

# Academic Research Council

JUNE 17, 2013 MEETING SUMMARY



Consumer Financial  
Protection Bureau

## Third Annual Meeting of the Academic Research Council

On June 17, 2013, CFPB's Office Research convened the Academic Research Council for its third annual one-day meeting at 1625 Eye Street N.W., in Washington, D.C.

### Council members present

John Campbell

Justine Hastings

Christine Jolls

David Laibson

Richard Thaler

### CFPB members present

Ron Borzekowski

Jesse Leary

David Silberman

Office of Research Staff

## **Welcome and Meeting Overview**

### **Jesse Leary, Deputy Assistant Director**

Jesse Leary, Deputy Assistant Director for the Office of Research called the meeting to order and welcomed the Council members and reviewed the day's agenda. Director Richard Cordray provided introductory remarks and emphasized the Office of Research's role in catalyzing the development of the field of Household Finance within economics.

### **Morning Session**

During the morning session, Office of Research staff described the development of their capacity to conduct field and laboratory trials and solicited input from the Council on the overall strategy. Specific projects were discussed including the Office's role as technical advisor on an impact evaluation of two community-based financial education/coaching programs. There was also a discussion regarding online tools that could help consumers with mortgage shopping and their decisions around mortgages. The Office of Research is in the process of designing an evaluation of the tool to assess if it encourages mortgage shopping and results in the consumer obtaining a lower cost loan.

Council members raised the issue how the study of intertemporal choice could be adequately analyzed in the context of laboratory trials. The general concern was that real world and laboratory settings offer different stimuli, cues, etc. in which the fundamental decisions that are presented to consumers are cognitively different. Generally they concluded that trials would likely be more legitimate and predictive if they were more organic and more closely resembled the situations that consumers face. They recommended using laboratory trials to study decision-making that is tied to rewards or consumption at a particular point in time, or other topics such as "confusion" rather than "temptation" as it difficult to recreate "temptation" in the laboratory setting.

### **Lunch Session**

Academic Research Council members met in informal breakout sessions during a working lunch to continue the morning's discussion with Office of Research staff around the Bureau's capacity to conduct field and laboratory trials, the impact evaluation of community-based financial education/coaching programs and mortgage shopping tools.

## **Afternoon Session**

In the afternoon session, researchers from the Office of Research presented self-directed research papers in progress and solicited input on data collection approaches and econometric specifications, and sought feedback from Council members on the implications of the results that they presented. Amongst the research papers presented was a study analyzing the role payment heuristics play in how consumers decide to pay down their credit card bill each month. Council members recommended the focus of the research should be shifted away from payment heuristics based on round numbers and instead to minimum payment formulas and disclosures.

Another study that was discussed was one examining Buy Here Pay Here (BPPH) auto transactions in which automobile dealers extend credit to purchasers of automobiles. Critics argue the practice of BPPH offers loans to consumers who otherwise would not be able to purchase a vehicle. The study examined if existing policies intended to mitigate these harms have been effective. Council members found value in the Office of Research pursuing further research on this topic but also cautioned that researchers should be careful drawing strong welfare implications from the results.

Additional papers probed the effect of the Federal Reserve Board's subprime mortgage regulation requiring escrows on the availability of mortgage credit; consumer demand for overdraft and deposit advance products; and, the relationship between mortgage default and the ability to pay.

In a management session, Academic Research Council members shared their feedback on the day's sessions with senior Office of Research staff. Senior Office of Research staff also discussed the progress and challenges in building the Office of Research since the Council's last annual meeting. Council members recommended innovative or important academic research papers in the field of consumer finance they had come across during the year and suggested other outlets for Office of Research staff to present their self-directed research.