

September 2016

Community Bank Advisory Council

September 29, 2016



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 29, 2016. The meeting was held at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

Board members present	CFPB staff present
David Reiling, Chair	CFPB Director, Richard Cordray
Angela Bielke, Vice Chair	Julian Alcazar
Jonathan Allen	Michael Byrne
Melissa A. Ballard	Matt Cameron
Menzo D. Case	Pedro De Aguilera
Kathleen J. Cook	Crystal Dully
Julia R. DeBery	David Friend
Linda Feighery	Delicia Hand
Jack Hopkins	Grady Hedgespeth
Ricardo "Ricky" D. Leal	Laura Johnson
Cara Quick	Lisa Lauroesch
Trent Sorbe	Sunaena Lehil
Thomas Spitz	Noerena Limon
Steven J. Swiontek	Patrick Orr
Samuel Vallandingham	Emmanuel Mañon
	Cassandra McConnell-Tatum

	Zixta Martinez
	John McNamara
	Terri Randall
	Patricia Scherschel
	Diane Thompson
	Will Wade-Gery

September 29, 2016

Welcome and Member Introductions

Richard Cordray, director, Consumer Financial Protection Bureau

Delicia Hand, staff director, Advisory Board and Councils Office

David Reiling, chair, Community Bank Advisory Council

Chair David Reiling opened the Community Bank Advisory Council (CBAC) meeting at 9am, Eastern. He highlighted the prior day's new member orientation and welcomed new members. Following the Chair's opening remarks; Delicia Hand highlighted some of the accomplishments and goals of the CBAC. The Staff Director also provided an overview of day's agenda.

Director Cordray provided opening remarks to the Council and discussed the Bureau's recent work. He spoke about the Student Loan Payback Playbook, a set of prototype disclosures which aims to help student loan borrowers get the information they need to make informed choices about getting an affordable monthly payment, and mentioned the Bureau's "Paying for College" tools. He also discussed the Bureau's recent enforcement action against Wells Fargo. Following Director Cordray's remarks, CBAC members provided introductions and raised issues affecting their institutions.

Committee Breakout Sessions

Julia DeBery, chair, Card, Payment, and Deposit Markets

The Card, Payment, and Deposit Markets committee began the session with a conversation on transfer funds. Next, committee members discussed overdraft protection. Some members stated that overdraft eventually leads to the use of payday loans. This led to a discussion about the relevance of firm relationships between community banks and their customers. A staff member spoke about the use of prepaid cards in the market as well as the role of Bureau's Markets teams in how they gather intelligence. The speaker discussed the Bureau initiatives to help consumers in this market. Committee members also spoke about debt collection, small dollar loans, credit restrictions, and deposits outside the banking system.

Thomas Spitz, chair, Consumer Lending Committee

The Consumer Lending Committee received an introduction to the Bureau's Student Lending Program Manager in Markets. The staff member shared the purpose of CLRC, which is to inform stakeholders across the Bureau of any changes, developments, and statistics. She noted that student loans make up the second largest category of consumer debt in the United States, behind only to mortgage debt. The speaker went on to highlight how student debt has passed credit card debt and has escalated in the last few years following the recent financial meltdown. Following the speaker's comments on student debt, a discussion broke out focusing on the current default rates for student loans as well as the issue of underemployment with regard to paying off loans. The group also looked at the statistics for students who complete school versus those who do not in how they pay off their loans. One member began discussing how his bank came up with a strategy to refinance student loans within Regulation Z. Members also discussed the practice of refinancing student loans. The committee then moved on to discuss educating borrowers as they begin financing large purchases.

Jack Hopkins, chair, Mortgages Committee

The Mortgages Committee began its breakout session speaking about Home Mortgages Disclosure Act (HMDA). A staff member provided details about the rule-making component of HMDA implementation. The speaker mentioned that the HMDA rule changes and operational changes offer institutions the possibility to rethink how they file. The speaker went on to refer to past webinar sessions that explained some of the upcoming changes, as well as future webinars that will continue to add clarity to these new changes. A few committee members had questions about HMDA specifically pertaining to their financial institutions that the speaker answered.

Next, committee members discussed the Bureau's Know Before You Owe initiative. Members spoke about service providers and settlement companies having some problems with 30-day closing time frames on purchase agreements. The committee discussed the difficulty in finding appraisers in rural areas. Members also spoke about secondary market rules and the difficulty of passing appraisals in the secondary market. Various members shared specific examples and situations concerning the difficulties of appraisers and appraisal in rural regions. Lastly, the Committee discussed mortgage servicing. Members noted that small servicers are leaving the business and selling portfolios to larger banks.

Information Exchange: Introduction to Office of Small Business Lending Markets

Grady Hedgespath, assistant director, Office of Small Business Lending Markets

A staff member provided an introduction to the Bureau's Office of Small Business Lending. The staff member spoke about the change in credit distribution among small business lending markets following the great recession of the last few years.

CBAC members inquired about the type of data that will be used in helping to identify credit distribution in women- and minority-owned and small business markets. The staff member identified two purposes in Section 1071 of the Dodd Frank Act : facilitating enforcement of fair lending laws , and enabling communities, governmental entities, and creditors to identify business and community development needs and opportunities for women-owned, minority-owned, and small businesses. To collect this data, the staff member noted that various components are likely to be used during the data collection process. Council members discussed the competitive nature of small business lending and stated that small business lending is more complex than consumer loans due to the high level of variance. They also spoke about issues of risks and complexity banks may find in the data collection itself beyond questions they might typically ask. Council members stated that they look forward to working with Office of Small Business Lending Markets in the future.

Information Exchange: HMDA Implementation Discussion

Michael Byrne, HMDA technical ops lead, HMDA Operations

Sheila Lee, regulatory implementation specialist, Regulations

Staff members provided an overview of the technical elements of the CFPB's Home Mortgage Disclosure (HMDA) rulemaking implementation. HMDA is a data collection reporting and disclosure law that was amended by the Dodd-Frank Act, which added new reporting requirements and gave CFPB the ability to require additional information that furthered the purposes of HMDA. Part of the new HMDA rule implementation is building an infrastructure for the collection and reporting system to which data is submitted. A staff member referenced the latest developments for 2017, namely, a large piece of software that will consolidate some of the

existing filing practices within HMDA. He noted that the Bureau would be assuming the operations component from the Federal Reserve Board, going forward at the start of the 2017 calendar year. Through this process, the Bureau would move to reduce some of the “burdens” previously attributed to these procedures. Some of these burdens include financial burdens on institutions during the filing window, as well as burdens on the publication of Loan and Application (LAR) data.

A goal of this initiative is to streamline communication between users and the HMDA processes. The submission process and edits that come with HMDA filing will be made much simpler to filers, in comparison to the present practices. The staff member shared a demonstration of the new 2017 changes to HMDA. He also spoke about Application Programming Interface (API) and how it will eliminate government software on customers’ computers and will improve user experience during data submission. CBAC members asked questions pertaining to their current vendors in the HMDA process. They raised questions about the new data registration process. Members also recommended that the Bureau provide the option of uploading multiple loan files during HMDA/LAR uploads and process this as an upload rather than a submission.

Information Exchange: On the Ground Perspectives

CBAC members engaged in a discussion about their observations and experiences in the community bank marketplace. Members began with a discussion about data collection and some of the issues involved with HMDA filing. The Council members spoke about effective ways to communicate information and highlighted webinars and email threads.

Following the discussion on HMDA, the council switched its focus to small-dollar loans rules. Members mentioned payday loans and stated that effects from payday lending are felt in the community banking system. A member described current research on the question of whether or not payday restrictions generate tangible results within communities. The member revealed that research on the subject has been proven inconclusive, with results too scattered to make a determination on the issue.

CBAC members also discussed overdraft. Specifically, the focus was on overdraft as it pertains to prepaid cards. A staff member responded by going into detail about some of the regulations

and restrictions that stem from Regulation Z. Members shared information about the handling of pre-paid cards and overdraft within their financial institutions.

CFPB Community Bank Advisory Council public session

Delicia Hand welcomed audience members to the CBAC public meeting and introduced CBAC members and CFPB staff. Director Cordray then addressed the CBAC and members of the public. After the Director's remarks, CBAC Vice Chair David Reiling provided opening remarks and facilitated the meeting. Cassandra McConnell-Tatum, deputy assistant director, and Sunaena Lehil, senior policy and innovation analyst, both with the Office of Financial Education presented on the Bureau's approaches for helping young people achieve financial capability. Following the financial education presentation, Kristin McPartland, senior counsel, and John McNamara, acting assistant director, both from the division of Research, Markets and Regulations, led the discussion on the CFPB's recent proposals pertaining to third party debt collection. A live-stream video of the session is available on consumerfinance.gov.

Adjournment

CBAC Vice Chair David Reiling adjourned the meeting on April 21, 2016, at 5:22 p.m. EDT.

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