

OCTOBER 2012

Credit Union Advisory Council Meeting Minutes



Consumer Financial
Protection Bureau

Inaugural Meeting of the Credit Union Advisory Council

The Credit Union Advisory Council (CUAC) of the Consumer Financial Protection Bureau (CFPB) was convened for its inaugural meeting at 10:00 A.M. on October 11, 2012 at the Consumer Financial Protection Bureau Headquarters, Washington, DC.

CUAC members present:

Ms. Carla Decker, Chair
Ms. Rose Bartolomucci, Vice Chair
Mr. Bernard Balsis
Mr. Gary Bell
Mr. John Buckley
Mr. Ron Ehrenreich
Mr. Kevin Foster-Keddie
Mr. Mitchell Klein
Mr. Lily Lo
Ms. Maria Martinez
Mr. Marcus Schaefer
Ms. Camille Shillen
Mr. Gregg Stockdale
Mr. David Wright

CUAC members absent:

Ms. Helen Godfrey Smith

Consumer Financial Protection Bureau staff:

David Bleicken, Deputy Associate Director for Supervision, Enforcement & Fair Lending
John Asbury, Program Management Advisor, External Affairs
Peter Carroll, Assistant Director, Mortgage Markets
Rich Cordray, Director
Richard Hackett, Assistant Director, Installment and Liquidity
Delicia Hand, Staff Director, Consumer Advisory Groups
Zixta Martinez, Acting Associate Director, External Affairs
Leslie Parrish, Program Manager, Payday and Small Dollar Loans
Margaret Plank, Senior Counsel, Legal Division
Cliff Rosenthal, Assistant Director, Financial Empowerment
Bart Shapiro, Senior Advisor, Community Banks and Credit Unions

Welcome, Group Introductions and Meeting Overview

Delicia Hand, CFPB Consumer Advisory Board and Councils Staff Director, started the meeting with a review of the agenda, meeting goals and the role of the council members.

Following Staff Director Hand, Richard Cordray, CFPB Director, Carla Decker, CUAC chairperson, and Rose Bartolomucci, CUAC vice-chairperson delivered welcoming remarks to the CUAC.

Director Cordray introduced himself to the group and then highlighted CFPB's major achievements during its first year, his vision for the advisory councils and CFPB's effect on smaller institutions. He concluded his remarks by introducing Chairperson Decker and Vice-chairperson Bartolomucci.

Chairperson Decker introduced herself to the group and then expressed pride in serving working class members, especially given her experience moving to the United States to earn a college degree. She also shared her D.C.-based credit union is relatively small with \$47 million in assets.

After Chairperson Decker spoke, Vice-chairperson Bartolomucci introduced herself and shared her remarks. During her remarks, Vice-chairperson Bartolomucci impressed upon the group that credit unions did not cause the problem which led to the current financial crisis; however, they remain engaged in solving the problem.

Following the introductory/welcoming remarks of the CFPB staff and Council leaders, the members introduced themselves and listed their expectations as members of the CUAC.

Discussion – Post Financial Crisis Environment

Director Cordray led CUAC members in a discussion about the post-fiscal crisis environments in which credit unions will serve their members. In this facilitated discussion, the group discussed the opportunities and challenges for credit unions post-fiscal crisis.

The discussion was guided by the following questions:

- *How have credit unions continued to serve communities post crisis despite their limited role in the fiscal crisis?*
- *With what obstacles and opportunities are institutions dealing?*
- *What role could the CFPB play in addressing these issues?*

The council members shared the following thoughts:

- The fiscal crisis is far from being over: many cited the grim situations of their members.
- While they articulated the great care they have taken of their customers during the crisis, a few expressed frustrations regarding the ability to help specific populations such as college students who are being steered towards banks by colleges and universities.

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

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

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

- SEFL may fail to act humbly if it operates without a specified measurement of success
- Regulators may not have credible backgrounds to enforce the regulations
- Differences between credit union and bank regulations

After the presentation by Assistant Director Antonakes, Cliff Rosenthal, Office of Financial Empowerment Assistant Director, provided an overview of the Consumer Education and Engagement division. 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. In response to the presentation, council members had the following concerns:

- Low financial literacy rates amongst high school students
- Members' understanding of the difference between credit union regulations and bank regulations
- The lack of a financial empowerment database of activities
- Decreasing relevance of credit reports
- Increasing dangers associated with payday loan providers

Credit unions leveling the playing field for consumers

Richard Hackett, Installment and Liquidity Lending Markets Assistant Director led CUAC members in a discussion about the role of small institutions leveling the playing field for consumers.

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.?*

The council members shared the following thoughts:

- If credit unions are trying to do what's best for their customers, they should caution their members against payday lending
- Some CUAC members offered that credit unions already offer payday loan alternatives that are safer than the predatory high interest pay day products and that this is a valuable service to consumers who need short term small dollar credit. Other CUAC members suggested that credit unions should not provide payday loans as payday lenders and banks already occupy that space and the payoff to consumers will be insignificant and risks placing members in a worse financial situation
- If payday loans are approached in the same spirit as courtesy pay- educate the member through repayment- payday lending could work for credit unions

Credit Unions and Mortgages

Peter Carroll, Mortgage Markets Assistant Director, led CUAC members in a discussion about the role of credit unions in mortgages.

The discussion was guided by the following questions:

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

The council members shared the following thoughts:

- Regarding mortgage rulemaking, the Bureau should focus on not having to change rules in the near future as the cost of compliance is profound
- Larger organizations have cost advantage regarding disclosures
- Mortgage application process is too cumbersome
- The Bureau should be supportive of balloons which are used to assist non-traditional mortgage applicants

CUAC Work on Governance and Structure – How to keep the work of the Council alive in between meetings

Chairperson Decker and Vice-chairperson Bartolomucci led this session during which the CUAC reviewed, discussed and finalized its operating bylaws and discussed what the work of the CUAC will look like in between meetings. CUAC members tailored and adopted bylaws as the operational guidelines for the Council. They also began making decisions about its internal structure.

Open Session: Meeting Review and Future Planning

In this closing session, Carla Decker & Rose Bartolomucci facilitated an open session which included and focused on: planning for future meetings and other strategic items.

Meeting adjourned at approximately 5:47 p.m.