

September 2017

# Community Bank Advisory Council

September 28, 2017



## Meeting of the Community Bank Advisory Council

The Community Bank Advisory Council (CBAC) of the Consumer Financial Protection Bureau (CFPB) met in person at 9:00 a.m. on September 28, 2017. The meeting was held at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

<b>Board members present</b>	<b>CFPB staff present</b>
Angela Beilke, Chair	CFPB Director, Richard Cordray
Steven Swiontek, Vice Chair	Julian Alcazar
Jonathan Allen	Mary Kate Binecki
Melissa A. Ballard	Olivia Calderon
Menzo D. Case	Matt Cameron
Kathleen J. Cook	Daniel Dodd-Ramirez
Julia R. DeBery	Crystal Dully
Linda Feighery	Gregory Evans
Richard H Harvey Jr	Deirdre Foley
Jack Hopkins	Delicia Hand
Brenda K. Hughes	Paul Kantwill
Dion Kidd Johnson	Naomi Karp
Ricardo "Ricky" D. Leal	Timothy Lambert
Cara Quick	Sheila Lee
Cal Ratcliff	David Low
Trent Sorbe	Emmanuel Manon

Thomas Spitz	Zixta Martinez
Max Yates	Eva Nagypal
	Terry Randall
	David Silberman
	Laura Stack
	Gary Stein
	James Wylie

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## Welcome

**Richard Cordray, Director, Consumer Financial Protection Bureau**  
**Delicia Hand, Assistant Director, Advisory Board and Councils Office**  
**Angela Beilke, Chair, Community Bank Advisory Council**

Chair Beilke welcomed new and returning CBAC members and staff. She introduced the new CBAC vice chair and new subcommittee chairs. Assistant Director Delicia Hand provided a brief overview of the day's agenda. Director Cordray welcomed members and thanked them for their attendance and participation on the Council. He discussed the Bureau's supervision authority and recent enforcement actions. He also highlighted some of the Bureau's work in various areas including: student loan servicing, credit visibility, the final rule on the Know Before You Owe mortgage disclosure, research on overdraft practices, debt collection, and assessments on the Qualified Mortgage (QM), mortgage servicing, and remittance rules. Director Cordray encouraged CBAC members continue to actively participate after the meeting through the conference calls and subcommittee meetings that occur between CBAC meetings. Following this, CBAC members introduced themselves and shared why they were interested in joining the Council.

## Subcommittee Breakout Sessions

### **Trent Sorbe, Chair, Card, Payment, and Deposit Markets Subcommittee**

The Card, Payments, and Deposits Markets subcommittee had a discussion on data security. The subcommittee discussed the role of the merchant, privacy, cost, and compliance in this space. Members asked about the Bureau's approaches to dealing with data security and some noted that responsibility for data security should be shifted to retailers and merchants. CBAC members also discussed the impacts of the recent Equifax data breach. The Equifax breach is unique because people's out of wallet information has been released, making consumers susceptible to identity theft on a grand scale. Additionally members and staff discussed consumers who are considered "credit invisibles" and the use of unregulated banking systems. This led to a discussion about alternative data. Members and staff also discussed member's institutions offering chip-enabled cards. Lastly, members and staff discussed the balance between data security and the ease of online payments.

### **Cara L. Quick, Chair, Consumer Lending Subcommittee**

The Consumer Lending subcommittee met with staff from the Office of Students and the Office for Older Americans. Staff shared the Bureau's recently released data highlighting how student debt impacts older adults nationwide. The state-level data shows a significant growth of student debt among older borrowers (ages 60 and older) between 2012 and 2017 as well as an increase in the median amount owed. Consumer complaints show that older borrowers who are repaying loans for their own education, co-signing loans for someone else's education, or borrowing on their children's behalf may struggle to repay these loans while living on fixed incomes during retirement. Staff also shared other effects of these circumstances on older consumers, such as a delay in retirement.

Members and staff commented on the requirement for co-signers and research on co-signer release for private student loans. Staff said that the Bureau has created sample letters and templates for co-signer release. Members agreed that these tools could be helpful in financial literacy counseling or as part of the process for getting a new loan. Members and staff also discussed limitations on the amount that students can borrow.

### **Ricardo D. Leal, Chair, Mortgages and Small Business Lending Markets Subcommittee**

The Mortgages and Small Business Lending subcommittee discussed several topics with Bureau staff from the Division of Research, Markets and Regulations. Members emphasized specific mortgage regulatory issues which impact their community banks and shared concerns with staff. Members also engaged in a conversation about the Bureau's future work on small business lending data collection and provided Know Before You Owe and Home Mortgage Disclosure Act (HMDA) implementation feedback to staff.

Members identified some areas of priority for the subcommittee to focus on including: the transaction threshold for HMDA reporting on closed-end loans, the consumer's ability to waive waiting periods for appraisals, the ability for small creditors making in-portfolio loans to make balloon loans, and potential impacts of small business data collection on small institutions. Regarding HMDA some members expressed the concern that vendors are not being held

accountable for having reporting systems ready in time for institutions to test them. Bureau staff stated that the Bureau has been conducting outreach to vendors.

Next, staff discussed the Bureau's work in small business lending. In June the Bureau released a whitepaper that provides an overview of the small business lending market and the data limitations and how data collection pursuant to Dodd-Frank Act section 1071 may inform those information gaps. To further help inform policy decisions, the Bureau has been meeting with stakeholders for information gathering. Members stated that they understand that data must be collected but want to reduce the burden on community banks as much as possible.

## Administrative Session: Working Lunch – Governance Review

### **Delicia Hand, Assistant Director, Advisory Board and Councils Office**

During the Governance Review session, the Advisory Board and Councils Office briefed CBAC members on the functions of the CBAC governing documents, specifically, the charter, and the bylaws. Staff provided an overview of the charter and noted that under the Federal Advisory Committee Act (FACA), the Bureau is responsible for outlining the purposes, goals, composition of membership, and other items in the charter, which was done in 2012 and is renewed every two years. The CBAC bylaws are the Council's operational documents. Staff also highlighted some recent updates to the bylaws for members to review, including the addition of term-extensions, and requested feedback and comment on the bylaws.

## Information Exchange: Consumer Protection for Servicemembers, Veterans, and Their Families

### **Paul Kantwill, Assistant Director, Office of Servicemember Affairs**

Bureau staff provided an overview about the work of the Office of Servicemember Affairs to address consumer financial challenges affecting servicemembers, veterans, and their families. The Office's mission is statutory based and threefold: 1. to educate and empower servicemembers and their families to make better informed decisions regarding consumer

financial products and services; 2. to monitor complaints by servicemembers and their families and responses to those complaints by the Bureau; and 3. to coordinate among federal and state agencies regarding consumer protection measures relating to consumer financial products and services offered to, or used by, servicemembers and their families. The Bureau has developed a "Military Lifecycle" model and interactive website to help servicemembers understand what financial problems they may confront at different stages of their military lifecycle and access related resources. CBAC members expressed interest in the tools on this website and asked for additional information.

Additionally staff discussed an initiative targeted at future servicemembers, called "Misadventures in Money Management," which is an interactive financial education program. This tool tackles different financial topics through an interactive video cartoon and is made available to all new enlistees. It is distributed via a unique URL established for each Service when the future servicemembers sign their enlistment contracts. CBAC members and CFPB staff agreed that this is a useful tool, especially for younger audiences.

### **Information Exchange: Home Mortgage Disclosure Act (HMDA)**

**Timothy Lambert, Senior Counsel, Office of Fair Lending and Equal Opportunity**

**Sheila Lee, Regulatory Implementation Specialist, Mortgage Markets**

**Terry Randall, Senior Counsel, Office of Regulations**

**Laura Stack, Senior Counsel, Office of Regulations**

**James Wylie, Senior Counsel, Office of Regulations**

Bureau staff provided a detailed presentation on recent policy updates related to HMDA and led a discussion with members about the implementation process. Staff discussed the recently released FFIEC interagency HMDA resubmission guidelines. These guidelines represented the final product of a Bureau-led process that included issuance of an RFI and meetings with industry, consumer advocates, and regulatory agencies to create uniform guidelines that can be applied to all institutions that report HMDA data.

Staff also noted that the Bureau issued an amended rule in September 2017 to align HMDA with the Equal Credit Opportunity Act (ECOA) and the new Uniform Residential Loan Application. Recently, the Bureau also issued proposed policy guidance concerning the public disclosure of HMDA data and requested public comment on its proposal. CBAC members expressed concern that the HMDA implementation period will be too short for their vendors to prepare and to adequately test their Loan Origination Systems (LOS). Bureau staff stated that the HMDA platform for filing for 2018 should be available for beta testing in late October. The Bureau is conducting outreach to interested vendors. CBAC members discussed the types of training their institutions are using and which tools created by the Bureau have been helpful. Members asked about how HMDA information will be made available to the public and cited privacy concerns. CFPB staff noted that, under the proposed policy guidance, certain information would not be publicly disclosed due to privacy concerns. Members discussed getting data ready for submission and associated burden, changes, and costs.

## Information Exchange: Age-Friendly Banking

**Naomi Karp, Senior Policy Analyst, Office for Older Americans**

**Deirdre Foley, Senior Policy Analyst, Office for Older Americans**

Staff from the Bureau's Office for Older Americans provided CBAC members with an overview of their work to improve financial protection for older Americans. Staff asked to receive feedback from Council members on the Bureau's efforts to promote protective account features and other age-friendly services. The Bureau has conducted community outreach and developed a set of voluntary best practices to prevent and respond to elder financial exploitation. Last month, the Bureau, the Financial Crimes Enforcement Network, and the Department of Treasury released a joint memorandum on elder financial exploitation and the importance of institutions filing suspicious activity reports (SARs) in cases of suspected elder fraud. The Bureau encourages financial institutions to use technology to specifically monitor for elder financial exploitation. Staff noted that with the help of input from the CBAC, the Bureau established a recommendation that financial institutions have a procedure in which consumers can give consent that under specific circumstances the institution can share information with a designated individual without violating privacy regulations. The Bureau also recommends that institutions offer opt-in account features such as view-only access for designated third parties.

CBAC members shared some difficulties they experience in identifying fraud against older consumers. Members and staff also discussed the use of multiple-party accounts and powers of attorney. Members shared different practices their institutions uses to promote healthy financial practices among older consumers. Staff also highlighted two Bureau training materials: *Money Smart for Older Adults: Prevent Elder Financial Exploitation* and *Managing Someone Else's Money* guides. Financial institutions can order these guides in bulk for free.

## CFPB Community Bank Advisory Council public session

Zixta Martinez, Associate Director of the Division of External Affairs, welcomed audience members to the CBAC public meeting and introduced CBAC members and Bureau staff. Director Cordray addressed the CBAC and members of the public. CBAC Chair Angela Beilke provided opening remarks and facilitated the meeting. Gregory Evans, Senior Counsel in the Office of Regulations, Gary Stein, Deputy Assistant Director, of the Office of Card, Payment, and Deposit Markets, David Low, Economist, and Eva Nagypal, Senior Economist, respectively of the Office of Research, presented on the Bureau's work on Know Before You Owe: Overdraft. Daniel Dodd-Ramirez, Assistant Director, and Olivia Calderon, Senior Advisor, both of the Office of Financial Empowerment discussed the Bureau's financial empowerment's initiatives, including the new disabilities companion guide for *Your Money, Your Goals (YMYG)*. A live-stream video of the session is available on consumerfinance.gov.

## Adjournment

CBAC Chair Angela Beilke adjourned the meeting on September 28, 2017, at 5:12 p.m. Eastern.

## Certification

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



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