

June 2017

Consumer Advisory Board

June 7-8, 2017



Meeting of the Consumer Advisory Board

The Consumer Advisory Board (CAB) of the Consumer Financial Protection Bureau (CFPB) met in person at 9:30 a.m., Eastern on June 7, 2017. The CAB met at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

| Board members present | CFPB staff present |
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| Chair, Maeve Brown | CFPB Director, Richard Cordray |
| Vice Chair, Ann Baddour | CFPB Acting Deputy Director, David Silberman |
| Tim Chen | Khurram Abbas |
| Lynn Drysdale | Julian Alcazar |
| Kathleen C. Engel | Abhishek Agarwal |
| Judith L. Fox | Elena Babinecz |
| Paulina Gonzalez | Mary Kate Binecki |
| Julie Gugin | Ken Brevoort |
| Neil F. Hall | Matt Cameron |
| Brian D. Hughes | Stacy Canon |
| Christopher G. Kukla | Kelly Cochran |
| Ruhi Maker | Chris D'Angelo |
| Joann Needleman | Crystal Dully |
| Patrick O'Shaughnessy | Alan Ellison |
| Arjan Schutte | Delicia Hand |

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| Lisa Servon | Grady Hedgespeth |
| James Van Dyke | Jonathan Korn |
| James M. Wehmann | Manny Mañón |
| Chi Chi Wu | Zixta Martinez |
| Josh Zinner | Hector Ortiz |
| | Jane Raso |
| | Paul Rothstein |
| | Jessica Russell |
| | Anirudh Sarna |
| | Gary Stein |
| | Will Wade-Gery |
| | Wei Zhang |

June 7, 2017

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 Maeve Brown called the meeting to order at 9:35 a.m. Eastern and welcomed attendees. She provided an update on subcommittee work and highlighted engagements between staff and Board members, including roundtable discussions held in the field. She highlighted members who had terms expiring and expressed appreciation for the opportunity to serve as chair.

Staff Director Delicia Hand thanked members for their work and shared how the Board has provided opportunities for the Bureau to continue information collection and learning. Next she provided an overview of the meeting agenda and highlighted specific areas in which the Bureau was seeking input from members.

Director Cordray provided welcoming remarks and thanked members for their work on the Board. He discussed the Bureau's work over the previous months including: an upgrade to the operational side of the consumer complaint system; research on financial education; and steady involvement in regulation, supervision, and enforcement. Director Cordray also briefly spoke about the Office of Minority and Women Inclusion.

Information Exchange: Preview 1071 – Whitepaper and Credit Invisibles

Grady Hedgespeth, Assistant Director, Office of Small Business Lending Markets

Alan Ellison, Small Business Program Manager, Office of Small Business Lending Markets

Anirudh Sarna, Policy Analyst, Office of Small Business Lending Markets

Ken Brevoort, Section Chief, Credit Information & Policy, Research

Staff from the Office of Small Business Lending Markets provided CAB members with an overview of Section 1071 of the Dodd–Frank Wall Street Reform and Consumer Protection Act. Members and staff also discussed the Bureau's white paper on *Key Dimensions of the Small Business Lending Landscape*. Staff discussed the data used to develop the white paper and shared statistics from the document. Members inquired about how the Bureau will incorporate the Community Reinvestment Act (CRA) data. Members also inquired about the Bureau's jurisdiction over small business credit card issuers. Members noted that it is important that the Bureau define a small business loan. Several CAB members discussed methods by which small businesses could obtain small business loans and highlighted payment processors, loan brokers, and peer lending circles as examples.

Next, members and staff discussed the Bureau's credit invisible initiatives. The research addressed in this session was published in the Bureau's June 2017 *Data Point: Becoming Credit Visible*, which was a follow up to the May 2015 *Data Point: Credit Invisibles*. The current research on credit invisibility examines how consumers go from being credit invisible to credit visible. The Bureau is interested in understanding how some consumers transition out of invisibility relatively easily while others have a more difficult time doing so. Staff requested member input on what information, beyond what is in the credit record, that lenders may be using when issuing loans. Members raised general questions about the Bureau's research and findings on credit invisibility. Members and staff discussed the potential impact of the Card Act on underwriting processes, particularly to college students. Some members also discussed how race factors into credit visibility. Members noted that consumers use credit cards in order to gain access to other types of financial products. Members highlighted that retail credit cards can be entry products and asked if the Bureau has researched that area. Members and staff also discussed the change in credit scoring models. Additionally, members asked if the Bureau has looked at any generational impacts, such as children being credit invisible because their parents are credit invisible. There was also a discussion about the Bureau's research on co-signers.

Information Exchange: SEFL Strategic Overview

Chris D'Angelo, Associate Director, Supervision, Enforcement, Fair Lending

Abhishek Agarwal, Senior Advisor, Supervision, Enforcement, Fair Lending

During this session, staff leadership from the division of Supervision, Enforcement, and Fair Lending (SEFL) reviewed the purpose and scope of work across the division. Staff shared that

SEFL is the Bureau's largest division and contains four offices: Office of Supervision Examinations, Office of Supervision Policy, Office of Enforcement, and Office of Fair Lending. The CFPB's supervision program oversees insured depository institutions and insured credit unions that have total assets of more than \$10 billion and affiliates of such institutions as well as select nondepository covered persons. The supervisory side of the Bureau has over 500 employees in the field, who conduct examinations of financial institutions. Staff also noted that the division has helped the Bureau obtain \$12 billion for over 29 million consumers. Furthermore, staff discussed some representative priority areas. Among others, these include: accuracy in dispute resolution (consumer response), mortgage servicing and technology systems, red lining in the mortgage market, and debt collection (particularly substantiation).

Following the overview, CAB members offered comments and raised questions on relevant trends and themes observed. Some CAB members discussed incentive and compensation programs, particularly in mortgage origination, and their potential risks and benefits. Members also commented on mortgage servicing and raised concern over the marketplace post-Home Affordable Modification Program (HAMP). Members and staff also discussed reverse mortgages and loss mitigation. Members and staff also discussed sub-prime auto lending and the debt collection and repossession practices in that market. Some members expressed interest in further understanding how the supervisory exams work and the impact of those examinations on the supervised entities. Staff offered to setup a follow up meeting to further explain the supervision exam process and then proceeded to give a short overview of the exam process. Some members asked how the Bureau prioritizes supervision activities for non-depository financial institutions and works on creating a level playing field. Staff replied that the Bureau is indifferent to the type of charter held by an institution when determining its supervisory activity at an institution and instead focuses on the potential for risk to consumers from its presence in a market.

Information Exchange: Working Lunch – 1033 Consumer Access to Information

Gary Stein, Deputy Assistant Director, Cards, Payments, and Deposits Markets

Jane Raso, Senior Counsel, Regulations

Jonathan Korn, Innovation Program Manager, Director's Front Office

Bureau staff provided CAB members with background information on consumer access to data and explained the Bureau's work in this area. Staff also discussed data aggregation and how consumers provide credentials to third-party firms to allow them access to data, which may raise security concerns. The Bureau recognizes that much of the data sharing that exists in the marketplace today relies on consumers providing certain credentials which bring risks into the operating model. Several institutions are concerned about risk exposure to consumers while others emphasize the importance of such data.

Staff highlighted some provisions of Section 1033 of Dodd Frank, which requires covered persons to provide, when requested by a consumer, certain information about that consumer related to the consumer financial product or service the consumer obtained from such covered persons. The information must be provided in an electronic form usable by the consumer. It also allows the Bureau to issue rules that promote standardized information formats. Staff also spoke on current market practices and a Request for Information (RFI) on data access the Bureau published in November, 2016, and provided a high-level summary of comments received to the RFI.

CAB members pointed out several privacy and security concerns including: the likelihood of data breaches, sensitive information, regulation of data aggregators, and medical records. Several members discussed the rights of consumers to access their information. Members also discussed the risks and benefits of data sharing; for instance noting that data sharing would enhance competition between card issuers and also raising concern over limited regulatory oversight in this market. Several members discussed application programming interfaces (API's). Lastly, members discussed how aggregators could improve account portability.

Information Exchange: Regulatory Assessments

Paul Rothstein, Section Chief, Financial Institutions and Regulatory Policy, Research

Staff from the Office of Research met with CAB members to discuss the Bureau's work on the assessment of significant rules pursuant to Section 1022(d) of the Dodd-Frank Act. Staff briefly highlighted Bureau requirements under Section 1022(d) of the Dodd-Frank Act. Staff also provided more detail of how the assessment process will work. Next, staff discussed the three rules currently under assessment: 1.) the remittance rule, 2.) the Real Estate Settlement

Procedures Act (RESPA) mortgage servicing rule, and 3.) the Ability to Repay/Qualified Mortgage rule.

Some CAB members commented on the Bureau's outreach in conducting the assessments and who may be contacted. Staff replied that the Bureau plans to collect information directly from providers, including through the use of surveys, and from groups that work with consumers. Staff noted that this outreach needs to be conducted in compliance with relevant federal law, including the Paperwork Reduction Act. Members asked about the factors the Bureau will consider in evaluating the effectiveness of each of the rules. In particular, some members commented about data collection for the Servicing Rule. Members asked how useful it would be for the Bureau to know what people in the field are seeing, such as housing counselors. Staff replied that the Bureau is interested in hearing responses from those in the field and plans to meet with housing counselors and legal aid attorneys in addition to servicers. Members and staff also discussed how the Bureau will endeavor to incorporate the data collected into section 1022(d) assessments. Members further asked how much the Bureau can rely on information gathered through supervision and enforcement when assessing rules. Staff replied that information gathered through supervision can supplement the information being gathered on the activities providers have undertaken in response to the rules.

Information Exchange: Older Americans, Retirement Tool

Stacy Canan, Assistant Director, Office of Older Americans

Hector Ortiz, Policy Analyst, Older, Americans

Bureau staff from the Office of Older Americans presented *Planning for Retirement*, an interactive online educational tool to help people make an informed decision about when to claim Social Security. Staff started the presentation by giving an overview of the Office of Older Americans, noting that the team works to help consumers make sound financial decisions as they age, such as when to claim Social Security and how to use home equity in retirement. They also shared findings on Social Security in the United States and explained how it is calculated. Next they provided a demonstration of the *Planning for Retirement* tool. The tool, which is interactive and optimized for mobile devices, was created with the support from the Social Security Administration. Key issues the Bureau tries to help consumers with this tool are: an

estimate of the benefit at different ages; questions that anyone making this decision should ask; whether putting in extra years in the workforce will boost the benefit in addition to the claiming decision; expenses in retirement; and sources of income.

Several CAB members praised the Bureau for the tool. Some members asked for clarification on certain sections of the tool, for instance, what type of information changes based on age. Several members discussed expenses that should be considered in retirement, such as increases or decreases in wealth, mortgages, and health issues. Members inquired about the availability of the tool in different languages. Staff replied that the tool is currently available in Spanish. Members discussed promotion of the tool. They offered several suggestions to increase the use and reach of the tool including: newspapers in other languages, offices of local elected officials, health care providers, employer assistance programs, community action agencies, blogs, and not-for-profit entities. Members also suggested offering the tool in a digital format that is easy to use. Several members discussed Social Security benefits and income. Member suggested marketing the tool to people younger than age fifty. Staff replied that the Bureau feels it is important for young consumers also use the tool. Additionally, members suggested that the Bureau advertise other consumer financial education tools and supplemental resources at the end of the retirement tool.

Subcommittee Breakout Sessions

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

The Card, Payments, and Deposits Markets subcommittee continued the earlier discussion on consumer access to information and also discussed risk and potential solutions for aggregators. Bureau staff gave insight on the types of aggregators and the interdependency between financial institutions and aggregators. Members discussed the importance of privacy and data security.

Members discussed occurrences when consumers switch banks and suggested that the Bureau research data from different models when consumers switch. Some members stated that small financial institutions might not be the beneficiaries of a free-switching marketplace. Members and staff discussed the revised Payment Services Directive (PSD2). Some members felt addressing regulatory ambiguities should be a high priority. Members noted that competition between banks is good for services. There was discussion around the need for consumer control

over data. Members and staff also discussed the Fair Credit Reporting Act (FCRA). Members asked for clarification on the scope of Section 1033. Additionally, members and staff discussed the technology differences between large and small financial institutions as well as the diminishing use of cash. There was discussion on overdrafts and what direction the subcommittee was going to take this issue. Lastly, members highlighted overdraft as a topic of interest for further discussion within the subcommittee.

Chris Kukla, Chair, Consumer Lending Subcommittee

During the Consumer Lending subcommittee breakout session, members engaged in a conversation with staff about the consumer reporting marketplace. Staff provided an overview of the Bureau's work on credit invisibility and also discussed recent market trends around access to credit. Staff requested feedback from members on the Bureau's Open Credit Score Initiative and on the Office of Financial Empowerment's credit building strategy.

Members inquired about how much the Bureau integrates credit reports into the way it thinks about financial education through the open scoring process. This led to discussion about consumer education and score interpretation. Members and staff also discussed score variances. Some members suggested that the Bureau educate consumers on understanding different credit scores. Members discussed the differences between people who tend to have higher scores and those who have lower scores. Additionally, there was discussion about seeking input from industry stakeholders to gain better understanding of how credit building benefits consumers and industry. Furthermore, members and staff discussed the types of questions to ask consumers about credit score access. Members highlighted frequent issues raised by consumers in complaints published in the CFPB Consumer Complaint Database: suspected inaccuracies, failure to correct inaccurate information in a dispute, and inability to get free reports. Moreover, members discussed secured cards and credit-building products.

Lynn Drysdale, Chair, Mortgages and Small Business Lending Markets Subcommittee

The Mortgages and Small Business Lending Markets Subcommittee interacted with staff from the Office of Small Business Lending Markets. Continuing the conversation from the morning session, members provided feedback on the Bureau's white paper, Key Dimensions of the Small

Business Lending Landscape. Staff provided additional contextual information, such as statistics on women- and minority-owned businesses, and then said the Bureau has been thinking about methods to aid in greater transparency and accessibility in the small business lending market.

Members asked clarifying questions on the statistics provided. Members also asked staff what information would be useful from them. Staff answered that the Bureau wants to know challenges faced by small business owners. There was also a discussion on jurisdiction over small businesses, including the Bureau's definition of a small business. Furthermore, members discussed financial education tools, methods to make consumers aware of those tools, and what types of organizations could be helpful in this area. Members also highlighted challenges small business owners face when trying to obtain a loan. Members discussed the increase of women- and minority-owned businesses despite all the challenges. Some members discussed the impact of the Affordable Care Act on small business creation. Additionally, committee members discussed challenges in the land contract area and how those issues can be addressed.

Adjournment

CAB Chair Brown adjourned the first day of the meeting on June 7, 2017 at 5:35 p.m. Eastern.

June 8, 2017

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 Ken Brevoort, Section Chief of Credit Information & Policy, from the Office of Research, led a discussion on credit visibility. During this session, the Bureau released its fifth data point, *Data Point: Becoming Credit Visible*, which looks at the paths consumers take to acquire a credit history. Following the credit visibility discussion, Will Wade-Gery, Assistant Director, and Wei Zhang, Credit Card Program Manager, both from the Office of Cards,

Payments, and Deposits Markets provided an overview of the Bureau's work on deferred interest products.

After the deferred interest product discussion, the CAB adjourned for a working lunch. During the working lunch discussion, CAB members continued the discussion on deferred interest products with Will Wade-Gery and Wei Zhang. Next Kelly Cochran, Assistant Director of the Office of Regulations, and Jessica Russell, Program Manager of Mortgage Data Assets, Mortgage Markets, discussed regulatory and market developments.

Chair Brown reconvened the public meeting at 2:00p.m. Eastern. CAB members Paulina Gonzalez and Lynn Drysdale presented on trends and themes in the consumer financial marketplace. Paulina Gonzalez focused her presentation on trends in small business lending. Lynn Drysdale discussed reverse mortgage servicing. Lastly, Grady Hedgespeth, Assistant Director, Alan Ellison, Small Business Program Manager, both of the Office of Small Business Lending Markets, and Elena Babinecz, Senior Counsel from the Office of Regulations, provided an overview of the Bureau's recent Request for Information (RFI) on small business lending. The video of the public session is available on consumerfinance.gov.

Adjournment

Chair Brown adjourned the meeting of the CFPB Consumer Advisory Board on June 8, 2017 at 4:33 p.m. Eastern.

Certification

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