

May 2018

Consumer Advisory Board

Mortgages and Small Business Lending Markets Subcommittee



Meeting of the Consumer Advisory Board's Mortgages and Small Business Lending Markets Subcommittee

The Consumer Advisory Board (CAB) Mortgages and Small Business Lending Markets Subcommittee of the Bureau of Consumer Financial Protection (Bureau) convened via conference call at 1:00 p.m. Eastern on May 10, 2018 to discuss two of the Requests for Information (RFIs) related to the Call for Evidence initiated by Acting Director Mick Mulvaney. During the call, the subcommittee discussed the RFI on External Engagements and the RFI on Guidance and Implementation Support.

Board members present	CFPB staff present
Subcommittee Chair, Lynn Drysdale	Zixta Martinez
Seema Agnani	Delicia Hand
Sylvia Alvarez	Manny Manon
Patricia Arvielo	Matt Cameron
Judith Fox	Andrea Edmonds
Paulina Gonzalez	Lea Mosena
Neil Hall	
Ruhi Maker	
Arjan Schutte	
Ann Baddour	
Kathleen Engel	

Welcome

**Delicia Hand, Assistant Director, Advisory Board and Councils Office
Lynn Drysdale, Chair, CAB Mortgages and Small Business Lending Markets
Subcommittee.**

Assistant Director Delicia Hand called the meeting to order at 1:05 p.m. Eastern and welcomed CAB Subcommittee members, Bureau staff, and members of the public. She provided background information about the Consumer Advisory Board (CAB) and the vital role the CAB's subcommittees play in fulfilling the CAB's statutory responsibility to advise and consult with the Bureau. Next, she provided an overview of the meeting agenda and highlighted that the RFI on External Engagements and the RFI Guidance and Implementation Support would be the topics of the conversation with subcommittee members.

Following Ms. Hand's remarks, the Subcommittee Chair, Lynn Drysdale, provided introductory remarks and invited subcommittee members to provide feedback on both of the RFIs.

May 10, 2018 Mortgages and Small Business Lending Markets Subcommittee Summary

On January 17, 2018, Acting Director Mulvaney issued a call for evidence¹ to ensure the Bureau is fulfilling its proper and appropriate functions to best protect consumers. In a series of Requests for Information (RFIs), the Bureau seeks comment on enforcement, supervision, rulemaking, market monitoring, and education activities. These RFIs will provide an opportunity for the public to submit feedback and suggest ways to improve outcomes for both consumers and covered entities.

During the May 10, 2018 Consumer Advisory Board (CAB) Mortgages and Small Business Lending Markets subcommittee conference call, the subcommittee focused on providing feedback on two of the Call for Evidence RFIs, the RFI on External Engagements and the RFI on Guidance and Implementation Support. The purpose of this document is to summarize subcommittee conversations on the two RFIs. This document does not reflect consensus by subcommittee members, but simply demonstrates the various member views and opinions. This summary document does not reflect the

views of the Advisory Board and Councils Office or the Bureau.

Request for Information on External Engagements

- The CAB has been effective and impactful thus far. What has struck me the most is how the diverse voices and expertise in the Board has come together and led to the most constructive conversations in different topics such as payday lending and other important policy matters. The CAB creates an effective platform to look at a plethora of issues and provide useful feedback to the Bureau, feedback that could only take place through these internal and external interactions.
- Being a member of the CAB has provided an opportunity to ensure that consumers are not harmed and it has been an honor to be a member. During one external meeting outside of Washington, DC, during the public portion of the meeting, I noticed that there were buses bringing individuals representing the financial services industry. This barrage of people showed up to only provide negative feedback on a proposed rulemaking. I am not sure if public comment is good feedback when you have this type of scenario since it is biased against the Bureau's work. I am not sure this works since we are not getting a true picture.
- The CAB members are from all different perspectives: banks, debt collection, payday lending, credit cards, consumer advocates and financial technologies. Sometimes our conversations are passionate and heated, however these professional and respectful interactions truly provide valuable information to the Bureau; both sides benefit from these engagements.
- It is really important that the CAB members are diverse, this is very valuable as it provides on the ground information. Feedback from Washington, DC lobbyists does not provide a real picture of Main Street, does not provide insight of the issues impacting consumers as we speak. By having consumer advocates that focus on specific populations, they can provide useful data and anecdotes. I am disappointed that our meetings have been cancelled and the ones that we've had have been public. These public interactions do not provide the same information as a private conversation; I feel conversations will not be as honest in a formatted scripted setting.

- From an industry representative's perspective, I believe that the CAB's diverse backgrounds do create a great dialogue; hearing and understand different viewpoints is healthy for me and CAB members alike. As far as transparency, I feel that Bureau has not been as transparent regarding issues that concern them from a consumer protection standpoint. I have an appreciation that Dodd Frank has a road map; however the Bureau has struggled a bit trying to operationalize Dodd Frank's mandates. I believe that some of the CAB conversations were being a bit over managed. On payday lending, the CAB provided many different opinions; however, the Bureau did not provide feedback back to the CAB regarding these complex nuances, how these issues were being operationalized. Perhaps, moving forward, the Bureau should not hold the cards so close to the vest.

Transparency can work on multiple ways to the Bureau, the CAB and the consumers; it could hurt or it could help. I am not happy that so many of our meetings are now public, these ideas could only be explored privately due to CAB members' jobs or functions in the industry or their communities. When it comes to the Bureau's mission, it is critical for the new leadership to be as transparent as possible. I am concerned that Acting Director Mulvaney is not fulfilling his duties, as it pertains to his attendance and functions at the Bureau.

- We don't know if there is Agency capture going on. In light of a recent report from the consumer complaint data base, 8 of 10 offender companies, contributed to the Acting Director when he was a Senator, coupled with Mr. Mulvaney's recent pay to play statements is extremely concerning. It is a troubling lack of transparency when companies pay for access. I am also very concerned that our in person meetings have been cancelled due to the Acting Director's schedule. It appears that holding two executive positions at the same time are too much for Mr. Mulvaney; it is actually very tough for any organized individual. The other explanation we received is that it is too costly to have these meetings. That is concerning when you observe from the outside how certain Bureau political employees tied to Congressman Hensarling, receive outrageous pay raises.

Request for Information on Guidance and Implementation Support

- I think that markets and products change over time through innovation. I believe that it is important that the Bureau provides clear guidance, specifically in the Fin-Tech space. It is fair for industry and consumers to receive this guidance from the Bureau. There should be a way for the Bureau to track market trends through consumers and industry alike in order to identify quick sands as market players develop different programs. In addition, when an institution has multiple regulators, there might be contradicting opinions on rule requirements or interpretation. This creates some complications during the implementation process. As far as using the CAB during the guidance process, I'd recommend the Bureau to use the Board more effectively. To provide a specific example, during the Bureau's work on Auto Lending, the Bureau failed to interact with the CAB and understand the complexities and issues of a potential guidance. The Auto Lending guidance was recently overturned by Congress and I understand the reasons why this might have happened. As an industry representative I feel that the Bureau did not do enough to engage with the CAB and other external stakeholders before executing the Auto Lending guidance. Moving forward the Bureau should engage more with interested stakeholders before making final policy decisions.
- The Bureau's website is extremely user friendly and it is a great resource for consumers and industry alike. The guidance tools are extremely helpful and we hope the Bureau does not move away from that. We also expect that the Bureau continues providing consumers access to the consumer complaint database, this tool benefits consumers and also helps markets perform better. We hope that the Bureau does not lose focus on the consumer education initiatives, as this is an essential part of the Bureau's mission and it benefits consumers and markets alike.
- Now that the Bureau is shifting away from enforcement actions, bad actors out there are on the loose and harming consumers. We hope that the Bureau pays close attention to these dangerous market trends that are taking place. These similar trends happened years before the 2008 collapse and we hope we don't go back there again.

- I do not agree with the current use of the consumer complaint database. It is not scientific and it is based on word of mouth. The biggest bank in the country will get the most complaints and the smallest institution will get the least complaints. The data are useful, however I am not sure the Bureau is representing this data effectively. Reports on consumer complaints should list companies by number of complaints and by their product market share to avoid biases against larger firms.
- The consumer complaint database does provide critical data and trends that help us prioritize which issues are impacting consumers in specific markets. This database is incredibly important and we hope the Bureau does not eliminate this great resource.

Adjournment

CAB Subcommittee Chair Lynn Drysdale adjourned the meeting on May 10, 2018 at approximately **2:00 p.m.** Eastern.

Certification

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



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