

June 2016

Consumer Advisory Board

June 8-9, 2016

Meeting of the Consumer Advisory Board

The Consumer Advisory Board (CAB) of the Consumer Financial Protection Bureau (CFPB) met in person at 11:00 a.m., Central on June 8, 2016. The CAB met at the Statehouse Convention Center located at 101 E Markham Street, Little Rock, Arkansas 72201.

Board members present	CFPB staff present
Chair, Bill Bynum	CFPB Director, Richard Cordray
Vice Chair, Maeve Brown	Julian Alcazar
Seema M. Agnani	Matt Cameron
Ann Baddour	Kelly Cochran
Don Baylor, Jr.	Crystal Dully
Steve Carlson	Eric Goldberg
Tim Chen	Delicia Hand
Kathleen C. Engel	Gene Koo
Judith L. Fox	Laurie Maggiano
Patricia Garcia Duarte	Manny Mañón
Julie Gugin	Zixta Martinez
Dr. Raul A. Hinojosa-Ojeda	Holly Petraeus
Christopher G. Kukla	James Runco
Joann Needleman	Jessica Russell
J. Patrick O'Shaughnessy	David Silverman

Judge Annette Rizzo	Irene Skricki
Paheadra B. Robinson	Will Wade-Gery
Ellen Seidman	
Gene Spencer	
James Van Dyke	
Joshua Zinner	

June 8, 2016

Welcome

Richard Cordray, director, Consumer Financial Protection Bureau

Delicia Hand, staff director, Advisory Board and Councils Office

Zixta Martinez, associate director, Division of External Affairs

David Silberman, acting deputy director and associate director, Division of Research, Markets, and Regulations

Bill Bynum, chair, Consumer Advisory Board

Chair Bynum called the meeting of the Consumer Advisory Board (CAB) to order on June 8 at 11:00 am and welcomed CAB members. He provided remarks on the communities and financial markets in Little Rock, Arkansas. He thanked staff members for their work in preparing for the meeting and thanked CAB members for their participation.

David Silberman, acting deputy director and associate director of the Division of Research, Markets, and Regulations, provided remarks and thanked CAB members for their time and participation. He highlighted the Bureau's recent work including: small dollar rulemaking, the proposal on pre-dispute arbitration agreements, potential disclosures for student loan servicers, and recent enforcement actions. He also provided a brief overview of upcoming initiatives. Following Mr. Silberman's remarks, Director Cordray also welcomed CAB members and expressed his appreciation for their work. Director Cordray also thanked CAB members whose terms were ending shortly and encouraged them to remain active with the Bureau.

Zixta Martinez, associate director of External Affairs, also provided welcoming remarks and thanked CAB members and staff for their time. Delicia Hand, staff director of the Advisory Board and Councils Office, welcomed CAB members and thanked them for their time. She reviewed the agenda for the meeting and provided an overview of the work the CAB has accomplished to date.

Information Exchange – Working Lunch: Fin Tech and Regulation discussion

CAB members led a discussion on financial technology and regulation. This discussion was a follow up to the conversation had at the February in-person meeting on emerging technologies in the consumer finance marketplace. During this conversation key priorities emerged including unintended outcomes of the use of machine learning in underwriting; management of consumer information (data aggregation, tools to help consumers rate financial technology products); and access to credit.

CAB members used this session to discuss potential abuses and challenges for consumers; areas of risks to consumers, financial institutions, and the marketplace; and regulatory approaches that the Bureau should consider. Some members noted that data aggregators are continuing to collect enormous amounts of data on consumers. For example, a recent partnership between Wells Fargo and Zero was highlighted through which Wells Fargo agreed to create an API with Zero to help streamline consumer data. Regarding the role the Bureau should play with data aggregators, members discussed whether this is this a consumer protection issue or a financial industry protection issue. Members also commented that consumers need some way of understanding what information is out there. They recommended that the Bureau consider providing guidance for online lenders. They also suggested that the Bureau help consumers understand which online lenders are legitimate and which are fraudulent.

Additionally, members highlighted black box underwriting as a concern. They noted that underwriting models may accidentally create fair lending concerns. Members suggested that the Bureau require lenders using black box underwriting to undergo self-testing to ensure machine learning isn't causing an unlawful disparate impact.

Information exchange – Arbitration

Will Wade-Gery, assistant director, Card and Payments

Eric Goldberg, senior counsel, Regulations

CAB members received a briefing from Will Wade-Gery, assistant director for the Card Markets Office and Eric Goldberg, senior counsel in the Office of Regulations, on the recently released Arbitration Agreements proposed rule. The briefing summarized the Bureau's proposed rule and noted that the Bureau would be accepting comments until August 22, 2016. While not proposing to ban arbitration outright, the Bureau is proposing to prevent arbitration agreements from being used to block consumers from filing or participating in class actions. The Bureau is

also proposing to monitor arbitration proceedings. The Bureau's proposal is designed to protect consumers' right to pursue justice and relief, and deter companies from violating the law. The rulemaking is being conducted in accordance with the Bureau's authority under Section 1028 of the Dodd-Frank Act, which first required the Bureau study arbitration agreements and provides a report to Congress of our findings. Staff members shared key takeaways from the arbitration study. Staff members also provided an outline of the proposal and then responded to questions about our work from CAB members.

Several CAB members commended the Bureau on the proposed rule and noted that the rulemaking is needed to insure that consumers have access to both the monetary and injunctive relief afforded by class actions. Some CAB members raised concerns about the high fees recovered by plaintiff lawyers in class actions compared to what they said was the small amount that individual consumers recover in class actions. These CAB members encouraged the Bureau to continue to analyze the data collected in the study and consider how and whether it supports allowing consumers to file class actions.

Committee Breakout Sessions

James Van Dyke, chair, Card, Payment and Deposit Markets Committee

The Card, Payment and Deposit Markets Committee engaged in a conversation with Bureau staff and discussed several issues including Europay, Mastercard, and Visa (EMV), mobile payments, and consumer data security. Members also provided feedback on Consumer Sentinel. During a conversation on EMV chip cards and access, some committee members noted that it appears that chip cards go to wealthier consumers first. Since chip cards are designed to combat fraud, members questioned if this implies that it will take longer for lower-income people to be protected from fraud. Regarding mobile payments, members expressed concern that even though more vulnerable consumers are more likely to have mobile access, many banks require consumers sign up online before you get mobile access. The committee spoke about Consumer Sentinel and discussed different opportunities offered by that database. Members noted that the database is primarily based on complaint data.

Ann Baddour, chair, Consumer Lending Committee

The Consumer Lending Committee received a briefing by CFPB subject matter experts on the Bureau's proposed rule on Payday, Vehicle, Title and Certain High-Cost Installment Loans. Specifically, Bureau staff provided an overview of the Notice of Proposed Rulemaking (NPRM) as well as the Request for Information (RFI) and some of the research reports that accompanied NPRM. There was a discussion about the scope of the rule and committee members asked for clarity about the types of loans covered. Committee members also inquired if the NPRM would impact on online payday loans, overdraft protection, and insufficient funds charges incurred by individual borrowers.

Gene Spencer, chair, Mortgages Committee

The Mortgages Committee used the session time to prepare for the larger Board discussion on trends and themes in the housing market. Committee members identified key questions and existing issues they would like to cover. Members also engaged in a discussion about the mortgage market environment. Members acknowledged that the mortgage market is showing improvement. However, they also stated that the recovery has been uneven, and there are many communities in the country that are still suffering from the legacy of the housing crisis. The committee noted that a key part of resolving those challenges has been improvements in servicing. As such, they discussed the evolution of the modification framework of the Home Affordable Modification Program (HAMP) after the expiration of the Making Home Affordable (MHA) Program at the end of 2016. The Committee also discussed the Bureau's Know before You Owe initiative, particularly impact and implementation.

Information Exchange – Seen and Heard in the Housing Market: Mortgage Servicing

Laurie Maggiano, Servicing and Secondary Markets Program Manager, Mortgage Markets

Jessica Russell, Research Analyst, Mortgage Markets

CAB members engaged in a conversation with Bureau subject matter experts on mortgage servicing trends in the housing market. The discussion involved covering data specific to

Arkansas and the Bureau's release of Supervision Highlights related to mortgage servicing. According to data, Arkansas fared slightly better than average during the financial crisis.

A staff member provided information on the Bureau's proposed servicing rule. The staff member discussed servicing and life post-HAMP given the expiration of the MHA program at the end of the year. The Bureau is concerned about making sure consumer rights are protected in this space and is considering input from consumer and industry groups.

CAB members commended the Bureau for its work in this space. Members also praised Bureau staff for compiling the mortgage complaint data information included in the presentation. Some members recommended that the Bureau work with the Federal Housing Finance Agency (FHFA) to ensure that MHA data is analyzed, as it will be very useful for a diverse group of stakeholders. Members stated that financial education and coaching for low to moderate income consumers is necessary and encouraged the Bureau to continue its financial education efforts. Additionally, members highlighted that some consumers' loans were modified to products with balloon options that are soon maturing, which represent a new financial hardship for these consumers.

Preparatory Work – Preview of Auto Lending Education Initiative

Gene Koo, assistant director, Consumer Engagement

James Runco, product manager, Consumer Engagement

Irene Skricki, senior financial education program analyst, Financial Education

Staff members from the Bureau's Office of Consumer Engagement and the Office of Financial Education provided CAB members with a preview of the Know Before You Owe auto loan initiative. The Bureau designed this initiative to respond to consumer challenges in the auto financing market space. The Bureau hopes to have an impact on consumer education in this area. Vehicle loans are one of the largest types of household debt for American consumers. The Bureau worked with focus groups made up of consumers to understand their experiences during the auto financing process. The Bureau also looked at consumer complaints, i.e., the narratives from consumers in the Bureau's public complaint database. Staff found that consumers often focus on the monthly payment, as opposed to other terms of the loan and do not negotiate around the financing terms. Staff members shared the auto loan shopping sheet, a step-by-step guide for consumers, and discussed additional online resources. These materials are available on consumerfinance.gov. CAB members commended the Bureau for this work.

Adjournment

CAB Chair Bynum adjourned the first day of the meeting on June 8, 2016 at 6:25 p.m.

June 18, 2016

CFPB Consumer Advisory Board Meeting Public Session

Zixta Martinez, associate director of External Affairs, welcomed audience members to the CAB public meeting and introduced CAB members and CFPB staff. Director Cordray welcomed the chair, vice chair, CAB members, and members of the public. During this session, the Bureau released different resources aimed at helping consumers shopping for an auto loan. Gene Koo, assistant director of the Office of Consumer Engagement, James Runco, product manager of the Office of Consumer Engagement, and Irene Skricki, senior financial education program analyst, led the discussion on this new auto lending education initiative.

After the small dollar lending discussion, the CAB adjourned for a closed working lunch. During the working lunch discussion, Holly Petraeus, assistant director of the Office of Servicemember Affairs, provided a briefing on Bureau initiatives aimed at helping servicemembers, veterans, and their families.

Chair Bynum reconvened the meeting at 2:00 p.m. CAB members Seema Agnani and Christopher Kukla led discussions on trends and themes in the marketplace. Seema Agnani provided an overview on financial trends and practices in immigrant communities and neighborhoods. Chris Kukla discussed auto lending trends and themes. Last, Kelly Cochran, assistant director of the Office of Regulations, led a discussion on the Bureau's NPRM and RFI on payday, vehicle title, and similar loans. The video of the public session is available on consumerfinance.gov.

Adjournment

Chair Bynum adjourned the twelfth meeting of the CFPB Consumer Advisory Board on June 9, 2016 at 4:40 p.m.

I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.

A handwritten signature in black ink, appearing to read 'D. Hand', written over a horizontal line.

Delicia Reynolds Hand
Staff Director, Advisory Board and Councils Office
Consumer Financial Protection Bureau