

October 2015

Credit Union Advisory Council

October 8, 2015



Meeting of the Credit Union Advisory Council

The Credit Union Advisory Council (CUAC) of the Consumer Financial Protection Bureau (CFPB) met in person at 8:30 a.m. on October 8, 2015. The CUAC met at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

Board members present

Kevin Doster-Keddie, Chair

Robin Romano, Vice Chair

Gregory Higgins

Maria Lavelle

Jason Lee

Robin Loftus

James McDaniel

Carrie O'Connor

Thomas O' Shea

Katey Proefke

David Seely

James Spradlin

John Winne

CFPB staff present

CFPB Director, Richard Cordray

Julian Alacazar

Maggie Anderson

Michael Byrne

Matt Cameron

Paul Ceja

Crystal Dully

Ren Essene

Sarita Frattaroli

Nicholas Hluchyj

Gene Koo

Manny Mañón

Zixta Martinez

Patricia McClung

Paul Mondor

Debbie Seidner

Megan Thibos

Lora Vieira

Julie Vore

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Welcome

Richard Cordray, CFPB Director

Kevin Doster-Keddie, CUAC Chair

Robin Romano, CUAC Vice Chair

Matt Cameron, senior advisor, Advisory Board and Councils

Zixta Martinez, associate director, External Affairs

Kevin Doster-Keddie called to order the meeting of the Credit Union Advisory Council (CUAC) on October 8, 2015 at 8:44am, and welcomed CUAC members to the meeting.

Chair Foster-Keddie invited the council members to introduce themselves and the institutions they represent. Zixta Martinez, associate director of External Affairs then welcomed all members to the meeting and invited CFPB staff to introduce themselves. The director introduced himself and explained the important role the CUAC plays in the work done at the Bureau. He gave a high level overview of the Bureau's history and made mention of current developments in the agency. He then highlighted major projects recently completed by the Bureau including the rollout of the "Know Before You Owe" rules and the creation of the "Your Home Loan Toolkit" available to consumers.

Matt Cameron, senior advisor of the Advisory Board and Councils Office, reviewed the agenda for the day with CUAC members.

Updates on HMDA and Owning a Home

Ren Essene, program manager of Mortgage Data Assets, Mortgage Markets

Michael Byrne, HMDA technical ops lead, Technology and Innovation

Megan Thibos, policy analyst, Mortgage Markets

Julie Vore, organizations analyst, Mortgage Markets

Maggie Anderson, consumer product specialist, Consumer Response

Gene Koo, assistant director, Consumer Engagement

Patricia McClung, assistant director mortgage markets, Research, Markets, and Regulations

CFPB subject matter expert updated CUAC members on the work being done by the Bureau to streamline and update the Home Mortgage Disclosure Act (HMDA) data collection system. Staff shared the progress made on developing a pilot web-based reporting application that aims to reduce the reporting burden on banks. The Bureau is doing this by minimizing manual processes, reducing data transmissions, and allowing the application to adapt to future regulatory changes.

Staff explained that alongside the proposed rule changes, the Bureau started working on an initiative to modernize the HMDA data collection system. Staff detailed the process the Bureau went through to identify inefficiencies in the current system. This process included significant amounts of coordination with financial institutions and other government agencies. Staff noted the attention the Bureau put on usability, time efficacy, and data security while developing the new application. Staff then demonstrated what the data collection program looks like. Several CUAC members expressed their amazement for the progress made on this project; several CUAC members asked for technical details about the data reporting system.

Staff then shared information on a Consumer Engagement tool, "Owning a Home." Staff went through the various components of the website and demonstrated its functionality. The tools are available for free on consumerfinance.gov. The Bureau has a free downloadable 'Home Loan Toolkit' that provides consumers information on the mortgage market and allows them to better understand what type of loan best suits them. Staff also informed members of other free resources that are available like the professional's informational material online. This page provides professionals who directly interact with consumers a way to remain informed on the evolving regulatory environment. This session concluded with CUAC members suggesting ways to improve these educational resources.

Working Lunch: Mortgages Committee Session on Rural and Small Lender Updates

**Patricia McClung, assistant director mortgage markets, Research, Markets, and
Regulations**

Paul Ceja, senior counsel & special advisor, Regulations

Nicholas Hluchyj, senior counsel, Regulations

Paul Mondor, managing counsel, Research, Markets, and Regulations

CFPB staff updated CUAC members on the final rule titled: "Amendments Relating to Small Creditors and Rural or Underserved Areas under the Truth in Lending Act," which was released on September 21, 2015. The rule revised the CFPB's regulatory definitions of small creditor and rural and underserved areas for purposes of certain special provisions and exemptions from various requirements provided to certain small creditors under the Bureau's mortgage rules. Staff briefed the council on the changes made by the rule. For instance, the loan origination limit for small creditors was raised and the methodology for determining a qualifying creditor was altered. Staff and council members also reviewed the structures of Credit Union Service Organizations and elaborated on how the rule applies to these entities.

Committee Breakout Sessions

Robin Loftus, chair, Mortgages Committee

The Mortgages Committee began the session discussing their institution's products and comparing markets. The committee then moved on to talking about current challenges credit unions face. Among other issues, members mentioned that mobile home loans were a point of confusion. With the Home Ownership and Equity Protection Act in place, many of these residences must have escrow accounts, yet the owner of the mobile home often does not own the land the dwelling is on. Members also commented that they notice persons with disabilities are significantly underserved communities and that credit unions do not engage in many transactions with this demographic.

David Seely, chair, Consumer Lending Committee

The Consumer Lending Committee discussed small dollar lending products offered by credit unions and how they make these products accessible to the unbanked and underbanked. Most small dollar loans originate via payday lenders, but some institutions offer payday lending alternatives. CUAC members discussed various alternatives offered at their particular institutions and some of the issues found in reaching the unbanked and underbanked. Several CUAC members also made commentary about the proposed rulemaking's impact on small businesses. Specifically, members commented on the part of the proposed rule that would alter notification requirements from lenders to borrowers when attempting to collect a payment.

Jason Lee, chair, Card, Payment and Deposit Markets Committee

The Card, Payment and Deposit Markets Committee first heard from the CFPB's Secure Payments Task Force. Staff informed members on the purpose and structure of the task force and then provided an update on its current projects. Council members asked questions about

the task forces' involvement with the Federal Reserve Board's Payment Study. Council members then discussed general industry practices surrounding overdraft protection. CUAC Members also shared issues that their respective institutions have experienced with overdraft. Council members concluded the meeting discussing common scenarios that consumers face when they overdraft their accounts.

CFPB Credit Union Advisory Council Meeting Public Session

Zixta Martinez, associate director of External Affairs, welcomed audience members to the second CUAC meeting of the year and went over the meeting's agenda. Ms. Martinez then introduced CUAC members, Director Cordray, and CFPB staff. Director Cordray also welcomed the CUAC and members of the public. He introduced the discussion topics: electronic payment systems and faster payment systems. He then mentioned that the three areas the Bureau believes payment systems can improve in are transparency, security, and access.

Following the director's remarks, CUAC chair Kevin Doster-Keddie, introduced CFPB staff Gary Stein, deposits markets program manager, Office of Credit Information Collections and Deposits Markets and Will Wade-Gery, assistant director for card and payments markets, Office of Regulations. They presented on challenges consumers face with the emergence of more advanced and faster payment systems. To ensure that the interests of consumers are top-of-mind in the development of faster payment systems, the Bureau in July 2015 set out nine guiding principles that express the Bureau's vision for new payment systems. These principles include consumer accessibility, accountability for all parties involved, and data privacy. CUAC members then discussed issues that credit unions experience with these new payment systems. A CUAC member mentioned that small institutions face a resource problem when partnering with the third party service providers (TSPs) that own the payment systems due to increased risk and liability. Various members concurred and added that the lack of coordination between the TSPs and unclear consumer demand for these payment systems increase costs for credit unions. CFPB staff and CUAC members then discussed data privacy permissions and apparent consumer de-sensitivity to the risk associated with passwords and personal information. CUAC members concluded the meeting agreeing that consumers need more education about automated clearinghouse payments and data security. The video of the public session is available on consumerfinance.gov.

Adjournment

Chair Foster-Keddie adjourned the 8th meeting of the CFPB Credit Union Advisory Council on September 30, 2015 at 4:31 p.m.

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

A handwritten signature in black ink, appearing to read "D. Hand".

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