

OCTOBER 2012

Community Bank Advisory Council Meeting Minutes



Consumer Financial
Protection Bureau

Inaugural Meeting of the Community Bank Advisory Council

The Community Bank Advisory Council (CBAC) of the Consumer Financial Protection Bureau (CFPB) was convened for its inaugural meeting at 9:30 A.M. on October 10, 2012 at the Consumer Financial Protection Bureau Headquarters, 1700 G Street, N.W., Washington, DC.

CBAC members present:

Ms. Robin Loftus, Chair
Mr. Timothy Zimmerman, Vice Chair
Mr. Guillermo Diaz-Rousselot
Mr. Tyrone Fenderson
Mr. Donald Giles
Mr. Jack Hartings
Ms. Melany Kniffen
Ms. Jo Ann Merfeld
Ms. Kim Saunders
Ms. Laurie Stewart
Mr. Glen Thurman
Mr. Huey Townsend
Mr. Larry Wilson

Consumer Financial Protection Bureau Staff:

Steve Antonakes, Associate Director, Supervision, Enforcement & Fair Lending
John Asbury, Program Management Advisor, External Affairs
Peter Carroll, Assistant Director, Mortgage Markets
Richard Cordray, Director
Richard Hackett, Assistant Director, Installment Lending Markets
Delicia Hand, Staff Director, Consumer Advisory Groups
Gail Hillebrand, Associate Director, Consumer Education & Engagement
Zixta Martinez, Acting Associate Director, External Affairs
Leslie Parrish, Program Manager, Payday and Small Dollar Loans
Margaret Plank, Legal Division
Bart Shapiro, Senior Advisor, Community Banks and Credit Unions

Welcome, Group Introductions and Meeting Overview

Delicia Hand, CFPB staff director, opened the meeting by welcoming the group, and articulating the agenda, meeting goals, and the Board's responsibilities. Afterwards, she introduced Richard Cordray, CFPB director. Director Cordray lauded the group and community banks in general for their commitment to providing quality services to their communities. He then provided an overview of the Bureau's major first year achievements, and his professional experience.

Director Cordray provided an overview of the nomination process for the advisory groups. He then briefly explained CFPB's congressionally mandated jurisdiction to establish the Consumer Advisory groups. Director Cordray encouraged council members to be candid in the feedback and input they provide to the Bureau in Council meetings on Bureau actions. He emphasized

that, although the Bureau was close to its January 21, 2013 deadline for the mortgage markets rulemaking, he still welcomed input and feedback from council members.

Director Cordray concluded his remarks by reinforcing the Bureau's mandate to serve and protect consumers. He expressed that his vision is for the Council to address community issues during council meetings. Additionally, he welcomes a full-range of thoughts on how to fulfill the Bureau's mandate.

After Director Cordray concluded, Chairperson Robin Loftus began her remarks by also welcoming Council members and introducing herself. She highlighted her goals for participation in the Council, conveying the common sense lending of community banks and noted that she was particularly passionate about increasing financial literacy among today's consumers.

After Chairperson Loftus, Vice-chairperson Zimmerman introduced himself to the Council. He emphasized how community banks were distinct and important financial service providers. Additionally, he shared his vision for financial literacy that, through the distribution of complete and accurate information, empowers consumers to make good decisions. .

After these welcoming remarks by Bureau staff and the Council leaders, each advisor delivered introductory remarks.

Post Financial Crisis Environment

CFPB director, Richard Cordray led CBAC members in a discussion regarding their service to consumers during the post financial crisis. Director Cordray asked council members to comment on the opportunities and challenges ahead.

Council members reiterated that community banks and other small financial institutions did not cause the financial crisis; but, due to the increased regulation introduced by the Bureau, community banks will be severely impacted. The regulations may limit the services they can offer to consumers.

Strategic Overview of the CFPB: Supervision, Enforcement & Fair Lending (SEFL) and Consumer Education & Engagement (CEE)

This session provided an opportunity for CBAC members to learn about the inner workings of the Bureau; specifically, how the divisions within the CFPB are structured. The Council members also learned about division key goals and objectives, short and long term priorities and the key staff members in the divisions. CBAC members were provided with an opportunity to ask Bureau staff questions after each presentation.

Steve Antonakes, Associate Director for Supervision, Enforcement & Fair Lending (SEFL) provided an overview of the SEFL division, which comprises over half of the Bureau's staffing. In response to the presentation, Council members outlined the following concerns:

- As a consequence of increased regulations, many customers may instead turn to profit-driven non-bank financial institutions, such as payday lenders, who charge high interest rates on short-term loans and have an increased online presence, to secure their financial services.
- Regulation of non-bank entities by the Bureau to ensure consumer protection.
- The Bureau has not deployed its staff to their local communities and institutions to directly witness the strain increased regulation will place on institutions before enforcement begins.

After the presentation by Steve Antonakes, Gail Hillebrand, Associate Director, Consumer Education and Engagement (CEE), provided an overview of the division she leads in the Bureau. This included a description of the statutory basis for the Division, CEE's priority to provide increased transparency and product knowledge for American consumers to easily make product comparisons, and the key staff assigned to lead that charge.

Many Council members expressed approval for CEE's consumer education initiatives thus far noting that many of their institutions engage consumers in similar ways, especially programs targeting older adults. CBAC members suggested the network of community banks as a great way to disseminate the information and solutions employed by the Bureau

Community Banks Leveling the playing field for consumers

Richard Hackett, Assistant Director of Installment Lending Markets led CBAC members in a discussion about the role of small institutions in leveling the playing field for consumers and asked CBAC members to comment on the solutions they employ. The discussion was guided by the following questions:

- *How can smaller institutions help to level the playing field for consumers who have difficulty managing their money?*
- *How do smaller institutions help consumers become less dependent on expensive forms of emergency credit, get access to credit cards, revive poor credit histories that keep them from accessing revolving credit, etc.?*

In this discussion, Council members noted:

- Consumers often wait until they are experiencing a crisis to seek assistance and this presents challenges and opportunities for community banks to help consumers who need financial assistance. However, by this time there may be credit and other issues that prohibit a bank from assisting them, so they turn to costly sources of securing immediate

financial assistance. In response, some Council members suggested that a large group of consumers use costly short term loans to satisfy their need for instant gratification and should be held accountable for poor decision making. Community banks are committed to promoting responsible decision making.

Ultimately, the Council members agreed that there is a fine line between consumer responsibility and consumer protection.

Community Banks and Mortgages

Peter Carroll, Assistant Director, Mortgage Markets, led CBAC members in a discussion about the role of community banks in mortgages. The advisors shared a variety of perspectives on community bank experiences and concerns about mortgage lending.

The discussion was guided by the following questions:

- *How can the CFPB maintain the special role of community banks in communities re mortgages. What is the mortgage market like today for community banks?*
- *What kind of borrowers are community banks serving and what kinds of products are offered? What are the opportunities and challenges in mortgage lending?*
- *How can community banks and the CFPB work together to preserve the special role of these institutions?*

Council member discussions focused on:

- Council members emphasized the importance of making smaller loans easier to secure. In some markets the average loan is \$40,000. In order to accomplish the aforementioned goal, community banks need a more vibrant secondary market. Members expressed concern that the mortgage regulations will cripple the secondary market on which community banks have depended for decades. Members encouraged the Bureau to protect and enhance the secondary market with the ultimate result of helping consumers.

CBAC Work on Governance and Structure

Robin Loftus, chairperson, and Tim Zimmerman, vice-chairperson, led CBAC members in discussion to tailor and adopt bylaws as the operational guidelines for the Council. While the group reached a consensus on language changes, final approval was tabled until the next meeting.

The Council meeting adjourned at 5:17 pm.