

JUNE 2013

# Community Bank Advisory Council meeting minutes

JUNE 20, 2013



Consumer Financial  
Protection Bureau

## Meeting of the Community Bank Advisory Council

The Community Bank Advisory Council (CBAC) of the Consumer Financial Protection Bureau (CFPB) met via conference at 1 p.m. on June 20, 2013. The conference call was held at CFPB, 1700 G Street NW, Washington, DC 20552.

### Board members present:

Robin Loftus, chair  
Timothy Zimmerman, vice chair  
Guillermo Diaz-roussetot  
Tyrone Fenderson  
Donald Giles  
Jack Hartings  
Melany Kniffen  
Jo Ann Merfeld  
Kim Saunders  
Farid Tan  
Glen Thurman  
Huey Townsend  
Larry Wilson

### CFPB staff present:

Kelly Cochran  
Delicia Hand  
Elizabeth Ellis  
Katherine Samolyk  
Daniel Smith  
Gary Stein  
Patrick Orr

## Welcome and meeting overview

### **Richard Cordray, director**

The meeting via conference call was called to order at 1:00 p.m. by Director Cordray, who welcomed CBAC members and provided an overview of the call agenda. Director Cordray introduced Gary Stein, Deposit Markets Program Manager, who discussed the [Overdraft White Paper](#).

## Overdraft white paper

### **Gary Stein, deposit markets program manager, Credit Information Collections and Deposits Markets**

Deposit Markets Program Manager, Gary Stein, provided an overview of the recently published [Overdraft White Paper](#). With the highest number of complaints in the deposits arena, overdraft is a highly visible issue and becoming more so due to broadening payment channels. Over the last ten (10) years, the report shows that overdraft income is becoming a large revenue stream for institutions in the market place.

- Since 1984, there has been a steady rise of deposit service fees for consumers and all types of accounts. Across several studies, banks reported 27.7% of consumers' accounts experienced non-sufficient funds or overdraft activity in 2010. Further study will continue to refine estimates.
- The market has many different approaches to different categories and there are variances in customers, as well as variance in bank policies. Effectiveness of tools such as fee caps, or no fee caps, grace periods, and linked accounts differ due to consumer composition, bank policies, and to whom the bank will provide an account. We encourage a broad access of products. Overdraft posting practices differ widely.

In conclusion, the report demonstrated that majority of consumers do not overdraft. A small proportion of consumers have challenges. The Bureau continues to examine how we can have transparency and safe, effective products. The report is ongoing and is a helpful conversation starter.

## CBAC comments and questions

- A CBAC member asked what size institution did the Consumer Complaint data come from. CFPB staff responded that the complaint data is tied to larger institutions. CFPB staff responded that it is hard to tie complaints to small institutions; they do not have all of the programs. Bureau Staff are trying to understand smaller institutions usage of these products and are seeing similar patterns as larger institutions. For insight, Bureau staff looks at consumer research to understand how consumers think of institution differences.
- A CBAC member went on to say that, their institution is not receiving a high level of complaints from consumers.
- A CBAC member asked about the findings regarding charges to debit cards. CFPB staff responded that there is a mix of policies. Some institutions have no opt in for overdraft protection with debit cards. In some institutions, there are no criteria for determining how they decide who gets a debit card; and some require a review of check systems. In second chance programs, they will not let an overdraft occur at all.
- A CBAC member stated that authorization holds on debit cards are confusing.

## Payday and deposit advance product white paper

**Katherine Samolyk, senior economist, Research, Markets, and Regulations**

**Eleanor Blume, counsel, Research, Markets, and Regulations**

Senior Economist Katherine Samolyk provided an overview of the key findings of the report and key questions addressed in the report. [\*The Payday and Deposit Advance White Paper\*](#) was the first step in an empirical investigation of two small dollar products: the storefront payday loan; and the deposit advance product.

### CBAC comments and questions

- A CBAC member stated that they do not offer payday loans. Payday is a significant means for people who traditionally would not qualify for a small dollar loan. However, for a Community Bank, it costs too much to offer payday loans.
- A CBAC member stated a loan applicant's credit report does not show if they use payday loans.
- A CBAC member stated that consumers are going to payday lenders, because they are less cumbersome. However, they are pushing people to higher costs and a more cumbersome process.
- CBAC member asked when determining ability to pay a payday loan, what metrics are used. CFPB staff responded that the Bureau asks for all of the institutions information and review ACH coming in. Institution would lend you 50% of average deposit.

**Daniel Smith, assistant director, Office of Financial Institutions and Business Liaison Office**

Assistant Director Dan Smith provided an overview of the newly established Office of Financial Institutions and Business Liaison (OFIBL). OFIBL will work with financial institutions to ensure that the Bureau has the benefit of hearing the perspectives of financial institutions and businesses. This office will coordinate communication from the bureau to industry and from the industry to the Bureau.

The discussion concluded with staff emphasizing the desire to continue the conversation with the Council. Staff agreed to follow up with Council members on questions raised in the discussion and to share additional information requested. Staff also encouraged continual insight, suggestions, and input by sending an emails to [CBAC@cfpb.gov](mailto:CBAC@cfpb.gov).

**Adjournment**

CBAC members provided feedback on the format and content of the current meeting, and the meeting adjourned at 3: 00 p.m. EST.