

October 2015

Consumer Advisory Board

October 21-22, 2015



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 October 21, 2015. The CAB met at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

Board members present	CFPB staff present
Seema Agnani	CFPB Director, Richard Cordray
Sylvia Alvarez	Julian Alcazar
Ann Baddour	Matt Cameron
Don Baylor	Stacy Canan
Bill Bynum, Chair	Kelvin Chen
Tim Chen	Dubis Correal
Kathleen C. Engel	Pedro De Oliveira
Judith L. Fox	Darian Dorsey
Patricia Garcia Duarte	Crystal Dully
Julie Gugin	David Friend
Neil F. Hall	James Foust
Dr. Raul Hinojosa-Ojeda	Meredith Fuchs
Brian D. Hughes	Eric Goldberg
Christopher Kukla	Charlie Honig
Max Levchin	Naomi Karp
Brian Longe	Brian Kreiswirth

James (Jim) McCarthy	Jeffrey Langer
Joann Needleman	Manny Mañón
Patrick O'Shaughnessy	Zixta Martinez
Judge Annette Rizzo	Karen Meyers
Paheadra Robinson	Thomas Pahl
Ellen Seidman	Irene Skricki
Gene Spencer	Corey Stone
James Van Dyke	Will Wade-Gery
Josh Zinner	

October 21, 2015

Welcome and Member Introductions

Richard Cordray, director, Consumer Financial Protection Bureau

Zixta Martinez , associate director, Division of External Affairs

Matt Cameron, senior advisor, Advisory Board and Councils Office

Bill Bynum, chair, Consumer Advisory Board

Chair Bynum called the meeting of the Consumer Advisory Board (CAB) to order on October 21, 2015 at 9:30am. He welcomed new and returning CAB members and thanked Bureau staff for their work. He introduced Director Cordray who provided brief remarks, thanked CAB members for their service, and administered an oath of office to the members.

Following the oath of office, Zixta Martinez, associate director of External Affairs, provided introductory remarks and encouraged members' full participation during their time on the CAB. New and returning members introduced themselves, provided their name, organization, location and shared why they wanted to serve on the Board.

Lastly, Matt Cameron, senior advisor of the Advisory Board and Council Office, welcomed CAB members and reviewed the agenda for the meeting.

Committee Breakout Sessions

Ellen Seidman, chair, Card, Payment and Deposit Markets Committee

The Card, Payment and Deposit Markets Committee spent the committee time outlining the committee scope and discussing agenda setting for 2016. Chair Ellen Seidman provided a summary of what the committee worked on in 2015. Bureau staff provided an overview of the Bureau's rule-making agenda in the cards, payments, and deposits area for 2016.

Next, members identified five areas that the committee preferred to focus on in 2016. First, the committee would like to know what the Bureau should do to handle fraud. Second, the committee would like to explore issues relating to data access. The committee was also interested in overdraft. Lastly, committee members wanted to focus on the work that the Bureau has done with other regulators on faster payments.

Judge Annette Rizzo, chair, Consumer Lending Committee

The Consumer Lending Committee received an overview on Peer-to-Peer/Marketplace Lending by Bureau subject matter experts. The discussion focused on the lending model represented by several of the largest marketplace lenders. Many have an online platform which brings together borrowers and investors in loans and a portal for a borrower to provide personal information. Staff provided additional details about the process. Members and staff discussed the risks and benefits to consumers posed by peer-to-peer/marketplace lending as well as servicing and collections, fair lending, and loan securitizations related to that industry.

Patricia Duarte, chair, Mortgages Committee

The Mortgages Committee discussed the Bureau's mortgages initiative, Know Before You Owe, and the E-Closing initiative. Members determined that it was too early to access the entire impact of mortgage rules; however, they noted that there has been much work with the technology. Committee members also discussed closing disclosures and many stated that they are not convinced that the disclosures are reviewed by the consumer, whether they are in writing or electronically. The committee also discussed servicing. Members shared concern of modifications that come with 40-year balloon amounts and noted that many exist under the HAMP programs. Many consumers do not know that their loans have balloons because they weren't properly disclosed. The committee also discussed small dollar loans and how in some neighborhoods that have properties that are \$50,000 it is very difficult to receive mortgages because lenders are not making small loan mortgages. Lastly, the committee identified topics to discuss in 2016. These included: e-notes, Section 32 loans, high price loans, and marketing service agreements.

Working Lunch: Updates on State-Specific Guides for Managing Someone Else's Money**Stacy Canan, assistant director, Office of Older Americans****Naomi Karp, senior policy analyst, Office of Older Americans**

Stacy Canan, deputy assistant director, and Naomi Karp, senior policy analyst, of the Office of Older Americans provided an overview of the Bureau's work on state-specific guides for Managing Someone Else's Money. In 2013 the Office for Older Americans released the *Managing Someone Else's Money* guides to assist financial caregivers. State-specific guides

were created to provide additional assistance to consumer taking care of relatives and friends who are unable to handle finances on their own. In August 2015, the CFPB released state-specific guides and resources for Virginia residents. These state guides are available to help caregivers follow Virginia's unique rules and to find help closer to their home. Separate guides were developed for: agents under a power of attorney; court-appointed conservators; trustees under a revocable living trust; and social security representative payees and VA fiduciaries. The Bureau plans to follow up with similar guides for five other states: Arizona, Florida, Georgia, Illinois, and Oregon. Bureau staff provided members with copies of some of the guides. All of the guides are available on consumerfinance.gov.

Members suggested that there could be opportunities within the court system to spread the word about the Managing Someone Else's Money toolkit. These guides and tools could be provided at the time a consumer is faced with this particular challenge and the courts could be a timely resource to the consumer for this information. Members agreed that this toolkit should be targeted toward working consumers. Members also recommended that the Bureau should encourage Human Resources departments to share the guides with their employees.

Consumer Lending Session – Alternative Data and Implications for Consumer Lending: When Consumer Lending Goes Social

Corey Stone, assistant director, Deposits, Liquidity Lending, and Reporting Markets

Brian Kreiswirth, deputy fair lending director, Office of Fair Lending and Equal Opportunity

Thomas Pahl, managing regulatory counsel, Office of Regulations

CAB members received a briefing from Bureau subject matter experts from the Office of Markets, Office of Regulations, and the Office of Fair Lending on alternative data. A staff member provided an overview of alternative data and the opportunities, the risks associated with alternative data that is increasingly being used in credit underwriting. Alternative data presents an opportunity to open mainstream credit markets to individuals referred to as "credit invisibles." "Credit Invisibles" are people who do not show up in the credit reporting companies' files or who do not have sufficient information in their files for the mainstream scoring models

to generate a credit score. Bringing “credit invisibles” into the mainstream credit market with the potential that alternative data offers is important. Risks include the fact that some alternative data includes data that consumers might not want shared or data that is used as a proxy for a particular group protected by discrimination laws. Staff members identified key questions that the Bureau considers: How much incremental accessibility does this kind of data create? Who gets potentially brought into the mainstream credit market when this data gets used? Is it actually helpful to a lender to determine somebody’s likely performance on a loan, or a credit card and what is it predictive of?

A staff member discussed the potential fair lending risks associated with the use of alternate data. A risk is that the use of alternative data could have a disproportionately negative effect on a prohibited basis, and that will create a potential disparate impact risk. Additionally, a staff member discussed some of the authorities and legal implications related to alternative data that could help protect against some of the risks to consumers and issues related to accuracy, privacy, and data security. CAB members with organizations that use alternative data state that they would appreciate clear guidance from the Bureau on which types of data points might implicate fair lending issues. A staff member also discussed the process for dealing with alternative data. CAB members suggested that the Bureau create a pilot program to help determine where the risk might be for certain types of alternative data.

Updates on Trends and Themes in Recent Enforcement Actions

Karen Meyers, assistant deputy director, Enforcement

Keren Meyers, assistant deputy director of Enforcement, led a discussion on recent trends in enforcement actions by the Bureau. The Office of Enforcement generally brings enforcement actions to deter wrongdoing and to promote legal behavior. It aims to deter those charged with wrongdoing from future misconduct. The Bureau works to remediate harm and, as of October 2015, been able to return to consumers \$11 billion in value, benefiting 25 million consumers. The staff member discussed several recent public enforcement actions.

Members applauded the Bureau for the work it on enforcement actions. Members also encouraged the Bureau to consider taking more of these enforcement actions to trial allowing others to get more information on what actually happened and help establish new consumer

protection law. Members explained that when enforcement cases settle, the public lose the ability to know what happened and that might be a disadvantage to consumers.

Adjournment

CAB Chair Bynum adjourned the first day of the meeting on October 21, 2015 at 5:00 p.m.

October 22, 2015

CFPB Consumer Advisory Board meeting

Zixta Martinez, associate director of External Affairs, welcomed audience members to the CAB public meeting and introduced CAB members and CFPB staff. Acting Deputy Director and General Counsel Meredith Fuchs welcomed the CAB chair and CAB members, and members of the public. Following Ms. Fuchs' remarks, Dubis Correal, strategic partnerships and outreach coordinator, and Irene Skricketti, senior financial education program analyst, both from the Office of Financial Education, discussed the Bureau's work to promote financial education and reach limited English speaking consumers. Following this session, CAB members Patricia Duarte and Jim Van Dyke presented on trends and themes in the marketplace.

After the trends and themes discussion, the CAB adjourned for a working lunch. During the working lunch Darian Dorsey, chief of staff for the Office of Consumer Response, provided an overview of the consumer complaint process and public database.

The CAB public meeting reconvened at 2:00p.m. Director Cordray provided remarks about the Bureau's proposals on pre-dispute arbitration clauses and consumer financial contracts. Will Wade-Gery, assistant director of Card & Payments Markets, Eric Goldberg, senior counsel of Regulations, Kelvin Chen continued the discussion on the Bureau's work on arbitration. The video of the public session is available on consumerfinance.gov.

Adjournment

Chair Bynum adjourned the CFPB Consumer Advisory Board on October 22, 2015 at 4:30 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