

September 2018

# Community Bank Advisory Council Meeting

September 27, 2018



## Meeting of the Community Bank Advisory Council

The Bureau's Advisory Board and Councils of the Bureau of Consumer Financial Protection (BCFP). The Community Bank Advisory Council (CBAC) of met in person at 9:30 a.m., Eastern on September 27, 2018. After the morning sessions, the CBAC, Credit Union Advisory Council (CUAC), and Consumer Advisory Board (CAB) convened for a combined roundtable meeting.

| Council members present | BCFP staff present                   |
|-------------------------|--------------------------------------|
| Chair, Maureen Busch    | Acting Director Mulvaney             |
| John Erik Beguin        | Acting Deputy Director Brian Johnson |
| Bryan Bruns             | Julian Alcazar                       |
| Michael H. Head         | Kenneth Brevoort                     |
| Aubery L. Hulings       | Mary Kate Binecki                    |
| Heidi Sexton            | Edward Blatnik                       |
| Jeanni Stahl            | Owen Bonheimer                       |
|                         | Matt Cameron                         |
|                         | Stacy Canan                          |
|                         | Albert Chang                         |
|                         | Bobby Conner                         |
|                         | Daniel Dodd-Ramirez                  |
|                         | Crystal Dully                        |
|                         | Naomi Karp                           |
|                         | Heidi Johnson                        |
|                         | Manny Mañón                          |
|                         | Zixta Martinez                       |

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|--|-----------------|
|  | John McNamara   |
|  | Gary Stein      |
|  | Anthony Welcher |

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## Welcome

**Manny Mañón , Acting Senior Advisor, Office Advisory Board and Councils  
Maureen Busch, Chair, Community Bank Advisory Council**

Acting Senior Advisor Manny Mañón convened the CBAC meeting and welcomed CBAC members and the listening public. He provided a brief overview of the meeting's agenda and introduced the CBAC Chair, Maureen Busch. Chair Busch thanked the Bureau for hosting the members. She also thanked CBAC members for agreeing to serve. Next, she outlined the Bureau's focus for the year and the role the council would play: advising the Bureau on regulating consumer financial products or services, and sharing the unique perspectives of community banks. She reminded members to share information, analysis, and recommendations to better inform the Bureau's policy development, rulemaking, and engagement work. Then, committee members and staff introduced themselves.

## Community Banks and Fintech: Partnerships as well as Potential Benefits and Risks

**John McNamara, Assistant Director, Office of Consumer Lending, Reporting and Collections Markets**

**Albert Chang, Counsel, Office of Innovation**

Staff from the Office of Innovation and the Office Consumer Lending, Reporting and Collection Markets met with Committee members for a listening session on partnerships between community banks and financial technology (fintech) companies. Staff requested input on how community banks partner with fintech companies and how those partnerships affect consumer banking experiences. Staff and members discussed benefits and risks that community banks face.

Members discussed community banks and partnerships with fintech companies. They stated that many community banks do not directly partner with fintech companies; instead, they tend to utilize providers associated and compatible with their core processor. They noted that the core processors limit fintech adoption. On the other hand, some members shared examples of innovative technology with which they have experimented. Members noted that to be relevant in their markets, the community banks have to be able to offer app-based products. Members flagged that one of the problems with fintech is trying to define just what it is. Furthermore, members raised operational issues, regulatory burden, and costs as obstacles with fintech. Members also expressed concern about fintech companies not passing due diligence processes and the risks this poses to banks. Members suggested that fintech companies need

more education on banks' obligations because they do not have much experience in a regulated environment. Members also noted that federal examinations should extend to fintech partners. Members discussed consumer understanding related to the risks associated with using peer-to-peer systems. They also spoke about the effects of the fintech industry on savings accounts. Some members suggested that finding ways for banks to innovate and offer their products to other banks will be an interesting pursuit.

Members identified some issues the Bureau should consider when coordinating with the prudential regulators to encourage consumer-friendly innovation. Members stated that regulators should be more involved with fintech companies. They expressed the desire for a level playing field for community bank and fintech innovation rather than a long process for banks and a quick process for fintechs. Some members noted that community banks have a competitive advantage due to understanding the rules and regulations of the banking system and can therefore carry out responsible financial innovation. One member offered an example of how inside-the-bank innovation is slowed by the process banks must follow to ensure compliance. Members asked that regulators give banks room to innovate without being punished. Members discussed potential agencies that would be in the best position to provide supervisory oversight of fintechs. Members also discussed the idea of a sandbox for fintechs.

## Innovation and Disclosures

**Edward Blatnik, Senior Counsel, Office of Innovation**

**Owen Bonheimer, Senior Counsel, Office of Regulations**

**Heidi Johnson, Research Program Lead, Office of Research**

Staff from the Office of Innovation, Office of Research, and Office of Regulations provided background on the Bureau's interest in innovation and disclosures and what the Bureau hoped to learn from the Committee members. Staff noted that the Bureau has identified disclosures as a priority area for research. The Bureau is focused on learning what works well for consumers, what helps promote understanding through disclosures, and also what has impacts on institutions. Additionally, the Bureau is examining electronic disclosure, including barriers to electronic delivery and how to leverage more online capabilities. Staff provided an update on the trial disclosure policy and explained that proposed revisions aim to: reduce application burden, increase guidance for the testing timeframe, specify procedures for extensions, and provide coordination with programs offered by other regulators to facilitate innovation. Staff requested member feedback on capabilities they are interested in leveraging, how the Bureau could help facilitate innovation, and any obstacles. Staff also requested feedback on both electronic and non-electronic disclosures.

Committee members discussed the timing and the process of providing disclosures. One member questioned the depth of research in the disclosure process, noting that the timing and sequencing of disclosures are burdensome for banks and customers. Members suggested that the Bureau spend a day at a bank to get a feel for the process. Members also said that many customers do not read disclosures. Members said that certain regulations, though well intended, create a quagmire of regulation with unintended consequences, including harm to the consumer. Members recommend strong and simple regulation. Members discussed paper disclosures versus e-disclosures. There was consensus that consumers have a responsibility to maintain current postal and email addresses.

Some members suggested that the Bureau form a working group for this issue. Members encouraged the creation of one-page, consumer-friendly disclosures containing critical elements, with a separate document containing the statutorily required information for consumers to read if they chose. Members also discussed what role appraisals play in the mortgage disclosure process.

Members discussed the TILA-RESPA Integrated Disclosure (TRID) rule and its effects on small banks and consumers, emphasizing concerns over the redisclosure process in particular. Some members said that disclosures have been part of driving community banks out of the mortgage markets due to the complexity. Several members expressed the need for flexibility with disclosures and offered suggestions to make the process more beneficial for financial institutions and consumers, including the need to recognize that electronic disclosures are delivered more quickly than paper disclosures. Additionally, members discussed e-signing and e-closing.

Members suggested that the Bureau conduct primary research with groups of consumers to determine what is important to consumers, what the consumer sees when given disclosures, and opinions on different disclosure forms. Members pointed to concerns about the opt-in process for paperless disclosures. For example, members mentioned the process can be particularly difficult or burdensome to implement for in-branch account openings, and also for products offered through third parties, such as insurance agents and tax preparers. Some members stated that the law should set a default for paperless delivery, given the level of technological adoption in the marketplace. With respect to the trial disclosure program, members noted that it can be costly to retrain staff to use a trial disclosure, and that some disclosures are provided by vendors, raising a question of whether the vendor would also participate in the trial

## Combined Advisory Committee Roundtable

In the afternoon CAB, CBAC, and CUAC members met with Bureau leadership for a combined roundtable discussion on credit invisibles and alternative data and a discussion on utilizing technology to prevent and respond to elder financial abuse. Zixta Martinez, Associate Director of the Division of External Affairs, welcomed audience members to the public meeting and introduced advisory committee members. Anthony Welcher, Policy Associate Director, provided welcoming remarks and introduced Acting Deputy Director Brian Johnson. Acting Deputy Director Johnson provided welcoming remarks on behalf of Acting Director Mulvaney and welcomed the committee chairs, committee members, and members of the public.

Following Acting Deputy Director Johnson's remarks, Kenneth Brevoort, Section Chief, Credit Information & Policy, Office of Research, Albert Chang, Counsel, Office of Innovation, Bobby Conner, Senior Policy Counsel, Office of Fair Lending, and Daniel Dodd-Ramirez, Assistant Director, Office of Community Affairs provided an overview of the Bureau's work to improve credit visibility, including the Bureau's day-long symposium, *Building a Bridge to Credit Visibility*, organized by the Office of Fair Lending and held in September 2018. After the credit invisibles session, Acting Director Mulvaney provided remarks and thanked members for their service. Following Actor Director Mulvaney's remarks, Stacy Canan, Assistant Director for the Office for Older Americans, and Naomi Karp, Senior Policy Analyst for the Office for Older Americans, led a discussion on how innovation and technology can help identify and address elder financial abuse. The video of the roundtable is available on consumerfinance.gov.

## Adjournment

Consumer Advisory Board Chair Johnson adjourned the meeting of the BCFP advisory committees on September 27, 2018 at 4:30 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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Matt Cameron  
Acting Staff Director, Advisory Board and Councils Office  
Bureau of Consumer Financial Protection



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Maureen K. Busch  
Chair, Community Bank Advisory Council