

Consumer Advisory Board Meeting

May 16, 2023



Meeting of the CFPB Consumer Advisory Board

The Consumer Financial Protection Bureau's (CFPB) Consumer Advisory Board (CAB), met via WebEx at 1:45 p.m. EST on May 16, 2023.

CAB members present	CFPB staff present
Chair Beverly Brown Ruggia	Director Rohit Chopra
Sol Anderson	Kimberley Medrano
Watchen Harris Bruce	
Louis Caditz-Peck	
Stephanie Carroll	
Jorge Cruz	
Laurie Goodman	
Margaret Libby	
Annika Little	
Sarah Bolling Mancini	
Markita Morris Louis	
Andy Navarrete	
Sarah Perry	
Rebecca Regan	
Faith Schwartz	
Ky Tran-Trong	
Pete Upton	
Tyrone Williams	

Welcome

Director Rohit Chopra

**Kimberley Medrano, Acting Staff Director, Advisory Board and Councils Section,
Office of Stakeholder Management**

Beverly Brown Ruggia, Chair, Consumer Advisory Board

The CFPB's Advisory Board and Councils Section Acting Staff Director, Kimberley Medrano, convened the Consumer Advisory Board (CAB) meeting and welcomed committee members and the listening public. She provided a brief overview of the meeting's agenda and introduced Director Rohit Chopra.

Director Chopra provided remarks on the format of the CAB meeting, indicating a different approach where he hoped to listen more to obtain members perspectives, as opposed to hearing mostly presentations. The Director said that the changes to the CAB membership will ensure a clear geographic diversity is represented. He added that the CFPB recognizes the instability in the banking system and financial markets, and that technology regulation and the future is a high priority for CFPB. Director Chopra concluded his remarks by saying that this includes digital discrimination and redlining, use of new products and services, and abuse and misuse of data.

Following Director Chopra's remarks, CAB Chair Beverly Brown Ruggia welcomed attendees and explained the advisory committee's mission, reviewed the meeting format, and expressed that the goal for today's meeting is to provide the CFPB with a better sense of concerns related to protecting consumers from financial harm.

Discussion Question One:

**What do you see as the biggest opportunities and risks of the shift to a more digital,
data-driven market in consumer finance?**

Several members emphasized their concerns with the potential misuse of digital tools for discrimination. A member said that the real focus should be on opportunity. This member

added that the pandemic forced retail outlets to reconfigure their business models to deliver products and services via digital or online means, and now broadband access has become a necessity for employment, schooling, and commerce. This member suggested the CFPB should take steps to advance its mission to talk about the benefits of digital channels in terms of inclusion being a solution and finding objective tools that focus on evaluating people on the basis of their financial capabilities and not bias. This member said that in order to accomplish this, public-private partnerships are needed. A member stated that the unofficial digital trails are the biggest markers that people need to be aware of and that this digital information can exclude consumers from economic opportunities. This member also mentioned that artificial intelligence tools can determine suitability for accessing consumer tools and can affect vulnerable communities. This member stated that expansion of broadband infrastructure and a development of tools is needed to help vulnerable communities and give them access to resources. Another member said that it is critically important that those communities know what the CFPB does and to inform them how to share their experiences and learn about a safe digital world. A member asked if the CFPB examined the supply and demand of digital hubs and navigators in each of the markets, as this could address the needs of vulnerable populations, having one central place for tools and resources to serve consumers.

Another member expressed concerns with how consumers lack control over their data and how it gets used, and the rental history reporting is harming low-income and vulnerable renters from future housing. The member highlighted the prevalence of errors in tenant screening reports harming vulnerable consumers. The member mentioned that the bait-and-switch schemes offered to tenants applying for housing as well as large up-front application fees is another area that needs more work. The member said that digitization of systems can create problems for lack of access, but many older adults and disabled consumers do not have access to broadband. The member added that web and app-based systems need to provide access in different languages. The member encouraged the CFPB to continue requiring strong compliance in the fair lending system for automated underwriting systems.

Director Chopra concurred with the member's comment on the background screening industry and also the need to protect consumer data. The Director shared that the CFPB is currently doing research on the use of chat bots and how the issue of accuracy in the translation is an area of concern.

Another member shared concerns and information on the number of Zelle scams being seen. The member said that the banks that created a profit from Zelle need to be pushed to protect their consumers from bad actors on their platform. The member shared that fraud with digital contracts is a particular problem for elderly and monolingual Spanish-speaking clients. The member urged the CFPB to do what it can to ensure the benefits of a digital marketplace, the ability to detect fraud, and not allow contracts to proceed when clearly nothing has been read. The member said that banks and financial institutions need to be held more accountable for their part in enabling fraud. The member added that another area of concern is poor customer service by phone, email, and in person. The member also mentioned that massive outreach is needed and supports the idea of educating financial institutions to make that outreach, to include providing information in whatever languages the consumers speak.

Another member applauded the CFPB's focus on maximizing competition in financial services. The member said that examples of small businesses like Mindbody and DoorDash using a merchant cash-advance financing product on their platform. The member stated that something actionable for the CFPB is the 1033 rulemaking which will help to make pricing data transparent and comparable. The member added that the Section 1071 rulemaking will maximize public disclosure of pricing data in a way that enables comparison with different pricing products and hopefully will guide the industry towards maximizing competition. The member said that the rapid change being driven by digitization and technology is embedded finance with financial services being embedded in apps and websites.

Director Chopra acknowledged a few common themes. One was the special populations that sometimes don't fit in the box when it comes to handling of data, and it is an area where effort is needed about customer service and care in a more digitized world. The Director said that older adults may require a different way of servicing to prevent fraud. He said that the CFPB is focusing on digitization in the post-pandemic world and how it affects specific communities. The Director recognized the need for market discipline to reduce consumer frustration.

Discussion Question Number Two:

How are American families adjusting to the post-pandemic economy?

A member expressed concern with young consumers who are largely youths of color from low-income communities. The member said that the economy and health impacts of the pandemic

have brought about disruptions in their employment and ability to earn income as well as education trajectories. The member also mentioned that disruptions like this will likely have a longer-term impact on their ability to engage in the workforce and attain education. The member said that the different payment platforms is an area of fraud that targets consumers, but young people tend to be digital natives and are twice as likely to recognize the fraud. The member added that the dispute process; however, needs to be more visible on these reporting platforms. The member also stated that social media can target particular groups with cryptocurrency, and young people need to be made aware via outreach and education.

The member also commended the wonderful education resources that the CFPB has, but added that it needs to find the right channels and messengers to get the information into the hands of consumers whether via social media or community organizations. The member said that a similar consumer initiative should be made for seniors as well. The member said that foster youth need to be remembered when it comes to rulemaking around credit and identity theft. The member hopes the CFPB can look at ways to support foster youth. The member said that Buy Now Pay Later (BNPL) can educate and provide a gauge to help young people not to take on more debt. The member said it is important to help young consumers take some precautions to ensure they have the information and resources they need to prevent bad financial decision-making due to inexperience. Another member added that though young people know how to manage the technology, when provided, it is the reverse for the older population. The member also said that each population needs to be looked at differently when providing information and resources.

Director Chopra reiterated the above member concerns about the need to help young adults starting their financial life with information and resources.

Another member shared concerns about families having to adapt with the end of stimulus and the rising inflationary pressures post-pandemic. The member said that consumers have been increasingly tapping into savings and using their credit cards. The member stated that during the pandemic consumers were saving, but post-pandemic savings rates have fallen from 9 percent pre-pandemic to just over 2.7 percent in mid-2022 as inflation peaked. The member said that savings rates recovered in early 2023 to about 5 percent. The member added that consumer spending trends have remained relatively stable. The member ended on a positive note saying that the labor market still seems to be in good shape with people returning back to

the workplace, and there has been an increase in small businesses forming, which is a result from the increase e-commerce during the pandemic.

Director Chopra added to the above member comment by sharing the CFPB's perspective that deposit account balances have not really gone down for those in the bottom income quintile, though it has gone down a bit. He said that though CFPB has not seen big increases in delinquency, there is an exception in the auto industry with the high cost of vehicles, and over the next several years, this can eat up more of a monthly budget. The Director said that with the increase in mortgages, fewer people are able to refinance and that there is still adjustment occurring in the macro environment.

Another member spoke about the loss mitigation toolkit and the forbearance and deferral policies. The member said that the 2008 financial crisis highlighted the need for this toolkit. The member added that when a borrower exits forbearance, if they can't afford an increase in payments, there's an option that allows the borrowers to defer the forborne payments. The member also mentioned if consumers can't afford the current payments, they may be eligible for a loan modification. The member stated that that playbook was adopted for COVID-19 with very impressive results by Black Knight data. The member said in 2023, the Government Sponsored Enterprises (GSEs) made a permanent scaled-down version of the COVID toolkit, which becomes mandatory on October 1, 2023 as COVID policies expire. The member hopes that CFPB will give the new program the publicity it needs to cut the delinquency to liquidation rate and give more Americans the potential to be homeowners.

Director Chopra added to the above member's comment and asked the Chair to note that this would be a good potential topic for the next meeting of how to prepare for potentially financial distress at scale to avoid foreclosure for homeowners.

Discussion Question Number Three:

What consumer finance protection issues are most salient in your region?

Several members expressed concerns with educating consumers financially, especially as it relates to fraud and scams. A member said that preserving consumer rights is a preservation of wealth. This member also added that most of their clients live in HUD-assisted housing, and most have a fear around engaging with the financial system. This member stated that they are

trying to figure out how to help them participate and engage with the financial system without being scammed or harmed. This member commended the CFPB proposing a registry of supervised non-banks that use contract terms that limit or waive consumer protections, as these contracts of adhesion prey on vulnerable consumers. This member said that many consumers are not educated enough to do a benefit-risk analysis at the point of sale. This member added that financial institutions are saving costs in brick and mortar, so they should invest more in people to provide substantive support for those who are engaging with digital tools.

A member mentioned the importance of leaning in on consumer protections and support for the younger population, asking for protections and education in place for older adults as well. This member said that their organization partnered with Young Invincibles on a survey conducted last summer of young people and it illustrated young adults' comfort in using credit to pay down medical debt and educational expenses. A member mentioned that they are seeing increasing numbers of low-income folks declaring bankruptcy as they struggle with pandemic rental debt and that many are using credit cards as a temporary means of substance. This member gave an example of a 75-year-old woman on a fixed income who burned through her savings after signing for debt settlement plan that wasn't a good plan for her situation.

Director Chopra added to the comments above saying that consumers may have the empirical literature, but many may not be reading it. A member responded saying that consumers may not understand what they are reading, such as language barriers.

A couple of members shared concerns on predatory consumer loans. The member said that many of their clients have limited business experience and no credit scores. This member said that there are no requirements for annual percentage rate (APR) disclosures, these folks think they are paying reasonable rates, but sometimes the actual cost of credit will be ten times higher than they realize. The member recommends that the CFPB address this situation and provide extensive consumer finance education in partnership with Community Development Financial Institutions and other mission-based lenders to inform consumers. Another member emphasized the need for more pricing data to get published coming out of Section 1071 to address the predatory small business lending problem.

Another member reminded the CAB that one topic last year that was raised with the committee was the rapid growth of for-profit debt settlement companies and the bad outcomes that

resulted. The member suggested a four-step process that the Bureau could undertake to address debt settlement: (1) undertaking an information gathering-report; (2) publish a report including identifying perspectives on unfair deceptive and abusive practices (UDAAP); (3) enforce UDAAPs; and (4) consider a larger participant rule to address the four largest debt settlement companies.

Another member encouraged the CFPB to look closely to the current proposed Property Assessed Clean Energy (PACE) proposed regulations to make clear the Transition to Independent Living Allowances (TILA's) applications and provide the greatest protection to consumers. The member said that California is now focused on a restitution bond because low-income clients have been scammed. The member hopes the new rule will prevent other states from these terrible fraudulent situations. The member added that Zombie second mortgages are on the rise in California. The member hopes the CFPB can do something to address the situation in California, which has long statutes of limitations when it comes to mortgages. The member urged the CFPB to double-down on enforcement efforts of debt buyers and encourages enforcement vigilance in the area of income share-financing agreements with for-profit schools.

Closing

Director Rohit Chopra

Beverly Brown Ruggia, Chair, Consumer Advisory Board

Director Chopra provided closing remarks and shared that the CFPB is going to have something relating to digitization and data, whether it's new types of predatory products, how to educate vulnerable populations, and providing the ability in different languages to file a complaint. He thanked the CAB members and appreciated hearing the range of issues and suggestions where more focus is needed.

The Chair provided closing remarks and said that the coordination with the CFPB team on the themes emerged in the meeting is how to move forward in a positive direction. The Chair thanked the members, the Director, and the CFPB staff for their contributions.

Adjournment

The meeting adjourned on May 16, 2023, at approximately 3:30 p.m. EST.

Certification

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

Emmanuel Mañón

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

Beverly Brown Ruggia

Beverly Brown Ruggia, Chair
Consumer Advisory Board