

SEPTEMBER 2013

Consumer Advisory Board meeting minutes

SEPTEMBER 18-19, 2013

Fourth meeting of the Consumer Advisory Board

The Consumer Advisory Board (CAB) of the Consumer Financial Protection Bureau (CFPB) convened for its fourth meeting at 10:00 a.m. on September 18, 2013 at the Mississippi Valley State University, located at 14000 Highway 82 West, Itta Bena, Mississippi, and at 8:00 a.m. on September 19, 2013 at the Hilton Garden Inn located at 235 West Capitol Street, Jackson, Mississippi.

CAB members present:

Jose Quiñonez, Chair
Bill Bynum, Vice chair
Gary Acosta
Jo Ann Barefoot
Don Baylor
Maevé Brown
Steve Carlson
Laura Castro de Cortes
Elizabeth Costle
Prentiss Cox
Patricia Garcia Duarte
Patricia Hasson
Adam Levitin
Jennifer Mishory
William Nelson
Michelle Peluso
Dory Rand
Annette Rizzo
Ellen Seidman
Josh Silverman
Robert Stoll
Donna Tanoue
Jane Thompson
Jonathan Zinman

Present from the CFPB:

CFPB Director, Richard Cordray
CFPB Deputy Director, Steve Antonakes
Julian Alcazar
Patty Avery
Ren Essene
Patrice Ficklin
Delicia Hand
Zixta Martinez
Patrick Orr
Cheryl Parker Rose
Clifford Rosenthal
David Silberman
Dan Smith
Gena Stern
Chris Vaeth

DAY ONE

Welcome and meeting overview

Jose Quiñonez, CAB chair

Delicia Hand, CAB staff director

The CAB meeting was called to order at 10:32 a.m. CST by CAB Chair, Jose Quiñonez, who, with the Staff Director, Delicia Hand, reviewed the two-day meeting goals. Meeting goals and topics to be discussed included: new Americans in the financial marketplace, consumer engagement tools, a review of the recently issued payday report, an update on the recently finalized remittance rule, and the first in person CAB committee meetings.

CAB Staff Director, Delicia Hand, described the overall theme of the meeting, which is access to credit, access to information and financial resources. CAB members toured the Mississippi Delta, underscoring the meeting's themes.

CAB public meeting: Strategies to improve access to credit

Richard Cordray, CFPB director

Steve Antonakes, CFPB deputy director

Patrice Ficklin, assistant director, Office of Fair Lending and Empowerment

Cliff Rosenthal, assistant director, Office of Financial Empowerment

Ren Essene, data assets team lead, Research Markets and Regulation

During the public meeting of the CAB, Director Cordray addressed the CAB, panelists, and members of the public, speaking about the importance of transparency, and the launch of a web-based tool to provide the public with easy access to mortgage information collected under the Home Mortgage Disclosure Act (HMDA). After Director Cordray's remarks, Data Assets Team Lead Ren Essene provided an overview and demonstration of the of HMDA tools that will improve access HMDA data and further the goals of the HMDA statute. These tools will help consumers, community groups, public officials, researchers, developers, and the banks themselves understand the mortgage market trends of their communities. Following the demonstration, CAB Chair Jose Quiñonez and CFPB Deputy Director Steve Antonakes led a panel discussion about access to credit issues. A live stream video of the session and is available on consumerfinance.gov.

Working lunch: public session debrief

Jose Quiñonez, CAB chair

Delicia Hand, CAB staff director

During a working lunch, Chair Quiñonez reconvened the CAB meeting in closed session and congratulated Director Cordray on his recent Senate confirmation. Director Cordray said his confirmation lifted the last cloud remaining over the CFPB, helping to improve staff morale. Throughout the confirmation process, the Director and staff felt that the CFPB must remain focused on its mission. Director Cordray shared that he hoped the confirmation meant that the Bureau had won people over by doing its work, and doing it well. He recognized the work of all the offices within the CFPB and also expressed his gratitude to members of Congress on both sides of the aisle for their efforts.

Director Cordray said he looks forward to continuing work with the CAB. Chair Quiñonez thanked Director Cordray for his leadership and said he looked forward to the CAB continuing to serve in its advisory role. CAB Staff Director, Delicia Hand, identified new CFPB staff present in the meeting and asked them to introduce themselves. Chair Quiñonez then opened the floor to CAB members to voice their impressions of and ask any follow up questions from the previous public-session meeting.

CAB Public session debrief CAB comments and questions

- A CAB member shared that he thought it was important to network with local, non-governmental organizations to leverage the work of the CFPB. The CAB should consider ways to best accomplish this.
- A CAB member stated she noticed the tonal difference in this meeting as opposed to those held in Los Angeles or St Louis, calling the views voiced in Itta Bena “more nuanced.”
- A CAB member concurred with respect to the difference in tone and said they were struck by a comment pertaining to the role of credit in people’s access to the financial resources. Credit scoring is an issue of great concern. Industry would not want to be held to the same rules as are consumers.
- A CAB member noted comments pertaining to the uneven financial recovery across the country. They agreed with comments made about low attendance at financial education classes. People who entered into subprime mortgages prior to the crisis now have worse credit and are in need of financial education tailored to their situation.

- A CAB member commented that they were impressed with the audience’s eloquence and thoughtfulness. With respect to access to credit, it is a challenge for lenders to identify with no or little information who is a good credit risk. We need more work in the field especially with regard to new data sources. How to leverage new data is a rich area for inquiry by the CFPB. The Vantage credit scoring system may be more accurate at the low end of the FICO score.
- A CAB member stated that access to credit is often predicated on access to a bank account. We need to change the way we think about what is a bank branch or a depository institution.
- A CAB member stated the tone among many of the public commenters was more one of acceptance that payday lending is here and how to make the product fair to consumers, rather than getting rid of it. People do not expect relief from their state legislatures and regulators, but they are looking to CFPB to protect their interests. The member continued to comment that it’s hard to hold banks accountable when they have so much latitude in how they paint their picture with respect to financial viability.
- A CAB member encouraged CFPB staff to be aggressive in their thinking on how to leverage user interfaces, among them open APIs and architectures for its tools, especially with regard to attracting the right talent. Director Cordray said the Bureau is committed to exploring these ideas but certain rules of federal practice may not make it easy.
- A CAB member said turnout for financial literacy courses might be improved by learning lessons from the medical community in its use of peer advocates.
- Director Cordray directed CAB’s attention to two reports found on CFPB’s website, one on financial education in [Transforming the Financial Lives of a Generation of Young Americans-K-12](#) and another comprising CFPB’s report to Congress on [CFPB’s financial education](#) efforts overall.

Year-in-review discussion

Jose Quiñonez, CAB chair

Delicia Hand, CAB staff director

Chair Quiñonez called the meeting back to order to discuss the CAB's first year and to review key learnings, highlights, and improvements that could be made. Chair Quiñonez emphasized that given that this was the first year of the Bureau's first formal advisory body, it was important to take the time for this conversation. Chair Quiñonez started the conversation by noting that two of the most important milestones of the CAB had been forming committees and building rapport with CFPB staff.

In response to CAB questions about their membership and terms on the Board, CAB Staff Director Delicia Hand provided some updates and clarifications to the CAB. The Bureau will soon announce that it is again accepting applications for new membership to the CAB and its other advisory bodies. Because the first cohort of CAB members with two year terms will end in August 2014, seven positions on the CAB will become open in the late summer of 2014; the vacancies and call for applications will be announced in January 2014. Current CAB members who wish to fill these spots will have to reapply.

CAB comments and questions

- A CAB member stated it is important to continue holding meetings outside of Washington, D.C.
- A CAB member suggested committees should continue to meet via teleconference between in-person meetings of the full Board.
- A CAB member suggested that time be allotted at in-person meetings for members to attend more than one committee meeting.
- A CAB member recommended CFPB staff consider utilizing video teleconference capabilities to facilitate remote meetings. Currently conference call meetings are held and participation is difficult in this setting.
- A CAB member encouraged CFPB staff to continue coming to the CAB with questions for their consideration and feedback.
- A CAB member suggested allotting one hour per meeting in which CAB members can brainstorm about issues on the horizon.
- A CAB member encouraged the CAB not to forget consideration of CFPB's supervisory role.

- A CAB member stated that CAB is of the greatest value to the Bureau when it is allowed to provide thoughtful discussion on issues at the beginning and more conceptual phase as opposed to later in the process when the Bureau has formally entered into rulemaking.
- A CAB member suggested the CAB hear from industry representatives in the near future about their good examples and experiences in the area of financial education.
- A CAB member shared their belief that CFPB would get the most out of CAB members with one-on-one phone calls.
- CFPB staff thanked members of the CAB for their input and shared that the Bureau is very pleased with the work of the CAB and hopes that the experience only continues to improve.

Chair Quiñonez adjourned the closed-session meeting at 4:06 p.m., to continue the following day in Jackson, Mississippi.

Day two

Committee meetings

Jose Quiñonez, CAB chair

Delicia Hand, CAB staff director

After welcoming the CAB back, the meeting was called to order in closed session at 8:18 a.m. CST by, by CAB Chair, Jose Quiñonez, who, with the Staff Director, Delicia Hand, reviewed the agenda for the day and provided opportunity for the CAB to provide feedback, ask clarifying questions, and make recommendations for future agenda items. The CAB then convened in committee meetings.

Policy discussion - HMDA data interface

Ron Borzekowski, acting assistant director, Office of Research

Ren Essene, data assets team lead, Mortgage Markets

After the CAB returned from committee meetings, the full CAB met with CFPB staff who provided an in-depth presentation and demonstration of the new CFPB HMDA web-based tool. Following the public unveiling from the day before, the website received 3,090 unique views; 93 videos were viewed; 9.5% of the traffic came from smartphone or tablet devices. The HMDA tool constitutes an opportunity to bring this law and the data it provides into the 21st Century. The Bureau's continued work in this space will include making HMDA data more user-friendly, releasing information to the public, and providing a robust interface where the public can make use of CFPB data. The strengths of the HMDA tool include data comprehensiveness, clean data and demographic breakdowns of data along several parameters. Weaknesses of the HMDA tool include long lag time to obtain data, lack of loan performance data, and a lack of "visibility on creditworthiness," among others.

CAB comments and questions

- CAB members expressed interest in marketing efforts for the HMDA tool and enthusiasm for the Application Programming Interface (API).
- A CAB member noted the importance of considering how user-applied data add-ons may affect personal privacy.
- A CAB member suggested providing links to national mortgage lending databases.

- Bureau staff encouraged submission of privacy experts' names that they might help ensure the tool is properly used.

Briefing: Bureau work with consumer law clinics

Susan Stocks, senior counsel for enforcement strategy, Supervision, Fair Lending and Enforcement

CFPB staff provided a briefing on the Bureau's work with consumer law clinics at law schools that would begin later that month in September 2013. The effort is aimed at helping the Bureau find out how members of the public get the help they need with their financial situations and also to work with law schools to provide information to consumers such as sharing information on the Bureau's "Ask CFPB" platform. Staff is developing a "mini toolkit" for law clinic students to become aware of available resources.

CAB comments and questions

- CAB members expressed support for the program.
- A CAB member encouraged Bureau staff to pay especial attention to sparsely populated areas.

Working lunch, policy discussion

Ron Borzekowski, acting assistant director, Office of Research

Patrice Ficklin, assistant director, Fair Lending and Equal Opportunity

CFPB staff engaged CAB members in a discussion on consumers' access to credit and financial services. CFPB staff presented an analysis of anonymized data obtained from a credit-scoring agency. Disparities along racial and socioeconomic divisions persist.

CAB comments and questions

- A CAB member encouraged the Bureau to apply geocoding analyses to identify "credit deserts" (Absence of financial institutions).
- A CAB member stated that the Bureau should think more about making sure people's first access point to credit achieve a positive outcome.
- A CAB member said the data presented highlight issues with the FICO scoring model

currently in place. Vantage scores may be more accurate at the low end of the scale. CAB members were interested to see other demographic cuts of the data.

Your money, your goals, overview

Cliff Rosenthal, assistant director, Office of Financial Empowerment

Patty Avery, financial empowerment program specialist, Office of Financial Empowerment

CFPB staff provided a briefing on Your Money, Your Goals, a ten-module toolkit designed to help practitioners' clients achieve their financial goals. During the previous day's public session, the Bureau announced the release of a pilot of this tool-kit. The key implementation strategy for this new initiative is to identify and serve trusted intermediaries who work directly with consumers. The goal is that intermediaries will incorporate financial capability into the services they provide to consumers. The development process is ongoing and the final product is projected to be available in 2015. One challenge facing the program is that practitioners often do not feel that they have their own "financial house in order", and so do not feel that they can advise their clients in this area. Assessment tools are incorporated into the program to help case managers and participants determine their strengths and weaknesses. So far, interest in the program has exceeded expectations. CFPB customizes the program based on the specific needs of different audiences.

CAB comments and questions

- CAB members stated that they are in favor of generating evidence based on the success of the program; they emphasized that evaluation of the effectiveness of this tool-kit is key.
- CAB members suggested closing feedback loops in order to improve service of the program.
- CAB members encouraged the Bureau to think about how to make CFPB the trusted source for financial education.

CAB Committee reports

The Committee Chairs reported to the larger CAB on the previous day's committee discussions. Summaries of each report follow below.

CAB small dollar and installment lending committee report out and discussion:

- CAB members discussed auto title lending and online payday lending.

- i. Auto title lending differs from payday lending in a few important respects including demographic usage, loan amount, fees, and term of repayment.
- CAB members believe auto title lending should be considered in CFPB's upcoming rulemaking.
- A CAB member stated that only 30% of online payday lending is licensed.
- CAB members stated better data is needed in the area of online payday lending.
- CAB members suggest statutory limits to the number of refinances available to consumers are necessary.

CAB credit reporting, debt collection, and deposits committee report out and discussion:

- CAB members discussed CFPB's rulemaking authority under the Fair Debt Collection Practices Act (FDCPA).
- A CAB member asked if it made sense that the FDCPA only covers third-party debt collectors.
- CAB members discussed third-party debt-buyer verification.
 - i. CAB members mentioned that under California law, before a debt collector can initiate the process of collections, they must have physical proof of several facts pertinent to the debt being collected on.
 - ii. A CAB member suggested that these rules be considered on a national level.
- CAB members discussed methods of communication used in the course of debt collection, and did not reach any conclusions in this area.
- CAB members discussed which products marketed by financial education services are most effective/least effective. Some standards should be put in place for those individuals who provide these services.

CAB mortgage committee report out and discussion:

- The Committee discussed Qualified Mortgage (QM) implementation.
- There is a great deal of misunderstanding, especially among smaller institutions, about the new QM requirements as to who is covered and what the scope of liability is.
- CAB suggests the Bureau communicate with institutions and non-CFPB examiners to help ensure their understanding.
- The Committee also discussed access to credit, QM, and CFPB's role with respect to data collection and analysis.

- CAB members suggested that the Bureau monitor whether communities are impacted disparately as QM is implemented.
- CAB members suggested that the Bureau expand and clarify its rulemaking with respect to broker and loan officer compensation for certain products.

CAB cards and payments committee report out and discussion:

- CAB members stated that it is unknown whether the ability to make mobile payments will help currently underserved populations.
- CAB members have concerns about data sharing by entities engaged in mobile payments.
- CAB members stated there are large gaps in the regulation of mobile payments that need to be filled.

Meeting debrief: CAB comments and questions

- CAB members suggested allowing discussions among members earlier in the meeting process.
- CAB members suggested distributing meeting materials to members earlier in advance of meetings to help begin discussions and provoke responses.
- CAB members suggested CFPB conduct training for its staff on how to elicit feedback from the CAB. Some discussions have yielded very rich discussions with a great deal of feedback; others have been less productive. The key difference being whether staff have specific questions and issues that they present to the CAB in a discussion.
- CAB members expressed their gratitude to CFPB staff for their thoughtful preparation and insight in conducting the meeting.

Adjournment

CAB members provided feedback on the format and content of the current meeting, and the meeting adjourned at 4:10 p.m. CST.