recovers and asked what factors the Office of Research should consider in this market.

ARC members provided feedback following the presentation. A member noted that information hasn't been reported on a consistent basis for several months and mentioned looking at measures of data that aren't credit bureau data. A member flagged that it isn't known when the emergency will end, and research might soon show many signals of how much stress households face. Another member indicated that tracking the effects of stimulus checks on those who have lost incomes may help highlight where continued stress lies and added that some of the measures may not be useful now but could be for the next crisis. A member suggested thinking about the data that's being missed and where to capture it.

Members discussed qualitative research. A member suggested doing qualitative work on how consumers experience debt, how they access credit, and how they describe effects on mental health. Another member said that qualitative data may help pinpoint different areas where stress is experienced. A member said that those who are optimistic about future income may finance consumption with debt and those who are less optimistic will want to carry less debt. The member said that the solution is likely motivated by a change in a person's perspective and what's going to happen to future income. A member suggested that the Bureau create multi-dimensional poverty measures and a multi-dimensional credit stress index as part of the solution.

Members shared other considerations for the Bureau. For instance, a member explained that some of the effects of long-haul COVID-19 impact household finances. The member asked if the Bureau has looked at these types of connections. Another member said to consider how consumers are affected as rental and mortgage assistance programs expire; for instance, leading to an increase in credit card usage. A member expressed interest in the Bureau's credit card data

and suggested that staff look at products that are used by subprime borrowers such as those using cash installment loans.

HMDA Data Session: Understanding Racial and Economic Disparities in the Mortgage Market

Feng Liu, Senior Economist, Office of Research

A staff member in the Office of Research shared findings about the current state of the racial disparities in the mortgage market based on recent HMDA data. Staff provided background information about HMDA. HMDA is a data collection, reporting, and disclosure statute that was enacted in 1975. HMDA data are used to assist in determining whether financial institutions are serving the housing needs of their communities; to assist public officials in distributing public-sector investment so as to attract private investment to areas where it is needed; and to help identify possible discriminatory lending patterns and enforcing antidiscrimination statutes.

Institutions covered by HMDA are required to annually collect and report specified information on each mortgage application acted upon and purchased during the prior calendar year. The 2020 HMDA data are the third year of data that incorporate amendments made to HMDA by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA) and 2015 HMDA Rule. HMDA data provide good insights on the racial and economic disparities in the mortgage market.

The staff member shared a list of recent CFPB Reports based on HMDA Data and dedicated most of the presentation to discussing racial disparities observed in the HMDA Data. The data were broken down by racial composition of originated loans, denial rates, and characteristic of mortgages (including credit characteristics and mortgage pricing). The data found that overall, Black, and Hispanic mortgage borrowers accounted for a smaller share of mortgage loans than White borrowers. They had lower median loan amounts, lower median credit scores, higher denial rates, and paid higher median interest rates and total loan costs compared to White borrowers. The staff member also noted that even though the denial rate for Asian applicants overall is similar to that of White applicants, significant variation in denial rates existed across different subgroups of Asian borrowers using disaggregated race fields in the HMDA data. The staff member sought feedback about these observations, how to understand them and suggestions for potential follow-up research in this area.

ARC members provided feedback following the presentation. A member said a next step is statistical analysis to estimate models of the underlying decision to underwrite and price credit. The member suggested looking at government programs, such as FHA, separately and seeing if they have similar patterns to others or if they are different. The member said to consider if anything has statistical significance. The member noted that with mortgage lending, where you are matters given that areas where house prices are rising rapidly may have a negative effect on default.

A member noted that the Bureau's vantage point into these disparities in the mortgage market and consumer financial distress comes from the point of consumers (rather than that of institutions). The member said there often isn't a vantage point into the decision making within institutions that relate to consumer experiences and said it might be helpful to see what institutions are doing that might have implications on the disparities.

Another member highlighted the racial disparities in refinance rates. The member said it would be interesting research to examine the racial disparities in how different groups were able to exploit lower interest rates by refinancing. The member said there is opportunity to explore why there are such discrepancies in refinancing. The member said the Bureau should consider policies that reduce barriers to refinancing for minority borrowers.

A member discussed the geographic variation. The member highlighted variation in state regulations affect outcomes. The member noted that a role for the Bureau is communicating or influencing state or local regulators with expert input.

Research Partnerships

Melissa Knoll Section Chief, Decision-making and Behavioral Studies, Office of Research

Patrick Heck, Research Psychologist, Office of Research

Staff from the Office of Research provided an overview of the Bureau's current research partnerships and sought suggestions from ARC regarding how the Bureau might strengthen research partnerships. As background, staff noted that the CFPB collaborates with innovators to research the impact of financial products and services on consumers and to gauge what is

currently happening in the field. Ideal collaboration involves sophisticated research methodologies that help obtain statistically meaningful results from real-world behavior. Staff explained that the goals of the partnerships are to understand the impact of products and services on consumer behavior and consumer financial health; to further Bureau initiatives, and to help inform policy work. Partnership types include: Randomized field studies and experiments; Consumer engagement with Bureau tools; and data partnerships. Staff also described the Bureau innovation policies including the Trial Disclosure Waiver program, the Compliance Assistance Sandbox (CAS) program, and the No-Action Letter program. Additionally, staff explained the process involved with establishing research partnerships which involve making connections, exploring partnership potential, and logistics.

Staff provided an overview of the Bureau's specific research partnerships and provided detail on two current data partnerships underway which involve a community development bank and a savings app provider. The partnerships have helped Research staff examine consumers' experiences and interactions with a savings goal product. The Bureau has been provided administrative data to answer questions of mutual interest related to savings goals. Staff noted that partnerships require flexibility, and retrospective administrative data rarely fit neatly into specific research questions. Staff asked ARC members how the Bureau can build on existing partnerships. They also asked what kind of partnerships the Bureau should pursue to inform Bureau priority areas.

ARC members provided feedback following the presentation. Several commended the Bureau for pursuing these collaborations. A member inquired about limitations on the partnerships noting that the companies likely want to test projects for future rollouts. A member spoke about the need for model testing and statistical analysis in order to provide quality evidence-based policy. The member said that ARC members could help with this. A member encouraged taking time to look at policy and results rather than hurrying to make a decision. The member encouraged the Bureau to invest heavily in adding more research capability over time.

A member discussed one of the Bureau's research partnerships with a community development bank noting that the bank serves consumers in Black and rural communities in the South. The member said that along with the pandemic, consumers have dealt with political shifts, protests for racial justice, unemployment, and health concerns over the past two years and may carry

these issues in their finances. The member highlighted that community loan funds that support Black owned banks as well as other nonprofits have helped consumers weather such challenges.

A member suggested that the Bureau first consider a research idea, then seek partnerships rather than letting the partnership define research. Additionally, a member recommended the book *Nudge: Improving Decisions About Health, Wealth, and Happiness* as a resource. Regarding the Bureau's interest in randomized controlled trials (RCTs), a member inquired about industry's appetite for these. The member also asked if the Bureau is trying to develop partnerships which would allow linking new data collected with some existing data sets at the CFPB to be able to answer new questions.

Adjournment

Staff Director Manny Mañón adjourned the meeting of the CFPB advisory committees on August 13, 2021 at approximately 4:15 p.m. EDT.

Certification

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



Manny Mañón, Staff Director, Advisory Board and Councils Section, Office of Stakeholder Management
Consumer Financial Protection Bureau



Jason Brown
Assistant Director, Office of Research
Consumer Financial Protection Bureau



Joshua Wright
Chair, Academic Research Council