

# Credit Union Advisory Council

June 5 - 6, 2019



## Meeting of the Credit Union Advisory Council

The Consumer Financial Protection Bureau's (CFPB) Credit Union Advisory Council (CUAC) met in person at 12:30 p.m., Eastern on June 5, 2019. On June 6 the CUAC, Community Bank Advisory Council (CBAC), and Consumer Advisory Board (CAB) convened for a combined roundtable meeting.

CUAC members present	CFPB staff present
Chair, Eric “Rick” Schmidt	Director Kathleen L. Kraninger
Christopher Court	Deputy Director Brian Johnson
Teresa Campbell	Matt Cameron
James Hunsanger	Crystal Dully
Bryan Price	Andrew Duke
	Kim George
	Michael Herndon
	Gail Hillebrand
	Jonah Kaplan
	Manny Mañón
	Zixta Martinez
	Mark McArdle
	John McNamara
	Kristin McPartland
	Thomas Oscherwitz
	Karuna Patel

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Jane Raso

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Janneke Ratcliffe

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Judith Ricks

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Jessica Russell

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Irene Skrickett

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Gary Stein

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Michael Thompson

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June 5, 2019

## Welcome

**Crystal Dully, Outreach and Engagement Associate, Office of Advisory Board and Councils**

**Eric “Rick” Schmidt, Chair, Credit Union Advisory Council**

Outreach and Engagement Associate Crystal Dully convened the CUAC meeting and welcomed CUAC members and members of the public. She provided a brief overview of the meeting's agenda and introduced the CUAC Chair, Rick Schmidt. CUAC Chair Schmidt welcomed attendees and explained the CUAC's mission, summarized recent CUAC activities, and outlined the direction of future CUAC efforts. Following Chair Schmidt's remarks, CUAC members introduced themselves.

## Information Exchange: Faster Payments

**Gary Stein, Deputy Assistant Director, Card, Payment and Deposit Markets Office**

**Michael Thompson, Financial Analyst, Cards, Payments, and Deposits Markets Office**

Staff in the Office of Card, Payment, and Deposit Markets provided an overview of faster payments and Bureau activities. Staff provided background information on the Bureau's work on faster payments. In 2015, the CFPB outlined principles for protecting consumers and to ensure consumer interests remain top of mind as the private sector develops new faster payment systems. In addition, Bureau staff have held leadership roles on two Federal Reserve-sponsored groups that have aimed to bring about safe, ubiquitous, faster payments capabilities in the United States. In September 2018, the Bureau published a blogpost outlining tips for consumers using mobile payment services. The Bureau continues to work with other regulators, entities that are developing the new systems, and other stakeholders to ensure that new payment systems address consumer needs and interests.

Staff provided a number of observations regarding the evolving payments market, including that:

- Legacy payment systems, such as check and ACH, are getting faster.

- The concept of speed in payments pertains both to the how quickly funds are transmitted from payer to receiver as well as to the flow of payment information between the two parties.
- Payment system providers may face challenges in balancing the desire to make payments faster with the need to ensure some friction and transparency in the payment process to ensure consumer control.
- The Federal Reserve's Faster Payments Task Force established the goals for new payment solutions to transmit in real-time or near real-time, for payment system services to be available 24/7, and for access to be ubiquitous.
- In addition, emerging payment solutions also offer some promise of increased security and more robust, attached messaging.
- The paradigm may be shifting for consumers regarding decisions on where to keep their funds. That is, consumers may increasingly choose their account provider based upon payment services offered, and this could lead to a decline in consumers opting for traditional bank and credit union accounts.

Staff also highlighted potential risks and benefits of the increase usages of faster payments. Staff asked members to share observed trends and challenges as well as next steps for the Bureau to consider.

Members discussed trends they have observed with faster payments. Some members noted that when consumers wish to have faster transactions they may sustain insufficient funds/overdraft fees if they do not track the movement of their funds. Members also stated that cybersecurity is going to be a critical issue and that it may be more difficult to detect fraud.

Members inquired about who would be responsible if an account was emptied fraudulently in fast time. Members also inquired about an opportunity of having a fraud prevention tool layered into the process. Some members noted that young consumers don't reconcile check books and may not check their account balances often. As such, consumer education will be a key component to encouraging a stable financial approach. Additionally, members and staff discussed potential methods to prevent overdrafts given the increased use of faster payments.

## Information Exchange: Remittances – Request for Information (RFI)

**Jane Raso, Senior Counsel in the Office of Regulations**

**Karuna Patel, Managing Counsel in the Office of Regulations**

Staff from the Office of Regulations provided an overview on the Bureau's Request for Information on the remittance rule, issued on April 25, 2019. Public comments for the RFI are due by June 28, 2019. Staff also provided background information on the Bureau's work with remittances. The Bureau's remittance rule became effective on October 28, 2013, and the rule was implemented with amendments to the Electronic Fund Transfers Act. The remittance rule imposes requirements on companies that send international money transfers, or remittance transfers, on behalf of consumers. The rule mandates that providers generally must disclose the exact exchange rate, the amount of certain fees, and the amount expected to be delivered to the recipient. The rule also asserts the right of consumers to cancel a remittance typically within 30 minutes of payment, and error resolution rights. In 2018 the Bureau assessed the rule and published a report on the impact on consumers and industry participants.

Staff discussed what the Bureau hopes to learn from the current RFI on remittances. The Bureau is seeking information about the number of remittance transfers a provider must make to provide them in the normal course of business, and information on incorporating a small financial institution exception into the rule. The Bureau is asking for information about the expiration of a temporary exception in the rule that allows certain insured institutions to estimate the exchange rate and certain fees they are required to disclose when sending remittance transfers.

Members shared their institution's current processes for handling international wire transfers and discussed the impact of the rule on their operations. Members also discussed challenges with the requirement to disclose the time when funds will be available upfront and providing the exact exchange rate. Members asked for more information on disclosure requirements when the temporary exception expires. Some members noted that their institutions might be forced to stop offering remittances if the threshold is lowered below 100. Other members stated that the threshold of 100 is low and encouraged the Bureau raise the threshold. Several members also highlighted the 30 minute wait requirement as an operational challenge, and stated that time

zone differences across the world make things difficult. Additionally, some members shared costs and human resource constraints related to complying with the rule. Members explained that credit unions do not make money on remittances but believe it is important to provide as a service for members.

## Information Exchange: Continued discussion on the Bureau's Start Small, Save Up Initiative

**Kathleen L. Kraninger, Director**

**Janneke Ratcliffe, Assistant Director, Office of Financial Education**

**Liane Fiano, Outreach and Engagement Specialist, Office of Consumer Engagement**

Director Kathleen L. Kraninger provided welcoming remarks and then staff from the Office of Financial Education and the Office of Consumer Engagement led a discussion on the Bureau's Start Small, Save Up initiative. This conversation was a continuation of the discussion held in March 2019 with advisory committee members. Motivation for this initiative stemmed from the results of research on financial well-being. Recent Bureau research found that even small amounts of liquid savings correspond with big differences in financial well-being. However, 40 percent of Americans would sell something or borrow money to cover even a \$400 emergency expense.

The *Start Small, Save Up* program is planned to be a four to five year initiative. Through this initiative, the Bureau offers tips, tools and information to help consumers build a basic savings cushion and saving habit, as a foundation for securing their financial futures. The Bureau developed a four part definition of financial well-being which includes: a sense of financial security now, financial freedom of choice now, having a sense of control of one's future, and being on track to meet one's long-term financial goals. Staff discussed the three themes in the saving initiative which are: start small - make initial steps; instill a savings habit; and plan for the unexpected. Staff also discussed behaviors related to having better financial well-being, which include day-to-day basic money management activities; planning activities around

money; and having a habit of savings. Staff noted that the Bureau recognizes that credit unions work to help consumers to build a foundation of basic savings.

Members provided positive feedback about the initiative. Members inquired about efforts to support a national campaign for the initiative to start the conversation among consumers. Members encouraged partnerships with organizations and institutions who are encouraging financially healthy initiatives to build on existing initiatives. Additionally, members shared examples of successful savings programs; for instance, a one-year add-on certificate, which can be opened with a low deposit to help build balances and competitive rates. Related, members mentioned “gamification” of some programs that make them fun to interact with, encouraging more participation. Furthermore, members shared examples of their institution’s savings programs. Some examples include: helping local schools conduct financial literacy classes in financial literacy; offering free seminars for the community; producing yearly reality fairs with community partners to simulate real-life financial situations; and linking medical health check-ups with financial health check-ups.

Members noted that conversations around money issues tend to happen when financial difficulties arise. They mentioned the need to promote financial education and planning ahead. Some members stated that public schools should be required to provide financial education to better prepare youth for managing their finances. Members also suggested the co-branding of CFPB materials and other methods to better spread the initiative. The credit unions need to know that these materials are available in order to make use of them. Another said that perhaps the bureau can partner with state and local governments in efforts to educate their communities.

June 6, 2019

### Combined Advisory Committee Roundtable

On June 6, CAB, CBAC, and CUAC members met with Bureau leadership and subject matter experts for a combined roundtable discussion on the Bureau’s Debt Collection Notice of proposed rulemaking (NPRM), an update on the Bureau’s work to educate and engage consumers, and trends in the mortgage market. Zixta Martinez (Associate Director of the Division of External Affairs) welcomed audience members to the public meeting and introduced

advisory committee members. Andrew Duke (Policy Associate Director of the Division of External Affairs) welcomed attendees and introduced Director Kraninger. Director Kraninger provided opening remarks and welcomed the committee chairs, committee members, and members of the public.

Following Director Kraninger's remarks, John McNamara (Assistant Director, Office of Consumer Lending, Reporting and Collections Markets) and Kristin McPartland (Counsel, Office of Regulations) discussed the Bureau's NPRM on debt collection. Next, Gail Hillebrand (Associate Director, Division of Consumer Education & Engagement), Janneke Ratcliffe (Assistant Director, Office of Financial Education), Irene Skricketti (Senior Financial Education Program Analyst, Office of Financial Education), Michael Herndon (Deputy Assistant Director), and Judith Ricks (Economist, Office of Research) provided an update on the Bureau's work to educate and engage consumers. After the education and engagement conversation, CAB Chair Dr. Ronald Johnson adjourned the meeting for a break.

During the break, advisory committee members met for a preparatory work, working lunch (a summary of the working lunch can be found below). Following the working lunch, CAB Chair Johnson reconvened the public meeting. Mark McArdle (Assistant Director, Office of Mortgage Markets) and Jessica Russell (Mortgage Data Assets Program Manager, Office of Mortgage Markets) led a discussion on Trends in the mortgage market. The video of the roundtable is available on consumerfinance.gov.

## Preparatory Work: Working Lunch – Update on OMWI Outreach

### **Lora McCray, Director, Office of Minority and Women Inclusion, Office of Equal Opportunity and Fairness**

The working lunch began with an update from the Office of Women and Minority Inclusion on the Bureau's outreach and engagement with regulated entities. Staff explained how the Bureau has worked with regulated entities and received helpful information related to diversity and inclusion opportunities and challenges. This process derives from the mandate in Section 342 of Dodd Frank that the Bureau assess the diversity policies and programs of entities we regulate. To start, Bureau held roundtables and outreach meetings with the mortgage industry to get the pulse on issues and barriers the entities have observed and experienced. The Bureau plans to

expand the work with the mortgage industry and expand into other industries. Pursuant to the Joint Standards developed by the federal financial regulators in 2015, the Bureau will begin engaging entities in a voluntary self-assessment process this fall to determine how diversity and inclusion are doing within various industries. This data will be collected through an online portal, which will allow for thorough analysis and assessment. Staff emphasized that since this is a voluntary process, the Bureau wanted the entities to be comfortable and to understand how the data will be used; it will be aggregated and examined to identify gaps or shareable best practices. The trends and patterns the Bureau finds will be published in the Bureau's Annual Report to Congress, and the Bureau will use this information to look for programs, tools, and resources to provide to entities to aid in their progress on diversity and inclusion. The Bureau is currently working on a fact sheet, FAQs and other tools to help inform and educate entities about the process. The Bureau is partnering with mortgage industry trade groups to socialize this process with entities in an effort to encourage greater participation.

Members acknowledged the importance of this work and thanked staff for the undertaking. Members also thanked the Bureau for working with prudential regulators to develop best practices on building out these programs. Members also encouraged the Bureau to continue to work with state regulators on this as well. Members discussed the reporting of the voluntary information and stated that there will be questions about the data use. Members also inquired if the Bureau would like to see more publicity around this from an institution.

## Preparatory Work: Working Lunch – Trends and Themes by CAB, CBAC, and CUAC Members

**Liz Coyle, Consumer Advisory Board (CAB)**

**Luz Urrutia, Consumer Advisory Board (CAB)**

**Bryan Bruns, Community Bank Advisory Council (CBAC)**

**Bryan Price, Credit Union Advisory Council (CUAC)**

CAB members presented on small business data reporting in relation to Section 1071 of the Dodd-Frank Act. A member stated that the collection of data under Section 1071 would facilitate the enforcement of fair lending laws. The member reported out on disparities in credit approval by race and gender. The member noted that data collected under Section 1071 may provide a path to understanding what measures should be put in place to change outcomes. Another CAB

member discussed findings from the Federal Reserve Board's Small Business Survey and cited access to credit as a top reason for financial challenges. She noted that small business loans help self-employed individuals and communities. The member explained that data collected under Section 1071 would also benefit institutions in understanding the small business market.

Following the presentation, members discussed data collection. Some noted that the data collection called for in Section 1071 could come with unintended consequences that might harm consumers. Members asked for more transparency on data analysis, a standard approach for analyzing the data, which might lead to more acceptance of the data collection. Members also discussed small-business lending. Some pointed out that small-business loans are not homogenous and there are differences that need to be accounted for that the debt may not reflect over time.

Next, a CBAC member presented on consumers' rights to access information in relation to Section 1033 of the Dodd-Frank Act. The member said that there are many questions raised and discussed balancing consumer protection and customer convenience. He summarized Section 1033 and focused on Section D and Section E. He noted that having one standard for writing APIs would open up competition in the industry and allow institutions to provide good service to their customers. Additionally, he discussed the challenge of balancing regulation with innovation. He mentioned that fintech companies should be subject to similar examinations that financial institutions face.

In response to the presentation, members discussed several different considerations for access to data including: the need to know what information format is usable by consumers; how most consumers with little or no credit can still have robust financial records; how collected data can be used for the good of consumers; how consumers leverage their information; and potential benefits of moving toward a common API standard. Members also discussed concerns over data security at fintech companies, such as their ability to adequately safeguard consumer data in their possession, and the issue of liability, for example, if data is compromised.

Lastly, a CUAC member presented on unfair, deceptive, and abusive acts or practices, also known as UDAAP. He provided a brief history and detailed overview of each aspect of UDAAP. He discussed how UDAAP could be applied to many practices of financial institutions. He commended the Bureau for trying to add definition to what "abusive" might be. He also offered

suggestions of some mitigating activities financial institutions could utilize, such as a UDAAP policy review, waivers and exceptions at the institutions level, and reviewing complaints. He noted that there is no safe harbor for institutions. He concluded with a discussion on financial institutions and consumer advocacy.

Following the presentation, members discussed the impact of UDAAP on their institutions. Some members noted that risk assessments are sometimes difficult to process because of the broadness of UDAAP. Some members highlighted institution-focus on consumer impact as a positive. Additionally, members discussed the legal system weighing in on the definition of the term "abusive." Members also discussed various unfair and abusive practices and provided examples.

### **Adjournment**

CAB Chair Dr. Ronald Johnson adjourned the meeting of the CFPB advisory committees on June 6, 2019 at 3:30 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  
Staff Director, Advisory Board and Councils Office  
Consumer Financial Protection Bureau



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Rick Schmidt  
Chair, Credit Union Advisory Council