

Community Bank Advisory Council

March 14, 2019

Meeting of the Community Bank Advisory Council

The Consumer Financial Protection Bureau's (CFPB) Community Bank Advisory Council (CBAC) met in person at 9:45 a.m., Eastern on March 14, 2019. After the morning sessions, the CBAC, Consumer Advisory Board (CAB) and Credit Union Advisory Council (CUAC) convened for a combined roundtable meeting.

CBAC members present	CFPB staff present
Chair, Maureen Busch	Director Kraninger
John Erik Beguin	Deputy Director Brian Johnson
Bryan Bruns	Matt Cameron
Michael H. Head	Patrick Campbell
Aubery L. Hulings	Crystal Dully
Heidi Sexton	Andrew Duke
Jeanni Stahl	Kim George
	Mechel Glass
	Timothy Lambert
	Wendy Kamenshine
	Jonah Kaplan
	Gene Koo
	Manny Mañón
	Mark McArdle
	Zixta Martinez
	Alexa Reimelt

	Janneke Ratcliffe
	James Rice
	Eric Spry
	Joel Singerman
	Laura Stack

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Welcome

Manny Mañón, Acting Senior Advisor, Office of Advisory Board and Councils

Maureen Busch, Chair, Community Bank Advisory Council

Acting Senior Advisor Manny Mañón welcomed attendees to the CBAC meeting, provided a brief overview of the meeting agenda, and introduced CBAC Chair Maureen Busch. Next, CBAC Chair Busch welcomed attendees, explained the history of the CBAC, its mission, and the direction of its future work. Following Chair Busch's remarks, CBAC members introduced themselves.

Information Exchange: Home Mortgage Disclosure Act (HMDA)

Alexa Reimelt, Senior Counsel, Office of Regulations

Eric Spry, Project Manager, Office of Technology and Innovation

Timothy Lambert, Senior Counsel, Office of Fair Lending and Equal Opportunity

Staff from the Office of Regulations, the Office of Technology and Innovation, and the Office of Fair Lending and Equal Opportunity provided an update on recent Home Mortgage Disclosure Act (HMDA) activities, including Bureau reconsideration of some aspects of the rule, such as the institutional and transactional coverage thresholds and the discretionary data points. They also discussed the Economic Growth, Regulatory Relief, and Consumer Protection Act, which added partial exemptions from reporting most of the new data points for smaller-volume credit unions. The Bureau issued an interpretive rule to clarify those partial exemptions and plans to issue a proposal regarding reconsideration of various aspects of the 2015 HMDA Final Rule. The Bureau also plans to propose implementation of those partial exemptions into the text of the regulation itself and clarification of additional issues.

Staff noted that HMDA validation accuracy was important to the Bureau, and that the Bureau did recognize the challenges posed during collection of the 2018 dataset, which included data points reported for the first time as required by the 2015 HMDA Final Rule. Therefore, the Bureau does not intend to require data resubmission unless data errors are material and does not intend to assess penalties with respect to errors in data collected in 2018 and reported in 2019. Staff also discussed improvements to the HMDA data submission platform and requested

feedback on process improvements made by the Bureau to HMDA data reporting, processing, and publication process.

Committee members shared current challenges and concerns related to HMDA reporting. Members and staff discussed how the costs and benefits of increasing the number of HMDA LAR fields were assessed. Members inquired if the Bureau intends to publicly release the data. Staff replied that the HMDA statute requires the release of this data. Members and staff discussed resubmission from financial institutions after the release of the data.

Members and staff also discussed possible unintended consequences of HMDA data. Members expressed concern over the value of the HMDA data in light of the continuing shift from face-to-face applications to online applications. There was also conversation around loan officers' abilities to make educated guesses about demographic data in face-to-face applications in instances where consumers do not provide that information. Members discussed how data fields are assessed and variations in those assessments. Members also mentioned certain data fields which cause the largest pain points.

Members felt data analysis was an issue regardless of financial institution size and asked if there is a standard analysis to evaluate the data for compliance with other federal consumer financial laws. Staff answered that that is a regulator-specific question but that this is not a one-size-fits-all approach. Members discussed ways to ease this process. Members asked if the Bureau had thought about reverse engineering identity information from provided data and how to protect against that. Staff replied that re-identification risk was a key driver in the Bureau's final policy guidance on HMDA data disclosure.

Members discussed aspects of the rule that were especially challenging for 2018 data collection and reporting and how technology enhancements improved HMDA data submission. Members discussed issues with the additional data fields and shared how much effort is involved before data can be entered in the HMDA Loan Application Register (LAR). Furthermore, Members and staff discussed the difficulties vendors had with the rule and with preparing HMDA files.

Members discussed how the error ratio should be calculated. Members asked if there had been discussion on changing the error rates. Staff explained that standards were revised and applied for the first time to the 2018 data to eliminate the "file" error rate and include, for the first time,

tolerances for certain data points, all of which are expected to result in a significant decrease in compliance burden. Staff requested feedback on other data points, and one member suggested the Bureau consider examining dates, ages, and the GMI area.

Members expressed appreciation for the Bureau's efforts to make the process more efficient and optimized. Members discussed what types of helpful information the Bureau could provide and what Bureau resources have been most useful in understanding and implementing the final rule. Some members said that much information on HMDA is spread across the CFPB website, not located in one centralized area. Staff noted that the Bureau is working to improve the website. Staff also suggested that filers use the HMDA Help email system when guidance is needed.

A member wondered how the Bureau views traditional HELOC data versus traditional residential mortgage data. Staff stated that the Bureau wants to disaggregate that information to gain the best understanding. There was also a discussion on online mortgage applicants.

Information Exchange: Trends in the Consumer Reporting Marketplace

Jonah Kaplan, Financial Analyst, Office of Consumer Lending, Collections and Reporting Markets

Laura Stack, Senior Counsel, Office of Regulations

Staff from the Office of Consumer Lending, Collections and Reporting Markets and the Office of Regulations discussed the importance of an efficient credit market and the role credit reporting plays. Staff also explained the value of the consumer credit market to the economy, as well as the other areas in which consumer reporting plays a vital role, such as employment and tenant screening, checking account eligibility determination, and insurance rates. Staff shared and explained topic areas the Bureau focused on around credit reporting: data accuracy, dispute management, credit expansion, and consumer access and control. Next, staff provided some statistics in these areas and explained tools available to consumers on the Bureau's website.

Staff also outlined the Bureau's recent activities in consumer reporting. Staff highlighted the Bureau's focus on compliance with accuracy requirements, dispute investigation, and permissible purpose provisions outlined in the Fair Credit Reporting Act (FCRA) and discussed recent cases the Bureau brought in these areas. The Bureau had also continued to prioritize the consumer reporting market and had released a special edition of the Supervisory Highlights, which was focused specifically on the consumer credit reporting market. It also issued an

interim final rule to implement new amendments to the FCRA made by the Economic Growth, Regulatory Relief, and Consumer Protection Act.

Members discussed what they felt were the most important current or emerging trends with respect to credit reporting and scoring. Members addressed issues with the dispute process and expressed hope that the Bureau was focused on the quality assurance aspects of what was happening at the credit bureaus. Members also discussed how credit freezes impact both institutions and consumers.

Members and staff discussed credit repair organizations and the numbers of frivolous disputes filed by those organizations. Members pointed out the significant amount of resources financial institutions must put forth to comply with the Fair Credit Reporting Act due to frivolous disputes. Members also noted that consumers often do not know what the credit repair organizations are disputing and that those organizations often file a dispute even when an institution has never reported a consumer as being late with a payment.

Members discussed e-OSCAR and its constraints. Some members noted it is not a transparent process, is not user friendly, and it can result in delays that harm the consumer. Members and staff discussed whether most disputes arrive through e-OSCAR or as direct disputes, with members seeing both. Members and staff also discussed trends on credit scoring. Members highlighted consumers' concerns and confusion around credit scores. Some members also shared concerns about compliance issues with specific vendors during the account opening process. Members also discussed how disputes are handled among different financial institutions. Members discussed false identity theft reports which are sometimes used in order to remove an item from credit reports.

Members discussed emerging solutions that were useful in responsibly expanding credit access and helping consumers build credit. Members also discussed beneficial ways the Bureau could use its authority with respect to consumer reporting. One member noted that it would be beneficial if the Bureau has oversight over the entire ecosystem and could more efficiently make and implement changes. Another member suggested having one centralized dispute portal. Members discussed credit reports with trade line information where there are questions regarding the identity of the consumer.

Combined Advisory Committee Roundtable

In the afternoon CAB, CBAC, and CUAC members met with Bureau leadership and subject matter experts for a combined roundtable discussion on the Bureau's *Smart Small, Save Up*

initiative, the Bureau's work on Property Assessed Clean Energy (PACE), and the Misadventures in Money Management (MiMM) tool. Zixta Martinez, Associate Director of the Division of External Affairs, welcomed audience members to the public meeting and introduced advisory committee members. Andrew Duke, Policy Associate Director of the Division of External Affairs, provided remarks and introduced Director Kraninger. Director Kraninger provided opening remarks and welcomed the committee chairs, committee members, and members of the public.

Following Director Kraninger's remarks, Janneke Ratcliffe, Assistant Director, Office of Financial Education, and Gene Koo, Assistant Director, Office of Consumer Engagement, provided an overview of the Bureau's *Smart Small, Save Up* initiative. Next Mark McArdle, Assistant Director, Office of Mortgage Markets and Joel Singerman, Counsel, Office of Regulations discussed the Bureau's Advanced Notice of Proposed Rulemaking (ANPR) on PACE. Following the PACE discussion, James Rice, Assistant Director, Patrick Campbell, Deputy Assistant Director, and Mechel Glass, Financial Education Program Analyst, of the Office of Servicemember Affairs shared the Misadventures in Money Management tool and sought to receive feedback from advisory committee members. The video of the roundtable is available on consumerfinance.gov.

Adjournment

Community Bank Advisory Council Chair Maureen Busch adjourned the meeting of the CFPB advisory committees on March 14, 2019 at 5:15 p.m. Eastern.



Matt Cameron
Staff Director, Advisory Board and Councils Office
Consumer Financial Protection Bureau



Maureen Busch
Chair, Community Bank Advisory Council