

October 2016

Consumer Advisory Board

October 26-27, 2016



Meeting of the Consumer Advisory Board

The Consumer Advisory Board (CAB) of the Consumer Financial Protection Bureau (CFPB) met in person at 9:00 a.m., Eastern on October 26, 2016. The meeting was held at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

Board members present	CFPB staff present
Chair, Maeve Brown	CFPB Director, Richard Cordray
Vice Chair, Ann Baddour	Julian Alcazar
Seema M. Agnani	Matt Cameron
Sylvia A. Alvarez	Kristen Donoghue
Tim Chen	Crystal Dully
Lynn Drysdale	Patrice Ficklin
Kathleen C. Engel	Seth Frotman
Judith L. Fox	Matthew Garber
Paulina Gonzalez	Melissa Guidorizzi
Julie Gugin	Delicia Hand
Neil F. Hall	Grady Hedgespeth
William Howle	Gene Koo
Brian D. Hughes	Erica Kritt
Christopher G. Kukla	Manny Mañón
Max R. Levchin	Zixta Martinez

Brian Longe	John McNamara
Ruhi Maker	Kristen McPartland
Joann Needleman	Karen Meyers
J. Patrick O'Shaughnessy	Greg Nodler
Paheadra B. Robinson	Jim Savage
Arjan Schutte	David Silverman
Lisa Servon	Susan Stocks
Gene Spencer	Megan Thibos
James Van Dyke	
Raul Vazquez	
James M. Wehmann	
Chi Chi Wu	
Joshua Zinner	

October 26, 2016

Welcome

Director Richard Cordray, Consumer Financial Protection Bureau

Delicia Hand, Staff Director, Advisory Board and Councils Office

Zixta Martinez, Associate Director, Division of External Affairs

Maeve Brown, Chair, Consumer Advisory Board

Chair Brown called the meeting of the Consumer Advisory Board (CAB) to order on October 26 at 9:00 am and welcomed CAB members. She introduced new members and thanked them for their participation in the new member orientation the day prior. She also thanked staff members for their work in preparing for the meeting and introduced Director Cordray.

Director Cordray welcomed new and returning CAB members. Following his opening remarks, Director Cordray administered an oath of office to the members. Following the oath of office, Delicia Hand, staff director of the Advisory Board and Councils Office, welcomed CAB members and thanked them for their time. She reviewed the agenda for the meeting and provided an overview of the work the CAB has accomplished to date.

Information Exchange – Overview of recent Enforcement Actions: Hudson City & Bancorp South

Patrice Ficklin, Assistant Director, Office of Fair Lending and Equal Opportunity

Patrice Ficklin, assistant director of Office of Fair Lending and Equal Opportunity, provided an overview on redlining and discussed two recent redlining cases: BancorpSouth Bank and Hudson City Bank, both filed jointly with the Department of Justice (DOJ). She provided a description of redlining, which occurs when lenders discourage borrowers living in a certain area or neighborhood from applying for credit on the basis of race, color, or for some other prohibited reason. In the 2016 complaint against BancorpSouth Bank, the Bureau and DOJ allege that the Bank illegally denied fair access to credit to residents in minority neighborhoods in the Memphis metropolitan statistical area (MSA). Furthermore, in 2015 the Bureau and DOJ alleged that Hudson City Savings Bank illegally provided unequal access to credit to majority Black and Hispanic neighborhoods in New York, New Jersey, Connecticut, and Pennsylvania. Both cases were resolved through public consent orders.

CAB members commended the Bureau for its work against redlining. Members inquired about how the Bureau calculates the monetary remediation and civil money penalties for enforcement actions and expressed concern that some lenders may view these expenses as trivial when compared to their revenue. They also asked if there is an impact on bank activities. Members noted that mortgage defaults and foreclosures tend to disproportionately affect communities of color, but it can be hard to find the data to demonstrate discrimination. They asked if the Bureau is doing work to investigate this data. Members also asked how this kind of fair lending analysis can be accomplished in areas with no MSA or with a limited market penetration of financial products. They noted that it might be difficult to obtain credit in these types of areas and asked if the Bureau can do any work in this space.

Information exchange – On the Ground Perspectives

Maeve Brown, Chair, Consumer Advisory Board

CAB members shared current issues, information, data, and new trends that they are observing for the Bureau's consideration. Several members noted that there is a significant

homeownership gap for low- and moderate-income (LMI) consumers. They encouraged the Bureau to consider ways to increase access for these burrowers. Members also raised concerns about limited English-speaking (LEP) consumers regarding successor in interest issues specifically that non-English speaking widows seem to be targeted. They added that LEP communities face issues accessing credits reports and encouraged the Bureau to recommend that the credit bureaus to make reports available in other languages.

Several members discussed alternative data and encouraged the Bureau to pay close attention to this space. Some members stated that certain data can be beneficial to consumers' credit information; however, they noted, that other data can do more harm than good. They added that consumers need to know how their information is being used. Other members said that there are opportunities for broader inclusion of consumers, especially consumers with little to no credit history. These members commented that research demonstrates that alternative data can provide indicators of credit worthiness.

Members discussed distinctions between debt settlement and debt management. Some members said that debt management programs are friendlier to consumers over time. During a discussion about loan servicing, members recommended that the Bureau examine default rates on modifications by servicers. They commented that this data is difficult to obtain, particularly in the student loan context. Furthermore, members suggested that the Bureau explore the extent to which medical debt is a catalyst to payday usage. Some members highlighted that advocates are beginning to see legislative reactions to the Bureau's small dollar rule, with some legislatures making changes to their laws for installment and small dollar lending.

Information Exchange – Working Lunch: Introduction to Office of Small Business Lending

Grady Hedgespeth, Assistant Director, Office of Small Business Lending

Grady Hedgespeth, assistant director, provided an introduction to the Bureau's Office of Small Business Lending. He explained that the Bureau is now responsible to create a small business

database, similar to the Home Mortgages Disclosure Act (HMDA) due to the implementation of Section 1071 of the Dodd Frank Act.

CAB members provided feedback and information about small business lending. Several members expressed excitement about this new Office and noted that some Small business consumers are currently not protected by the Fair Debt Collections Practices Act, leaving them in a vulnerable position. Members noted that there has been a decrease in small business lending in some financial institutions. Members hope that the database will allow the Bureau to analyze this trend. Additionally, members noted that many consumers start their business with personal credit cards. Therefore, they stated, it will be beneficial if the data tracks personal debt. Members suggested that the Bureau also track loan denials. Members inquired if the Bureau will work with the Small Business Administration during the SBREFA process.

Furthermore, members flagged that small businesses are still having a hard time surviving due to large business penetration in their neighborhoods. They also noted that many small business start-ups are not well educated in small business finance, and end up with the "wrong" small business loan. A staff member encouraged CAB members to continue to provide market intelligence to the Bureau in the Small Business Lending space moving forward.

Information Exchange – CAB perspectives on Enforcement priorities

Kristen Donoghue, Deputy Enforcement Director for Enforcement Policy and Strategy, Enforcement

Karen Meyers, Assistant Deputy Director for Enforcement Policy and Strategy, Enforcement

Greg Nodler, Senior Counsel for Enforcement Policy and Strategy, Enforcement

Susan Stocks, Senior Counsel for Enforcement Policy and Strategy, Enforcement

Melissa Guidorizzi, Senior Counsel for Enforcement Policy and Strategy, Enforcement

Jim Savage, Senior Counsel for Enforcement Policy and Strategy, Enforcement

Subject matter experts from the Bureau's Office of Enforcement facilitated a discussion with the CAB to obtain input on relevant trends and themes observed by members. Staff members

reviewed the scope of the Bureau's enforcement work. As an enforcer of consumer financial protection laws, the Bureau encounters instances where consumer harms occur and, through enforcement, aims to provide remediation directly to consumers and work with companies to improve practices. Staff members asked CAB members for input about consumer issues they are observing that might require the federal government to act.

Members praised the Bureau's work on enforcement actions. Members noted that for-profit schools are misrepresenting their loans and the quality of the education that the consumer will receive. Members also raised concerns about loan modifications on home mortgages and stated that many consumers have homes going through the loan modification process only to have the servicer of the loan sell the loan to another servicer. Members encouraged the Bureau to look closely at the subprime auto lending market. Members asked how often the Bureau communicates with local governments to identify problems and noted that many municipalities have consumer protection staff.

Information Exchange – Engaging and Supporting Homebuyers

Gene Koo, Assistant Director, Office of Consumer Engagement

Megan Thibos, Strategic Program Manager, Office of Consumer Engagement

Erica Kritt, New Media Specialist, Office of Consumer Engagement

Matthew Garber, Marketing Specialist, Office of Consumer Engagement

Subject matter experts from the Office of Consumer Engagement provided CAB members with an overview of the Bureau's work in engaging homebuyers with online tools during the home buying process. The Bureau's work in this space has been focused on encouraging consumers to shop around for mortgages. The "Owning a Home" online tools and resources have helped to encourage and support consumers shopping for mortgages. In Spring 2017, the Bureau will launch a comprehensive messaging campaign to encourage shopping for a mortgage and drive traffic to "Owning a Home" and related online resources. Staff members asked CAB members for input in engaging with organizations to participate in this campaign.

CAB members commended the Bureau on the online and social media tools. Members encouraged the Bureau to share these tools with city and state governments as they can help disseminate the resources to their constituents. Members also stated that housing counselors

provide much guidance to first time homebuyers during various stages of the home buying process. Additionally, members recommended that the Bureau consider educating consumers on post-closing advertisements, some of which they reported are deceptive. Some members also suggested that the Bureau work on a phone application to increase public awareness. Furthermore, members encouraged the Bureau to offer a mortgage calculator on the website allowing consumers to calculate potential mortgage payments.

Committee Breakout Sessions

Brian Hughes, Chair, Card, Payment and Deposit Markets Committee

Card, Payment and Deposit Markets Committee members received an overview of the Bureau's Card, Payments, and Deposits Markets team. A staff member described the functions of the team and its role with the Division of Research, Markets, and Regulations. Within the Bureau, the Office of Card, Payments, and Deposits Markets supports rulemaking by providing insight as to how markets operate. Some staff members on this team represent the Bureau on the Federal Reserve's Faster Payments Steering Committee.

Following the staff member's overview, committee members highlighted different areas of interest to discuss further in future meetings. Members encouraged the Bureau to look into faster and safer payments systems to help consumers manage their funds. Members added that this may also mitigate data breaches and fraudulent unauthorized transactions that exist with other current payment options. Furthermore, members highlighted the use of third party services when applying for loans. They noted that the lender's ability to use online underwriting tools that collect information from consumers' accounts can be a potential for misuse or fraud.

Committee members spent the remainder of the session discussing potential topics to focus on in the 2017. The committee narrowed the list of topics to overdraft, data aggregators, and financial technology and regulation.

Chris Kukla, Chair, Consumer Lending Committee

The Consumer Lending committee received an overview on the work of the Bureau's Consumer Reporting Program Manager, where he discussed his market monitoring role and shared some of the history of the Bureau's work relating to consumer reporting and alternative data. Following his remarks, committee members provided their initial thoughts on the topic.

Members noted that some institutions use credit scores as a perquisite for employment and insurance which create problems and barriers. Members suggested that the Bureau raise public awareness about the consumer reporting process and consider ways to help improve credit reporting accuracy.

After the discussion, committee members spent time planning for additional discussion topics for future committee engagements in 2017. Members identified the following as potential topics to focus on in the upcoming year: marketplace lending, small dollar lending, consumer reporting/alternative date, debt collection, student loan lending, and auto lending.

Paheadra Robinson, Chair, Mortgages Committee

The Mortgages committee met with staff members from the Bureau's Office of Mortgage Markets. Members and staff engaged in a conversation about the state of housing counseling agencies and the reduction of funding options for these providers. Staff members also discussed the Integrated Mortgage Disclosures under the Real Estate Settlement Procedures Act and the Truth In Lending Act (TILA-RESPA) as it relates to housing counseling. Committee members described specific scenarios in their states; for instance, a member noted that financial capability training would be beneficial to first time home buyers. Another member described the current housing market in New York. Additionally, a member described how legal aid attorneys in Florida help struggling homeowners. A member also highlighted homeownership trends in Minnesota. Members encouraged the Bureau to focus on reverse mortgages and advocacy for seniors. Members also discussed language access and mortgage servicing issues. Several members discussed the state of the housing counseling industry. They asked that Bureau help housing counselors develop more sustainable resources. They also shared the uncertainties around the rules and regulations of RESPA, as it relates to the fee for service space. Lastly, the committee spent time planning the discussion topics for the upcoming year.

Adjournment

CAB Chair Brown adjourned the first day of the meeting on October 26, 2016 at 5:30 p.m.

October 27, 2016

CFPB Consumer Advisory Board Meeting Public Session

Zixta Martinez, associate director of External Affairs, welcomed audience members to the CAB public meeting and introduced CAB members and CFPB staff. Director Cordray welcomed the chair, vice chair, CAB members, and members of the public. Following Director Cordray's remarks, Seth Frotman, assistant director of the Office of Students, led a discussion about student loan servicing issues.

Following the student loan servicing discussion, the CAB adjourned for a closed working lunch. During the working lunch discussion, CAB member Max Levchin, provided a briefing on machine learning.

Chair Brown reconvened the meeting at 1:30 p.m. Kristin McPartland, senior counsel of Regulations, and John McNamara, assistant director of Consumer Lending, Reporting and Collections Markets, provided an overview of the CFPB's recent proposals pertaining to third party debt collection. Following the debt collection discussion, CAB members Judith Fox and Joann Needleman gave presentation on trends and themes in debt collection. The video of the public session is available on consumerfinance.gov.

Adjournment

Chair Brown adjourned the thirteenth meeting of the CFPB Consumer Advisory Board on October 27, 2016 at 4:00 p.m.

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



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