

DECEMBER 2013

Credit Union Advisory Council meeting minutes

DECEMBER 18, 2013



Consumer Financial
Protection Bureau

Meeting of the Credit Union Advisory Council Meeting

The Credit Union Advisory Council (CUAC) of the Consumer Financial Protection Bureau (CFPB) met via conference call at 1:00 p.m. on December 18, 2013. The conference call was held at CFPB, 1700 G Street NW, Washington, DC 20552.

Board members present:

Carla Decker
Rose Bartolomucci
Bernard Balsis
John Buckley
Ron Ehrenreich,
Kevin Foster-Keddie
Mitchell Klein
Maria Martinez
Marcus Schaefer
David Wright

CFPB staff present:

Director Richard Cordray
Lisa Applegate
Christopher Banks
Laurie Maggiano
Patrick Orr
Eric Reusch

Welcome and meeting overview

Richard Cordray, director, CFPB

Patrick Orr, policy analyst, CFPB

Carla Decker, CUAC Chair

The meeting via conference call was called to order at 1:00p.m. by Patrick Orr CAB and Council office Policy Analyst, who welcomed CUAC members; and turned the meeting over to the CUAC Chair, Carla Decker. Ms. Decker stated that Director Cordray would provide brief remarks and the discussion would center on the Mortgage Rules Effective Date and an Overview of the Bureau's Auto Lending guidance and authority. Ms. Decker invited the members to participate in an interactive discussion and to provide extensive feedback on the topics. Director Cordray welcomed CUAC members and provided brief remarks on the new Mortgage Rules.

Mortgage Rules Effective Date

Lisa Applegate, mortgage implementation lead, CFPB

Mortgage Rules Effective Date comments

CUAC members discussed the Mortgage Rules Effective Date and made the following questions or comments:

- A CUAC member stated that they expected reduced loan production as a result of interest rate increases and the challenge of having to provide additional separate home equity loan statements, since credit unions have traditionally done combined statements. The member estimated that the cost for producing two statements would be approximately \$20,000. They also suggested tracking information with loan numbers and loan officers.
 - Staff responded that the requirement of additional reporting for home equity lines of credit depends on the type of loan. The recent mortgage rules apply only to closed end credit.
- A member stated that some North Carolina credit unions reported that many smaller credit unions are having difficulty with adapting to the rules. Three were potentially exiting the mortgage business because of the cost and risks of the changes. Some credit unions are making a conscious decision not to originate non-QM loans, but have concerns about legal ramifications regardless of the designation.

- A CUAC Member spoke about the Mortgage servicing statement requirement and that they would not be compliant until approximately April 2014. The credit union currently uses two different services and their core processor is Fiserv. The credit union recently received another version of the software from the vendor but will require additional testing before it can be used to produce statements. The back-up solution is to produce the statements by hand. The first produced statement is expected to be sent after February 15, 2014.
- CUAC members then asked what to do with home equity as some were disgruntled about services or lack thereof.
- CUAC members mentioned that hiring someone new with more expertise wouldn't be a bad choice for small real estate departments to field and respond to questions. Many credit unions with multiple locations face the difficulty of getting everyone coordinated. A CUAC Member was confused about the discussion regarding separate periodic statements. They requested clarification, with open-ended credit, no rules apply and with close-end credit, new rules would apply.
 - Staff stated that there were not any rules for open-ended credit and that the new rules applied for close-end loans.
- A CUAC member reported that some Ohio Credit Unions may need more time when regulation comes out due to a variety of factors including:
 - 3rd party vendor issues
 - The fear of difficulty closing loans with the DTI restriction, especially clients with student loans
 - Some credit unions are contemplating not originating non-QM loans because of the 3% points and fees cap
- A CUAC Member with \$50 million in assets explained that Co-op share loans fall under mortgage rules or is a residential mortgage loan. When foreclosed, you have to offer to members. 30k-70k limited equity co-ops.
- A CUAC Member with \$20 million in assets stated that they are still trying to figure out what applies to them and what doesn't, that there is general confusion regarding the rules.

Auto Lending - Overview of the Bureau's Auto Lending Guidance and Authority

Eric Reusch, program manager - auto and student finance, CFPB

Auto Lending comments

CUAC members discussed the overview of the Bureau's auto lending guidance and authority and made the following questions or comments:

- A member that participates in significant amount of auto lending stated that they only originate loans with flat fees.
- A member explained that they have always been in favor of a flat-fee. They understood the value on a contract based on duration and that a dealer talking a consumer into higher rate isn't always in best interest of the credit union.
 - Staff replied that they understand how 'steering' is an issue and acknowledged that lenders moving to a flat-fee should be monitored.
- A CUAC member stated that to compete with marketing cost of sales, credit unions would have to either make charitable contributions with the dealer, compete with market participants or faster closing loans. Currently the member has a robust refinance business with programs for credit union members. Most of the deals done in last 90 days are with new members from indirect channels.
- A CUAC Member questioned if the CFPB has authority or jurisdiction or rulemaking over auto lenders, because their interpretation of the brief was that the Bureau could have authority.
 - Staff explained that with enforcement authority provided by Dodd-Frank, the Bureau can investigate captive auto lenders on a case by case basis if warranted.
- A CUAC member questioned if the FTC has authority over auto dealers since the Bureau doesn't have supervisory authority over lenders such as Ford Motor Company.
 - Staff answered that the FTC has jurisdiction over auto dealers and that most captive lending arms of the dealers are supervised by the states. CFPB has enforcement authority over the captive lending arms of auto dealers and can investigate cases if warranted.
- A CUAC Member asked about which regulatory body regulates discrimination in auto sales.
 - Staff replied that the FTC regulates possible incidents of sales discrimination at the dealer level and that the Bureau cannot address.
- A CUAC member referenced a minority car dealer issue and recommended that the Bureau move to a regime similar to the one utilized by the Justice Dept. in an effort to address discrimination at dealerships. The member stated that consumers would benefit more through additional fair lending regulations on dealerships.

Adjourn

The meeting adjourned 2:30 p.m. EST.