

May 2017

# Academic Research Council

May 16-17, 2017

# Meeting of the Academic Research Council

The Academic Research Council (ARC) of the Consumer Financial Protection Bureau (CFPB) met in person at 9:00 a.m., EST on May 16, 2017. The ARC met at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

<b>Council members present</b>	<b>CFPB staff present</b>
Ian Ayres	CFPB Director, Richard Cordray
John Campbell	Joanna Abrahams
Justine Hastings	Ron Borzekowski
John Lynch	Ken Brevoort
Brigitte Madrian	Eric Johnson
Melvin Stephens	Melissa Knoll
	Eva Nagypal
	Margaret Plank
	Paul Rothstein
	Susan Singer
	Bryce Stephens
	Holly Walter
	Office of Research Staff

May 16, 2017

## Welcome

**Director Richard Cordray, Consumer Financial Protection Bureau**

**Ron Borzekowski, Assistant Director, Office of Research**

Assistant Director Ron Borzekowski called the annual meeting of the Academic Research Council to order and thanked members for their attendance. He welcomed back previous ARC members and also welcomed John Lynch from the University of Colorado, Boulder, the newest member of the ARC. Director Richard Cordray greeted the ARC members and expressed his appreciation for their involvement on the ARC more broadly.

## Administrative session –Communications Review

**Holly Walter, Government Information Specialist**

Holly Walter from the Bureau's Freedom of Information Act (FOIA) Office discussed federal guidelines around ARC members' engaging on Bureau matters and their communications with Bureau staff. Walter noted that records related to the ARC constitute government records which may be subject to review and/or disclosure under FOIA.

## Administrative session – Ethics Review

**Margaret Plank, Senior Counsel, General Law and Ethics**

**Joanna Abrahams, Senior Counsel, General Law and Ethics**

Members of CFPB's Office of Ethics discussed ARC members' designation as Special Government Employees (SGEs), defined as "officer[s] or employee[s] who [are] retained, designated, appointed or employed to provide temporary duties, with or without compensation, for not more than 130 days". ARC members asked questions about particular ethics laws and how they applied to them in their role as ARC members and as SGEs. The Ethics team presented an overview of federal ethics laws and standards of ethical conduct and provided ARC members with their contact information for any future ethics-related questions.

## Information exchange – Management Session

**Ron Borzekowski, Assistant Director, Office of Research**

**Joseph Remy, Research Analyst, Office of Research**

During this session, Office of Research management provided ARC members an overview of the previous year's recruiting efforts and asked for their expertise and recommendations on hiring diverse, high-caliber researchers. The ARC was also asked to provide feedback on other management initiatives focused on engaging with the broader academic community.

## Case Study Discussion Session

In this session ARC members were assigned to one of three case-study group discussions around a specific research topic with Office of Research staff and facilitated by a moderator. The discussions focused on research strategy for each of these areas. The first of the case study discussions examined consumers' understanding of disclosure related to revival of time-barred debt or "out of statute debt," debt for which the statute of limitation has expired. The second case study discussion examined the range of alternative data and modeling techniques that firms use or could use in the credit underwriting process. In the third case study discussion, participants discussed mortgage lending in rural areas and how best to balance the needs of small creditors in rural areas while also considering the credit products, such as balloon loans, that may raise potential consumer protection concerns.

## Disclosure Subcommittee Session

**Eric Johnson, Visiting Scholar, Office of Research**

**Heidi Johnson, Research Analyst, Office of Research**

In this session, ARC members and Office of Research staff discussed the challenges of creating effective disclosure forms and of measuring disclosure effectiveness. The discussion was focused on disclosure in the prepaid card and overdraft context.

Heidi Johnson provided an overview of Office of Research projects under the Bureau's disclosure research agenda and provided examples of the Bureau's model disclosure forms for prepaid cards. Eric Johnson from Columbia Business School, who is currently a visiting scholar with the Office of Research, moderated the discussion with ARC members and Bureau staff.

During the session, many issues were raised including the proposition that many users of prepaid cards would be unbanked if not for the prepaid card market and the importance of learning more about what users of prepaid cards infer about fees, especially those that are not included on disclosure forms. Eric Johnson engaged ARC members and Office of Research staff in a discussion as to how the Bureau can create effective disclosure forms and how to design a research study that would best assess their effectiveness. ARC members provided their recommendations one of which included running a stylized trial in a lab setting in which individuals can be presented with fee information and researchers can examine how the disclosure of this information impacts their decision-making. Additionally, ARC members recommended the Bureau could ask consumers how many fees they remember at some point after prepaid card purchase and analyze whether the disclosure form influences the consumer's decision of which cards they use to make a purchase at the point of sale.

## Dynamics of Household Balance Sheets Subcommittee Session

**Eva Nagypal, Supervisory Economist, Office of Research**

**David Low, Economist, Office of Research**

**Scott Fulford, Economist, Office of Research**

In this session, ARC members and Office of Research staff discussed how the Office of Research can make the best use of its existing data assets and ideas for building on those assets. The discussion focused on strategies for survey data collection and the types of data elements that are important for understanding the dynamics of household balance sheets.

Eva Nagypal provided an overview of Office of Research projects under the dynamics of household balance sheet research agenda. Staff described early computational research that models consumers' uptake of high-interest rate loans. They also provided background on a survey under development examining what households do when they run out of money.

The discussion focused on community networks which can extend beyond a consumers' immediate family. ARC members recommended Bureau researchers examine if consumers reliance on community networks for financial assistance is a liability. For example, do these networks discourage consumers from accumulating assets? ARC members also recommended research literature in development economics to learn more about this topic but however cautioned that research in the development context may not directly translate to consumers experience in the U.S.

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## CFPB Academic Research Council Meeting Public Session

Ron Borzekowski, Assistant Director of Office of Research, welcomed audience members to the ARC public meeting and introduced ARC members and CFPB staff. The Bureau's acting Deputy Director, David Silberman provided opening remarks on behalf of Director Richard Cordray.

Following the opening remarks, Assistant Director Borzekowski engaged ARC members in a discussion about the previous day's subcommittee meetings during which members of the staff and the ARC discussed the Bureau's research in the areas of disclosure and household balance sheets. Following this discussion, Paul Rothstein, supervisory economist in the Office of Research, provided a presentation on the Bureau's recently announced work regarding the assessments of certain significant rules. The video of the public session is available on [consumerfinance.gov](http://consumerfinance.gov).

## Adjournment

ARC Chair Ron Borzekowski thanked everyone for attending and for their input and adjourned the meeting of the CFPB's Academic Research Council on May 17, 2017, at 10:08 a.m.

## Certification

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



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