

April 2017

Community Bank Advisory Council

April 25, 2017

Meeting of the Community Bank Advisory Council

The Community Bank Advisory Council (CBAC) of the Consumer Financial Protection Bureau (CFPB) met in person at 9:00 a.m. on April 25, 2017. The meeting was held at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

Board members present	CFPB staff present
David Reiling, Chair	CFPB Director, Richard Cordray
Angela Bielke, Vice Chair	CFPB Acting Deputy Director, David Silberman
Jonathan Allen	Khurram Abbas
Melissa A. Ballard	Julian Alcazar
Menzo D. Case	Meina Banh
Kathleen J. Cook	Mary Kate Binecki
Julia R. DeBery	Matt Cameron
Linda Feighery	Albert Chang
Jack Hopkins	Kelly Cochran
Brenda K. Hughes	Tom Devlin
Dion Kidd Johnson	Jaydee DiGiovanni
Ricardo "Ricky" D. Leal	Crystal Dully
Cara Quick	Andrea Edmonds
Cal Ratcliff	Alan Ellison
Trent Sorbe	Delicia Hand

Thomas Spitz	Grady Hedgespeth
Yee Phong (Alan) Thian	Lisa Lauroesch
Samuel Vallandingham	Emmanuel Mañon
	Zixta Martinez
	Margaret Plank
	Terry Randall
	Janneke Ratcliffe
	Paul Rothstein
	Stephen Shin
	Eric Spry
	Will Wade-Gery
	Shiri Wolf

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Welcome

Richard Cordray, Director, Consumer Financial Protection Bureau

Delicia Hand, Staff Director, Advisory Board and Councils Office

David Reiling, Chair, Community Bank Advisory Council

Chair David Reiling welcomed CBAC members and Bureau staff. He provided a brief overview on what the CBAC committees have been working on since the last in person meeting. Staff Director Delicia Hand gave an overview of the meeting agenda and conveyed the Bureau's desire to receive feedback from CBAC members. Director Richard Cordray thanked members for their time and participation and acknowledged that this was the end of some members' terms. He briefly highlighted areas of focus for the Bureau including: leveling the playing field for consumers, educating the public about the Bureau's mission, and making updates to the consumer complaint process.

During this session, CBAC members raised questions about the future of banking and financial services. Members and staff also discussed the Bureau's enforcement actions and the rulemaking process. Additionally, members shared concerns about protecting consumer information and highlighted issues in mortgage servicing.

Information Exchange: Regulatory Developments and Assessments

Kelly Cochran, Assistant Director for Regulations, Office of Regulations

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

Bureau staff discussed recent activity on rulemaking and assessments of the Bureau's rules. Staff highlighted that since the Fall 2016 CBAC meeting, the Bureau has released three requests for information (RFIs), a notice of proposed rulemaking on the Equal Credit Opportunity Act (ECOA), and extended the effective date of the prepaid rule. The Bureau has recently released two rules, including one under ECOA and Regulation B, and has put out a proposal with

clarifications on Home Mortgage Disclosure Act (HMDA) rules that will take effect in January. Staff provided information regarding the Bureau's work on prepaid implementation. The Bureau proposed a rule on prepaid products which have not previously been subject to Regulation E. The effective date and implementation deadline on that rule was recently extended for six months. Staff also spoke about other Bureau work including: working to finalize a proposal on integrated mortgage disclosure forms, the issuance of an RFI on consumers' access to their accounts and transaction data, the issuance of an RFI on the credit card market, and the issuance of an RFI on alternative forms of data in the credit reporting process.

Next, staff discussed the Bureau's assessments work. Section 1022(d) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) requires the Bureau to conduct assessment of each significant rule or order adopted by the Bureau under Federal consumer financial law. The Bureau must publish a report of the assessment not later than five years after the effective date of such rule or order. The assessment must address, among other relevant factors, the rule's effectiveness in meeting the purposes and objectives of title X of the Dodd Frank Act and the specific goals stated by the Bureau. The assessment also must reflect available evidence and any data that the Bureau reasonably may collect. Before publishing a report of its assessment, the Bureau must invite public comment on recommendations for modifying, expanding, or eliminating the significant rule or order. The remittance rule took effect on October 28, 2013. In March 2017, the Bureau posted on its web site and published in the *Federal Register* a request for public comment with respect to the assessment of the Bureau's remittance rule. The Bureau received 44 comments totaling about 100 pages of text.

Members asked if the Bureau would look at how institutions understand the rule as well as what types of consumer education efforts occurred during the 5-year assessment. Staff replied that the Bureau is looking at institutions' understanding, but there will be more focus of how consumers are using these products. Hearing from providers will be an important avenue for learning what consumers understand.

Members also expressed concerns about the Bureau's remittance rule, stating that it led to more non-bank providers transferring international funds. Members noted that having conversations to understand who is sending remittance transfers and whether all providers are complying with the rules is useful.

Members returned to the subject of rulemaking. Members raised concerns over the HMDA proposal and highlighted implementation cost. Members also requested clarification on whether the Bureau has decided to issue potential revision to the prepaid rule to accommodate anonymous cards.

Information Exchange: Financial Education K-12 Resource Guide

Meina Banh, Policy and Innovation Advisor, Office of Financial Education

Janneke Ratcliffe, Assistant Director, Office of Financial Education

Staff presented the Bureau's recent financial education work, *A Resource Guide for Advancing K-12 Financial Education*, to CBAC 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 United State's K-12 financial literacy is slightly below average on an international scale. They noted that a majority of Americans believe that financial education should be taught in schools. Since financial education can lead to improved credit scores and higher rates of savings, the Bureau has made youth financial education a cornerstone of its financial literacy strategy. To support community and education leaders already working in this space the Bureau re-released this resource guide, which is updated from the 2015 version to include emerging developments and feedback from end users. The guide provides a framework for activities to help implement financial education initiatives and is intended to connect users with information that can best be leveraged for their state needs. Staff then presented a demo of the resource guide, explaining the function of each of the three sections. The sections include: 1) laying the groundwork; 2) building the initiative; and 3) extending the impact of the initiative. The guide is available for download on the Bureau's website.

Several members asked how the Bureau is working to get this tool to a large number of consumers. Staff replied that the Bureau identifies local partners, such as libraries, non-profits, and community financial institutions, to help get the information out and to identify those who are trying to implement youth financial education. Members also inquired about the Bureau's use of social media to reach the targeted audiences. Staff noted that the Bureau has a presence on social media. Members shared experiences with educational materials, noting that if the materials are not offered as a full package, including lesson plans, they do not seem to get utilized. Some members commented on the importance of the medium and distribution

channels used for delivery and encouraged the Bureau to consider web and mobile technologies. Members said that the Bureau may be able to use its scope as a federal agency to coordinate community bankers with state education systems. Some members pointed out the challenge of selling the benefits of the tool rather than the featured. They suggested that the Bureau come up with a benefit that is translatable and tangible and is valued.

Information Exchange: Home Mortgage Disclosure Act (HMDA)

Jaydee DiGiovanni, Attorney, Office of Regulations

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

Terry Randall, Senior Counsel, Office of Regulations

Eric Spry, Project Manager for HMDA, Technology and Innovation

Staff members presented key features of the HMDA platform. They noted that the operational functions of HMDA will transfer to the Bureau for data collected in 2017. The technical aspect of this led the Bureau to do a comprehensive review of the current filing process. The Bureau will take over the HMDA file submission operations from the Federal Reserve Board and will work to implement a web-based approach for the HMDA file submissions. The HMDA platform will be the only method to submit data. The software is entirely open source. The new platform will be used in 2018 for data collected in 2017. Staff also described how users will access and utilize the platform.

CBAC members and staff discussed the geocoder tool and Census details needed for filing. Members inquired about instances of errors in the system -- for instance, asking if all data fields would have to be rekeyed because of a syntax error. Staff explained that changes would only be made on the field with the error. Several members voiced concern over vendor readiness. Staff noted that there are resources for filers on the HMDA page. Staff also stated that the comment period for HMDA closes in May and encouraged members to provide comments. There was also discussion around the use of collected data. Additionally, members and staff discussed the fields that need to be entered during HMDA reporting. Members explained that education around this is important. Members shared how this will create operational burden and explained that this may be causing some community banks to pull out of the residential mortgage market.

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 CBAC members. Staff reminded members that they are not federal employees; however, the federal ethics rules are good standards of operating procedure for Council members. As for representational activities, the Bureau asks members to maintain a separation between other activities that the members' institutions are engaged in with the Bureau and service on the Council. Staff asked members to exercise discretion and mindfulness when they are on social media. Staff also updated members on the Bureau's amended ex parte policy. Staff also provided an overview of the Freedom of Information Act. Lastly, staff reviewed the forms included in the provided packets and asked the members to sign them.

Committee Breakout Sessions

Julia DeBery, 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. The Federal Reserve Banks established the Faster Payments Task Force in early 2015. Staff discussed the conversations that the Task Force has had to accelerate the development of faster payments in the United States. In July 2015, the Bureau put out the Consumer Protection Principles to inform developmental efforts and ensure that consumer protection is taken into account during development. CBAC members discussed the speed of payments, how this type of payment works, and the role the Bureau will play. Some members noted this might not be available to all consumers, since some people do not have access to new technology. There was discussion on the credit push model and unauthorized transfers. Staff noted that the Bureau is still thinking about questions with respect to error resolution and what an unauthorized transfer potentially means in this space. Members and staff also discussed the international component of 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. Members focused on privacy and

security concerns for consumers in this space. Members also highlighted the need to consider liabilities that fall on banks under Regulation E.

Thomas Spitz, 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 noted that some of the Bureau's work on alternative data is rooted in the Office of Research's Data Point on credit invisibles, and also the work the Bureau has done through the Alternative Data Working Group. Staff highlighted some of the perceived pros and cons of alternative data usage as described in the RFI. Then, the Committee Chair shared questions for consideration including: What types of data and information do community banks typically consider in making credit decisions? To what extent do they look beyond credit reports, and how is the information considered in the credit process?

CBAC members asked about the premise for the collection of this data. Staff replied that the Bureau is trying to determine how industry is using alternative data, what they might be using it for, and how they might be planning to use it. Members shared some of the data being used in credit decisions, such as rent payments, utility bills, and cell phone bills. Other members said some of this data is not indicative for all consumers. Several members discussed some concerns with the use of alternative data, including how the use might lead to fair lending violations. Some members discussed credit invisible consumers and the fact that some may not want to be in the system, and others want to be in the system but may need financial education. There was discussion among members around the importance of devoting resources to testing some of these concepts. Finally, members also discussed the role of financial technology companies in this space.

Jack Hopkins, Chair, Mortgages Committee

The Mortgages and Small Business Lending Markets Committee met with staff from the Office Small Business Lending Markets. Staff discussed the Bureau's data collection responsibility under Section 1071 of the Dodd Frank Act. Staff also discussed the definition of a small business,

noting that the statute's definition cross references the Small Business Act. The Bureau has heard from industry groups that there needs to be a simpler way to define a small business. They concluded the presentation by announcing a field hearing in Los Angeles on small business lending on May 10 and invited members to the hearing.

CBAC members highlighted that many community banks are located in underserved areas and serve low-to-moderate income consumers. Members and staff also discussed fair lending issues under Section 1071.

CFPB Community Bank Advisory Council public session

Zixta Martinez, Associate Director of the Division of External Affairs, welcomed audience members to the CBAC public meeting and introduced CBAC members and Bureau staff. Director Cordray addressed the CBAC and members of the public. CBAC Chair David Reiling provided opening remarks and facilitated the meeting. Shiri Wolf, Counsel in the Office of Regulations, and Albert Chang, Counsel 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 of 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

CBAC Chair David Reiling adjourned the meeting on April 25, 2017, at 4:48 p.m. Eastern.

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