

March 2017

Consumer Advisory Board

March 01-02, 2017

Meeting of the Consumer Advisory Board

The Consumer Advisory Board (CAB) of the Consumer Financial Protection Bureau (CFPB) met in person at 9:00 a.m., EST on March 1, 2017. The CAB met at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

Board members present	CFPB staff present
Chair, Maeve Brown	CFPB Director, Richard Cordray
Vice Chair, Ann Baddour	Khurram Abbas
Sylvia A. Alvarez	Julian Alcazar
Tim Chen	Anthony Alexis
Lynn Drysdale	Sarah Bainton
Kathleen C. Engel	Mary Kate Binecki
Judith L. Fox	Ken Brevoort
Paulina Gonzalez	Desmond Brown
Julie Gugin	Matt Cameron
Neil F. Hall	Guillermo Cuevas
William Howle	Darian Dorsey
Brian D. Hughes	Daniel Dodd-Ramirez
Christopher G. Kukla	David DuBois
Max R. Levchin	Crystal Dully
Brian Longe	Patrice Ficklin
Joann Needleman	Rebecca Gelfond

J. Patrick O'Shaughnessy	Delicia Hand
Arjan Schutte	Alice Hrdy
Lisa Servon	Maria Jaramillo
Gene Spencer	Paul Kantwill
James Van Dyke	Brian Kreiswirth
Raul Vazquez	Noerena Limon
James M. Wehmann	Laurie Maggiano
Chi Chi Wu	Manny Mañón
Josh Zinner	Zixta Martinez
	P.J. Neary
	Janneke Ratcliffe
	Jessica Russell
	David Silberman
	Pavneet Singh
	Julie Vore

March 1, 2017

Welcome

Director Richard Cordray, Consumer Financial Protection Bureau

Delicia Hand, Staff Director, Advisory Board and Councils Office

Zixta Martinez, Associate Director, Division of External Affairs

Maeve Brown, Chair, Consumer Advisory Board

Chair Brown called the meeting to order at 9:28 a.m. She provided an update on the work of the Consumer Advisory Board (CAB) since the convening of the October 2016 meeting and thanked attendees for their continued commitment to the CAB. She also encouraged members to stay focused on the Board's mission and offered ways that members could remain involved.

Staff Director Hand welcomed everyone and provided a brief overview of the two day agenda. She highlighted an interest in feedback from attendees on issues they have seen in the field, particularly around reverse mortgages, non-bank mortgage lending, contract for deed issues, and refinancing.

Director Cordray provided welcoming remarks and thanked members for their work on the Board. Delving into recent Bureau activities, he noted an inquiry and a request for information (RFI) into challenges consumers have around financial records, pointing out the need to give consumers access to their own information in a way that will still allow financial institutions to protect that information from threats. In response to the Wells Fargo matter, the Bureau also issued a bulletin/guidance document on sales practices, sales incentives, compensation incentives, et cetera. Director Cordray also discussed other enforcement actions the Bureau has taken.

Committee Breakout Sessions

Brian Hughes, Chair, Card, Payment and Deposit Markets Committee

Card, Payment and Deposit Markets Committee members received an overview on the Bureau's research on checking and prepaid accounts. Bureau staff noted that they discovered issues with opening accounts, product and rate variances, and inability to access the banking system. The

Bureau has addressed these issues by encouraging financial institutions to meet the account access needs of consumers and developing tools around selecting and maintaining an account. CAB members noted that prepaid accounts could be a good option for consumers who have had negative experiences with overdraft fees. Some CAB members mentioned the development and availability of entry products. Members inquired about banks creating checking accounts with an attached credit vehicle.

CFPB staff also discussed student banking, and noted that some schools have marketing agreements with financial institutions to offer products. The Bureau has worked with the Department of Education and offered assistance to schools about finding safer, more affordable products. Some CAB members discussed banks making large contributions towards scholarships and, in return, receiving kickbacks that affect products offered to students.

Chris Kukla, Chair, Consumer Lending Committee

The Consumer Lending Committee discussed the student lending marketplace and received a review from Bureau staff about some of the data around the market, particularly the continued high level of defaults in student lending. Staff noted that although loan originations in the last four years are lower than they were at the peak of the Great Recession, the debt pie continues to grow. Delinquency rates are highest for student loans, with one out of every five dollars of outstanding student loan debt in repayment ninety-plus days delinquent. The staff member also discussed recent initiatives by the Bureau, including the Payback Playbook prototype, a paper on enrollment status, and the Market Monitoring project.

CAB members inquired about default rates for private student loans and non-completers in repayment plans. CAB members also questioned whether there was any change in the dynamics of origination once the government took over originations and if they have looked at a risk pool that would suggest a change in dynamics. Some CAB members discussed student loan debt discharge.

Additionally, CAB members discussed complaints about repayment plans. They inquired if the complaints are primarily driven by the process or if the complaints are related to issues with servicing. Members asked if the Bureau and the Department of Education are clear about what problems they are trying to correct and if there is a particular objective for the student lending marketplace.

Paheadra Robinson, Chair, Mortgages Committee

The Mortgages Committee engaged in a conversation about the state of mortgages and housing markets. Members discussed the mortgage market post-HAMP. CAB members stated that the Making Home Affordable (MHA) program and related sub-programs provided a great framework for consumer support during and after the housing crisis, and many marketplace stakeholders would like to continue with these guidelines and structures for consumer support with the sunset of MHA. Consumer advocate organizations are still receiving a significant number of calls from people trying to navigate the foreclosure process, and many of those calls relate to the sub-prime loans in private label securities and FHA. Next CFPB staff spoke on the Flex Mod program, noting that approximately 30% of borrowers who might have been eligible for HAMP would not receive any kind of modification if the borrowers did not submit their applications before the 90th day of delinquency. This has led to concern over the program's sufficiency from the advocacy community and a push for an escalation path if someone does not receive a modification offer.

Some CAB members raised concerns for the older Americans noting that current payment amount guidelines do not work for this population, specifically in the student loans, and reverse mortgages space. Several CAB members noted issues with servicers, including servicers accepting Hardest Hit Funds, communication issues, lack of consistency with servicers during loan servicing transfers, issues with non-bank servicers being uninterested in working with consumers advocates, and problems between servicers and surviving homeowners. CAB members also pointed out that post-foreclosure collection is becoming more of a problem. Members recommended that the Bureau do a survey on new modification programs, such as One Mod, to understand the effectiveness of those programs.

Additionally CAB members raised concerns over "zombie" foreclosure properties. Bureau staff said the zombie foreclosure properties have implicated fair housing issues, and the Bureau may consider the applicability of ECOA consumer protection rights. Several CAB members discussed housing inventory. The discussion ranged from the lack of housing inventory in some areas and the problems it causes for minority and low-income purchasers. CAB members raised concerns over bank branch closures and the impact those closures might have on people trying to gain access to banking and mortgages. They suggested that the Bureau look into where those branches are closing, especially if they are closing in communities of color or rural communities. Furthermore, members commented on online loans. CAB members and staff also discussed the relationships between housing counseling agencies and lenders. Some CAB members highlighted the importance of regulations and many agreed that things have improved since the Bureau became involved in the marketplace.

Administrative session – Working Lunch: Communications and Ethics Review

Delicia Hand, Staff Director, Advisory Board and Councils Office

Guillermo Cuevas, Attorney Advisor for General Law and Ethics

CFPB staff members discussed Bureau ethic rules and communication guidelines with CAB members. Staff and CAB members reviewed disclosures and forms that required CAB members' signatures. Staff reminded CAB members of their responsibilities related to representation on the Board and appropriate interaction with press and Bureau employees. Members were also advised on confidentiality. Staff also noted that records related to the CAB constitute government records which may be subject to disclosure under the Freedom of Information Act (FOIA).

Information exchange – Mortgages on the Ground Perspectives

Noerena Limon, Policy Analyst, Mortgage Markets

Julie Vore, Originations Program Manager, Mortgage Markets

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

Jessica Russell, Research Analyst, Mortgage Markets

Chair Brown opened the session by providing an overview of what has been going on in the mortgage industry. CAB members shared information, data, and new mortgages trends that members are observing in the marketplace. Bureau representatives were present to listen to feedback from members shared during the session.

CAB members discussed the impact of the deportation of large numbers of undocumented people on housing markets, and suggested that the Bureau track this. Members also discussed loans for borrowers of color and low- or moderate-income borrowers. Members noted that some banks are steering them to FHA loans when the borrowers would be eligible for conforming products. They also discussed how changes in origination could leave these borrowers behind and recommended that the Bureau address this. Members also discussed issues with reverse mortgages and highlighted issues with foreclosures related to tax and insurance problems and issues with death defaults. Bureau staff responded that the Bureau is concerned about reverse mortgages and is working on the issue, and although many mortgage rules do not apply to

reverse mortgages, these transactions are not exempt from the prohibition on unfair, deceptive, or abusive acts or practices.

Members mentioned confusion in properly disclosing construction-to-permanent loans and asked if there would be updated information on that. CFPB staff responded that they continue to work with industry on the issue and have issued a proposal to make changes to the Know Before You Owe Rule, many of which were in the construction-to-permanent phase. Several CAB members discussed mortgage and student loan refinancing issues and products in this area coming on the market. In response to Bureau staff questioning if anyone had seen VA refinancing houses where the VA Streamline Refinance program went without an appraisal, several CAB members responded they had not seen that. Furthermore, CAB members and staff discussed HMDA implementation. Members and staff discussed a potential decrease in home refinancing and a rise in home equity lines of credit. Members mentioned the issue of people being unable to afford the next HAMP adjustment or to afford property taxes. CFPB staff responded that all HAMP loans had to be converted to PITI and people had to begin to escrow for taxes, so that should be less of a problem. Members discussed PACE loans and marketplace difficulties they might be creating.

Information exchange – Alternative Data

Pavneet Singh, Senior Counsel, Office of Regulations

Brian Kreiswirth, Deputy Fair Lending Director, Office of Fair Lending and Equal Opportunity

CAB members received an overview from staff members in the Office of Regulations and the Office of Fair Lending on alternative data. Staff discussed uses of alternative data in the marketplace and what the Bureau has been doing in this space, including issuance of a Request for Information (RFI) and the formation of a working group to address the topic. Bureau staff also spoke on differences between traditional and alternative data and models.

Several CAB members agreed there were benefits to alternative data, including increased access to credit. They also noted that there were risks, including data quality, the possibility that only negative data is provided, trouble disputing inaccurate data, and decreased credit access for some consumers once new data is incorporated. CAB members discussed how alternative data could be brought into the consumer financial marketplace and how it could be used. CAB members also discussed types of data that are more and less risky for use. Some members

highlighted programs and companies that are working on alternative data and encouraged additional dialogue in connection with the RFI. Members also noted that alternative data explorations are important because they could potentially lead to more effective evaluation of an applicant's ability to repay.

Information exchange – Financial Education Principles

Janneke Ratcliffe, Assistant Director, Office of Financial Education

Maria Jaramillo, Financial Education Program Analyst, Office of Financial Education

Bureau staff from the Office of Financial Education presented members with five principles that the Bureau has identified to support effective financial education. The principles are: know the individuals and families to be served; provide actionable, relevant and timely information; improve key financial skills; build on motivation; and make it easy to make good decisions and follow through. Staff talked about the Bureau's goal: to provide tools to help implement the key insights gathered through CFPB's financial well-being research and other best practices; to encourage the use of effective financial education by proposing the key knowledge, skills, and personal attitudes that help one take action to achieve greater financial well-being; and to promote strategies that help consumers build financial capability and make progress on their financial goals. Staff also highlighted a scale the Bureau released to enable practitioners and researchers to measure financial well-being. Furthermore, staff highlighted *Your Money, Your Goals*, one of the Bureau's education tools developed to help front line staff and volunteers incorporate financial education in their work with consumers

Members praised the principles-based approach and inquired about the success metrics. Staff noted that success metrics would include practitioners using and incorporating these principles in their financial education programs, as well as feedback from practitioners regarding the usefulness of these principles and if using them has helped them promote increased financial well-being among the people they serve. CAB members also asked if gamification has been researched in this space. Members encouraged the Bureau to find out what kind of financial education can produce good results. They stated that individual coaching seems to produce better results and questioned how to get that to scale. Staff noted that there is no single right way to provide financial education for all consumers under all circumstances, as socioeconomic circumstances change, the way financial education is approached must shift as well. Rather than adopting a one-size-fits-all approach, financial education programs must be matched to an individual's specific financial challenges, goals, and circumstances in order to make a

meaningful difference in their financial behavior and outcomes. Several CAB members discussed whether or not financial education programs actually work and considered methods to get consumers more engaged and to deliver important information. Several members discussed targeting youth with financial education and suggested that the Bureau reach out to schools and recreation centers. Members asked if the Bureau has thought about making web-based training. Staff highlighted the work the Office of Financial Education has been doing to promote financial education among youth and mentioned several of the tools that are available online.

Information exchange – Credit Invisibles

Ken Brevoort, Section Chief, Credit Information & Policy, Office of Research

Daniel Dodd-Ramirez, Assistant Director, Office of Financial Empowerment

Sarah Bainton, Financial Empowerment Policy Analyst, Office of Financial Empowerment

Desmond Brown, Deputy Assistant Director, Office of Financial Empowerment

Bureau staff presented information on credit invisible consumers and the Bureau's work to address credit invisibility. In an effort to obtain a clearer picture of the credit invisible population, the Bureau compared data from its Consumer Credit Panel, which contains randomly sampled, de-identified credit records, with the distribution of the population from the 2010 Decennial Census to make inferences about consumers with no credit files. Bureau staff gave a report the results of this comparison, including the fact that there are an estimated 11% of American adults who lack a credit record with the credit reporting agencies, and that 8.3% of adults have unscorable credit records. The analysis also produced estimates of the incidence of credit invisibility rate among racial or ethnic groups. CFPB staff also discussed where the credit invisibility issue fits into the Office of Financial Empowerment's overall strategy and why they are focusing on credit invisible consumers.

CAB members discussed ways for this effort to gain traction, including a follow-up on a driver's license, as part of voter registration, mentorship, utilizing the for-profit space, or utilizing the health care sector. Members also suggested quantifying the cost of credit invisibles to the community and economy. Members asked staff if they have established goals for the number of people they will make visible. CAB members discussed the data obtained from the Consumer Credit Panel. Members encouraged the Bureau not to focus on just one piece of the information obtained, because they would not have the complete picture to address what is missing in the community. CFPB staff noted they are working on a follow-up to the credit invisibles report. Members also suggested combining a credit builder program with matched savings programs.

Adjournment

CAB Chair Brown adjourned the first day of the meeting on March 1, 2017 at 5:24 p.m.

February 25, 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. Following Director Cordray's remarks, Alice Hrdy, Principal Deputy Assistant Director of the Office of Supervision Policy, and PJ Neary, Senior Exam Manager of Supervision Examinations-Southeast, led a discussion on issues in the consumer reporting marketplace.

Following the consumer reporting discussion, Anthony Alexis, Assistant Director of Enforcement, and Patrice Ficklin, Assistant Director, and Rebecca Gelfond, Deputy Fair Lending Director, both of the Office of Fair Lending, gave an overview of Bureau enforcement actions in the past five years. Next Janneke Ratcliffe, Assistant Director, and Maria Jaramillo, Financial Education Program Analyst, of the Office of Financial Education described the Bureau's work on the Open Credit Score initiative.

After the strategic outlook discussion, the CAB adjourned for a working lunch. During the working lunch discussion, Paul Kantwill, Assistant Director of the Office of Servicemember Affairs, provided CAB members an overview of the work of the Office of Servicemember Affairs to address consumer financial challenges affecting servicemembers, veterans, and their families.

Chair Brown reconvened the meeting at 2:04p.m. CAB members James Wehmann and Chi Chi Wu presented on trends and themes in consumer credit reporting. Lastly, Darian Dorsey, Deputy Assistant Director of the Office of Consumer Response, met with the CAB to inform them of recent steps the Bureau has taken to enhance the consumer complaint process. The video of the public session is available on consumerfinance.gov.

Adjournment

Chair Brown adjourned the meeting of the CFPB Consumer Advisory Board on March 2, 2017 at 4:29 p.m.

Certification

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