

March 2017

Credit Union Advisory Council

March 30, 2017

Meeting of the Credit Union Advisory Council

The Credit Union Advisory Council (CUAC) of the Consumer Financial Protection Bureau (CFPB) met in person at 9:00 a.m. on March 30, 2017. The meeting was held at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

Board members present	CFPB staff present
Robin Romano, Chair	CFPB Director, Richard Cordray
Dave Seely, Vice Chair	Khurram Abbas
Daniel Berry	Julian Alcazar
Gail L. DeBoer	Mary Kate Binecki
Patrick F. Harrigan	Michael Byrne
Gregory W. Higgins	Matt Cameron
Maria A. LaVelle	Dubis Correal
Richard Ledezma	Tom Devlin
Faith Lleva Anderson	Jaydee DiGiovanni
Sarah Marshall	Crystal Dully
Dayatra T. Matthews	Andrea Edmonds
Carrie L. O'Connor	Alan Ellison
Thomas J. O'Shea	Delicia Hand
Katey Proefke	Grady Hedgespeth
James E. Spradlin	Brian Kreiswirth
Raynor Zillgitt	Lisa Lauroesch

	Sunaena Lehil
	Emmanuel Manon
	Patrick Orr
	Margaret Plank
	Terry Randall
	Paul Rothstein
	Gary Stein
	Diane Thompson
	Julie Vore
	William Wade-Gery
	Shiri Wolf
	James Wylie
	Hope Yao

March 30, 2017

Welcome and agenda overview

Richard Cordray, Director, Consumer Financial Protection Bureau

Delicia Hand, Staff Director, Advisory Board and Councils Office

Robin Romano, Chair, Credit Union Advisory Council

Chair Romano welcomed CUAC members and staff and summarized recent topics of discussion within the Council including: the Home Mortgage Disclosure Act (HMDA) implementation, alternative data, faster payment systems, and implementation of the prepaid card rule. Staff Director Hand provided an overview of the meeting agenda. Director Cordray thanked members and staff for their attendance and participation and thanked Chair Romano for her service as Chair. He noted that the CFPB created the CUAC to get a more direct perspective from credit unions across the United States. Additionally, he discussed the Bureau's supervision program of large banks and non-bank financial companies; recent enforcement actions; and updates to the consumer complaint process. Lastly, he shared that the Bureau offers tools and materials that are neutral, trustworthy, and free to use on its website.

Information Exchange: Regulatory Developments and Assessments

Diane Thompson, Deputy Assistant Director, Office of Regulations

Paul Rothstein, Section Chief, Financial Institutions and Regulatory Policy, Office of Research

Bureau staff discussed recent regulatory developments and assessments. Staff noted that since the last CUAC meeting in September 2016, the Bureau has released three requests for information (RFIs), a notice of proposed rulemaking (NPRM) on the Equal Credit Opportunity Act (ECOA), and proposed an extension for the effective date of the prepaid rule. The first RFI requested information about data aggregators, the second RFI inquired about credit card data, and the third RFI asked about the use of alternative data in credit scoring. Regarding the NPRM on ECOA, Fannie Mae and Freddie Mac have issued a new Uniform Residential Loan Application (URLA). The NPRM was primarily issued to ensure that people can use the new URLA without fear of raising any conflict with ECOA and to otherwise harmonize requirements under HMDA and ECOA, to reduce any possibility of conflict.

Under Section 1022(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the Bureau is required to conduct an assessment of each significant rule adopted under federal consumer financial law, publish a report of the assessment within five years of the effective date, and seek public recommendations regarding the rule. The assessment must address the effectiveness of the rule in meeting its goals as well as in meeting the Bureau's overall purposes and objectives, and reflect available evidence and data that the Bureau can reasonably collect. The remittance rule took effect on October 28, 2013. In March 2017, the Bureau announced in the Federal Register a plan to assess the remittance rule and solicited public comment. Members of the public had sixty days to submit comments.

CUAC members asked how the Bureau is able to effectively conduct a cost-benefit analysis of rules that affect a wide variety of institutions. Staff responded that the Bureau speaks with institutions and assembles as much data as possible across the different markets. Analysts segment these markets and consider issues of supply and demand within each one as best we can. The more granular the data the Bureau receives, the better the Bureau is able to analyze the impact of different regulations. Members asked if details on the cost-benefit methodologies used by the Bureau are publically available. Staff responded that the basic methodologies and data sources used are outlined in the cost-benefit discussion in every NPRM issued. CUAC members commented that it seems that the pass-through of additional costs to customers was not entirely taken into account in the remittance rule. Members asked if the Bureau takes consumer complaints on remittances. Staff responded that the Bureau does take these complaints. Lastly members discussed the impact of the remittance rule on the cost to them and to their customers of sending a remittance transfer and on their institutions' abilities to conduct remittances.

Information Exchange: Financial Education K-12 Resource Guide

Sunaena Lehil, Senior Policy and Innovation Analyst, Office of Financial Education
Dubis Correal, Strategic Partnerships and Outreach Coordinator, Office of Financial Education

Staff presented the Bureau's recent financial education work, *A Resource Guide for Advancing K-12 Financial Education*, to CUAC members. Studies have shown that K-12 financial education has a positive impact on students and that rigorous implementation practices are essential. Staff explained that the U.S.'s K-12 financial literacy is slightly below average on an international scale. Additionally, staff noted that the Bureau is engaging with community and education leaders seeking to implement financial education in schools, supporting and building the capacity of practitioners, and developing resources for parents to use at home. The Bureau

created the guide to identify and raise awareness of successful financial education programs and to act as a starting point for newcomers to K-12 financial education. The guide is divided into three sections: 1) laying the groundwork; 2) building the initiative; and 3) extending the impact of the initiative. Each section contains case studies and a resource directory with third-party resources and research. A page of guiding statements helps users identify which modules best suit their purposes.

CUAC members asked if the Bureau is conducting outreach to states that do not have programs. Staff responded that they are planning to promote the guide with financial education networks, organizations, and other stakeholders at the state and local level and solicit feedback from those entities. Staff asked how the Bureau can work with CUAC members and credit unions to help foster information sharing and collaboration among stakeholders working to enhance financial education. CUAC members responded that state foundations are a good resource because they often have financial literacy as one of their goals. Members also commented that it would be helpful for the Bureau to address financial education at the state level. Staff responded that the guide is intended to help stakeholders advocate for financial education in their state and asked that CUAC members let them know if it is not effective. Members asked if the guide can be used as a resource and framework for other groups that need financial education. Staff responded that the Bureau has financial education programs that are targeted to specific populations.

Information Exchange: Home Mortgage Disclosure Act (HMDA)

Michael Byrne, HMDA Technical Ops Lead, Technology and Innovation

Jaydee DiGiovanni, Attorney, Office of Regulations

Andrea Edmonds, Managing Counsel, Regulatory Implementation and Guidance, Office of Regulations

Lisa Lauroesch, Assistant Director (acting), Mortgage Markets, Research, Markets and Regulations

Terry Randall, Senior Counsel, Office of Regulations

James Wylie, Counsel, Office of Regulations

Staff explained that the Bureau is taking over the HMDA file submission operations from the Federal Reserve Board and has thought of several areas to focus on regarding the Federal Reserve Board's use of technology, namely to: (1) ensure that the edits are managed well; (2) reduce unnecessary burdens on financial institutions; and (3) implement a web-based approach

for the HMDA file submissions. The Bureau has provided the Filing Instructions Guide to give institutions guidance as to how data management should lead to a properly formatted Loan Application Register (LAR) or HMDA file. Institutions will have the ability to seek feedback on the format of their HMDA file before submitting it. The new HMDA platform software is entirely open source. The platform is web-based and uses an application programming interface. The platform software uses container technology, so vendors or IT specialists can test the code locally. Staff also described how users will access and utilize the platform.

CUAC members and staff discussed various features of the HMDA platform, including: (1) file size; (2) data uploads; (3) information provided by applicants; (4) third-party vendor usage; and (5) other features of the regulations. Members asked if the Bureau could provide some of the factors in considering which data points to disclose to the public. Staff responded that they plan to provide at a later date a process for the public to provide input on this issue. Members and staff discussed privacy issues that arise when publically disclosing data. Members also asked how the new platform will help speed up the process of releasing data. Staff responded that the Bureau will publish the modified LAR within 30 days, which will mitigate privacy and redaction issues for institutions. Additionally, members asked how this information would be facilitated with an institution's prudential regulator. Staff responded that during the filing window, the platform will share data on a daily basis with the Federal Financial Institutions Examination Council.

Administrative Session: Working Lunch – Communications and Ethics

Delicia Hand, Staff Director, Advisory Board and Councils Office

Margaret Plank, Senior Counsel, Office of General Law, Ethics, and Oversight

Bureau staff members discussed Bureau ethics rules and communication guidelines with CUAC members. Staff and CUAC members reviewed ethics disclosure forms that required CUAC members' signatures. Staff reminded CUAC members of their responsibilities related to representation on the Council and appropriate interaction with press and Bureau employees. Staff explained that members are allowed to accept invitations to speak and can speak to the press, but must clarify that they are not officially representing the Bureau in their remarks. Members were also advised on confidentiality. Staff reminded CUAC members to exercise good judgment and caution when interacting with social media.

Committee Breakout Sessions

Maria A. LaVelle, Chair, Card, Payment, and Deposit Markets

Staff provided an update on the Federal Reserve's Faster Payments Task Force and peer-to-peer payments to the Card, Payments, and Deposits Markets committee. Staff discussed the conversations that the Task Force has had to accelerate the development of faster payments in the United States. The Bureau and several industry participants agree that the Bureau should offer clear guidance about what will be in the best interest of the consumers so that industry participants can build the new systems accordingly. Notably, in July 2015, the Bureau put out the Consumer Protection Principles to inform these developmental efforts.

The Task Force developed and published the Faster Payments Effectiveness Criteria. It received 23 proposals which went through an evaluation process by an independent third party. The Task Force hopes to publish a final report by the summer of 2017 which will cover: (1) the proposals evaluated; (2) what the Task Force has learned; and (3) their recommendations. The Bureau is considering what the implications of new faster payment systems will be on consumers. CUAC members asked why the Federal Reserve has not built its own faster payments system. Staff responded that the Federal Reserve might have authority concerns, but they will take into account any Task Force recommendations. Members and staff discussed the potential privacy issues of faster payment systems. Members and staff also discussed settlement issues in both current and faster payment systems.

Additionally, staff presented information on the peer-to-peer market. They noted that there are a variety of entities offering peer-to-peer transaction services, most of which are free. Areas of concern that were brought up in the meeting included: (1) lack of clarity regarding an entity's consumer protections; and (2) how the transactions operate. Staff offered to provide more information on protections at the committee's next meeting.

Carrie O'Connor, Chair, Consumer Lending Committee

The Consumer Lending committee used the committee session to prepare for the Council's larger discussion about the Bureau's RFI on alternative data. Staff from the Bureau's Alternative Data working group provided an overview of the RFI. Staff stated that the Bureau has been working to understand if alternative data sources can effectively be used to assess creditworthiness and what sources and models are currently being used in this capacity. The RFI asks for information and feedback on alternative data and modelling techniques, potential benefits and risks to consumers and other market participants, and applicable statutes and regulations.

CUAC members discussed what types of data and information credit unions typically use and to what extent credit unions look beyond information provided on credit reports. Members stated that they often look at compensating factors and soft data to fill in credit history gaps, but this data is not always reliable or easily accessible. Such data can include: (1) a customer's saving habits; (2) whether or not they pay bills on time; (4) the customer's history with the institution; and (5) the customer's purpose for a loan. Some members noted that they believe credit scores are also safe from an ECOA perspective, whereas alternative sources of data may not be. They continued that using alternative data in a cost-efficient manner can be difficult to do on a larger scale. Several members stated that they tend to use alternative data sources as an option for established customers rather than advertising it as a way to obtain new customers. Additionally, members agreed that they would reexamine their underwriting policies if a reliable and accurate alternative data source were identified.

Katey Proefke, Chair, Mortgages and Small Business Lending Markets Committee

The Small Business Lending Markets Committee received an overview of the Trial Disclosure Program from staff members on the Project Catalyst team. Committee members also met with staff from the Office of Small Business Lending to discuss the Bureau's plans in the small business lending space and to consider ways the Committee may collaborate in these projects.

The Trial Disclosure Program was developed in accordance with Section 1032(e) of the Dodd-Frank Act, which authorizes the Bureau to issue waivers to companies that want to try alternative disclosures. The waivers are temporary and give institutions an opportunity to explore potentially more efficient ways of disclosing information. It is recommended that institutions informally discuss the viability of their disclosure plan with the Bureau before applying for a waiver. The Bureau will consult with prudential regulators prior to issuing a waiver; the long-term goal for the program is to discover more effective alternative disclosures and to revise the regulations accordingly. CUAC members asked if the Bureau would try and bring together two companies independently asking for waivers for similar ideas. Members also asked if the program has encountered any intellectual property concerns. Staff responded that this has not yet been a concern because the Bureau does not need to know what kind of technology institutions would be using to change disclosures. Members discussed what kind of pricing information should be disclosed.

Staff from the Office of Small Business Lending Markets discussed Section 1071 of the Dodd-Frank Act. The purpose of Section 1071 is to develop information and to facilitate enforcement

of fair lending laws and enable communities, governmental entities, and creditors to identify business and community development needs and opportunities of women-owned, minority-owned, and small businesses. The federal government currently has several definitions of a small business; the Section 1071 initiative will help develop an effective definition. The Bureau will encourage the involvement of all stakeholders. The Dodd-Frank Act requires the Bureau to collect certain data elements. It is possible that not all of these data elements are being collected, and they will need to be interpreted and defined more clearly. The Bureau will ask stakeholders for input regarding other potentially useful data elements, and will keep confidentiality and privacy concerns in mind.

The Bureau has created a team to address the Section 1071 initiative. The team is in the market insights and research phase and just beginning to meet with stakeholders. After these meetings are done, the Bureau will hold a Small Business Regulatory Enforcement Fairness Act (SBREFA) panel. This work will lead to an NPRM and the issuance of a final rule with an implementation period.

CFPB Credit Union Advisory Council public session

Zixta Martinez, Associate Director of the Division of External Affairs, welcomed audience members to the CUAC public meeting and introduced CUAC members and Bureau staff. Director Cordray addressed the CUAC and members of the public. CUAC Chair Robin Romano provided opening remarks and facilitated the meeting. Shiri Wolf, Counsel in the Office of Regulations, and Brian Kreiswirth, Deputy Fair Lending Director in the Office of Fair Lending and Equal Opportunity, presented on the Bureau's Alternative Data Request for Information (RFI). Will Wade-Gery, Assistant Director, Gary Stein, Deputy Assistant Director, both in Card, Payment, and Deposit Markets, and Stephen Shin, Managing Counsel in the Office of Regulations, led a discussion on the Bureau's Consumer Access to Financial Records RFI. A live-stream video of the session is available on consumerfinance.gov.

Adjournment

CUAC Chair Robin Romano adjourned the meeting on March 30, 2017 at 4:51 p.m. EDT.

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. Reynolds Hand', written over a horizontal line.

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