

# Academic Research Council Meeting

May 19, 2023

## Meeting of the CFPB Advisory Committees

The Consumer Financial Protection Bureau's (CFPB) Academic Research Council (ARC) met In-person at 1 p.m. EST on May 19, 2023.

<b>ARC members present</b>	<b>CFPB staff present</b>
Chair Mathieu Despard	Director Rohit Chopra
Itzhak Ben-David	Jason Brown
Dean Corbae	Shaista Ahmed
Eric Johnson	Dustin Beckett
Ben Keys	László Sándor
	Scott Fulford
	Eric Wilson

May 19, 2023

## Welcome

### **Jason Brown, Assistant Director, Office of Research**

The Consumer Financial Protection Bureau (CFPB) Office of Research, Assistant Director, Jason Brown, convened the Academic Research Council (ARC) meeting and welcomed committee members and the listening public. He provided a brief overview of the meeting's agenda.

## Shrouded Attributes and Junk Fees

### **Dustin Beckett, Interim Section Chief, Office of Research**

### **László Sándor, Economist, Office of Research**

During this first session, the ARC Chair welcomed the members and attendees of the public and said how nice it is to have the opportunity to meet in person. He is pleased the Bureau is taking on the topic and doing additional research of the shrouded attributes and junk fees with respect to the issue of leverage over consumers and even instances where there is a certain degree of entrapment. Following the Chairs remarks, the Office of Research facilitated a conversation on its research work and findings regarding economic analysis of salience and complexity in consumer financial markets. Following the presentation, feedback from a research perspective was requested of the Council members.

ARC members and CFPB staff discussed the following perspectives:

- Disclosure of more info to consumers on payment behaviors and expected values.
- Relationship between attributes and bad estimation of probabilities of paying fees.
- Patterns of who opts in and who does not in overdraft space.
- Importance of relevance of labeling and language used in future experiments.
- Provider incentives to label more fees tied to behavior.
- UK Financial Conduct Authority work reveals balance alerts affect overdraft incidence.
- Description of products, using the right language, in disclosure testing is important.
- Using other industries to learn how product complexity affects market structures.
- Michael Grubb's cell phone study on overage fees based on fee structure.
- TILA-RESPA Integrated Disclosures (TRID) report revealed impacts on consumer

choices.

- How to help consumers read all disclosures when closing on a mortgage.
- Distinguishing fees dependent on behavior and those that are not.
- Ways to enhance learning dynamics and making attributes more salient.
- Bureau should concentrate on distributional consequences of junk fees.
- Timing of when disclosures are read can affect choices.
- Research might inform whether a cooling-off period should be an area of regulation.
- Education about mortgages should be up front and not at closing time.
- Benefit of consumers going to CFPB website to explore mortgage interest rate options.

## Household Financial Stability in a Changing Economy

**Scott Fulford, Economist, Office of Research**

**Eric Wilson, Research Analyst, Office of Research**

During this last session, the ARC Chair noted that this topic of discussion would cover the CFPB's Making Ends Meet Surveys, which will offer helpful granularity around financial shocks and hardship experiences. He said that the module on medical debt will be another area of discussion and will align well with the CFPB's priorities. Following the Chairs remarks, the Office of Research facilitated a conversation on its work and findings around household financial stability in a changing economy. Following the presentation, feedback from a research perspective was requested of the Council members.

ARC members and CFBP staff discussed the following perspectives:

- Financial well-being is a difficult measurement statistic to obtain.
- Credit score and financial well-being tend to go together.
- Data can model hardship risks as function of other objective indicators.
- Ask about preparedness for retirement as a measuring asset.
- Happiness may be important variable for understanding financial burden.
- Combination of big data plus small data survey-style questions.
- Connecting established surveys with Making Ends Meet and CCP as a strategy to gain more data.
- Explore tying labor mobility and economic shocks to financial well-being.
- Bargaining power of more income or switching jobs tied to financial distress.

- Financial well-being scale picking up amount of financial stress.
- Measures of financial stability don't necessarily capture household concerns.
- Advantage of survey is asking consistent questions over time to build up panel dimension.

## Closing

### **Director Rohit Chopra**

Following the last session, Director Chopra provided closing remarks. He shared his thoughts on the issue of prices and fees in the consumer markets, not just financial services but across the board. He said that innovation has taken the place of thinking about pricing strategies in ways that's not necessarily about increasing product quality but really just about margin expansion and that leveling the playing field and creating a normal creative market is where people will be able to get the best quality, and CFPB needs to help create a structure where competition can occur fairly. He said overdraft fees have been a big analytical exercise for the Bureau, and changes in the broad economic environment where credit extensions might decrease in totality, it will create more pressure for non-interest sources of revenue. He said the ARC can help in the development of this.

When Director Chopra was asked about whether fintech could provide competition to get around issues like non-interest income and push it into interest income, he said he would not link it exactly to the role of fintech. But the challenge with presenting information and shipping in the digital environment works differently compared to brick and mortar. The CFPB's Buy Now Pay Later use of personal data showed customized shopping experiences could induce more borrowing. As banking enters the metaverse where there is more generative AI, the CFPB is going to plan and prepare for the future. When asked about website privacy statements and cookies, Director Chopra said the U.S. consumer protection history has a prohibition of deceptive practices, and the case law involves materiality. He said the salience of product features is very important for consumers to understand.

Director Chopra thanked the ARC and CFPB for working together and appreciated the insights provided.

## Adjournment

Assistant Director Jason Brown adjourned the meeting of the CFPB Academic Research Council on May 19, 2023 at approximately 3:15 p.m. EST.

## Certification

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

*Emmanuel Mañón*

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

*Jason Brown*

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

*Mathieu Despard*

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Mathieu Despard, Chair  
Academic Research Council