

Consumer Advisory Board

June 5 - 6, 2019



Meeting of the Consumer Advisory Board

The Consumer Financial Protection Bureau's (CFPB) Consumer Advisory Board (CAB) met in person at 12:30 p.m., Eastern on June 5, 2019. On June 6 the CAB, Community Bank Advisory Council (CBAC), and Credit Union Advisory Council (CUAC) convened for a combined roundtable meeting.

CAB members present	CFPB staff present
Chair, Dr. Ronald Johnson	Director Kathleen L. Kraninger
Liz Coyle	Deputy Director Brian Johnson
Sameh Elamawy	Matt Cameron
Manning Field	Crystal Dully
Jason B. Gross	Andrew Duke
Clint Gwin	Kim George
Brent A. Neiser	Michael Herndon
Sophie Raseman	Gail Hillebrand
Luz Urrutia	Jonah Kaplan
	Lewis Kirvan
	Manny Mañón
	Zixta Martinez
	Mark McArdle
	John McNamara
	Kristin McPartland
	Thomas Oscherwitz

	Karuna Patel
	Matthew Pfaff
	Jane Raso
	Janneke Ratcliffe
	Judith Ricks
	Jessica Russell
	Irene Skricki

June 5, 2019

Welcome

Kathleen L. Kraninger, Director

Matt Cameron, Staff Director, Office of Advisory Board and Councils

Dr. Ronald Johnson, Chair, Consumer Advisory Board

Staff Director Matt Cameron convened the CAB meeting and welcomed CAB members and members of the public. He provided a brief overview of the meeting's agenda and introduced the CAB Chair, Dr. Ronald Johnson. CAB Chair Johnson welcomed attendees and explained the CAB's mission, summarized recent CAB activities, and outlined the direction of future CAB efforts. Following Chair Johnson remarks, he invited the CFPB's Director, Kathleen L. Kraninger to provide welcoming remarks. CAB members then introduced themselves.

Information Exchange: Trends in the Consumer Reporting Marketplace

John McNamara, Assistant Director, Office of Consumer Lending, Reporting and Collections Markets

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

Staff from the Office of Consumer Lending, Reporting and Collections Markets led a discussion on trends in the consumer reporting marketplace. Staff noted that Bureau is focused on problems associated with credit invisibility and considering opportunities for innovation, such as use alternative data, and consumer –permissioned data. Insufficient or old data can exacerbate disparities by age, race and income. Common types of alternative data include payment data for bills, cash flow, bank data and recurring, monthly payments, such as utilities.

Staff stated that consumers have been proactively opting in, allowing addition of this data to their credit file. They shared some benefits and potential challenges of this use of data. Potential benefits are that they can expand credit assets and consumers can feel like they have greater control over the data to which they give permission. Potential issues include whether or not the consumers read and understand the fine print before opting in.

Committee members shared their thoughts on this topic. Members discussed long term review of alternative data. Members noted the use of alternative data has not weathered a down economic cycle and there is little understanding of what happens with these innovations when the economy slows or contracts. Without understanding the impact and correlations with this data through a full credit cycle, folks should be careful before drawing any fundamental conclusions. Some members noted there are ways to overcome this issue by focusing on portfolios that already have a high propensity to go delinquent. Some members commented that it is important to address potential data sources individually. There is no history of how things like social media and relationships affect financial performance. Cash flow data, bank account balances, etc. are considered for lending decisions over many credit cycles. Some members also stated that institutions should look at consumers' ability to repay loans and stability in their sources of income.

Members discussed the need for consumer education in this space. Members said that institutions should disclose how they intend to use the data and help consumers understand their options. Members also noted that consumers need recourse if are caught in exploitative situations. Additionally, members stated that some consumers don't understand what's in their credit reports and how to address problems in them. They said that these consumers need assistance in understanding the credit market. Members commented that it would be helpful if institutions explain to consumers how they can obtain a credit score to achieve their personal goals; how this will affect their payments, as well as provide tools to aid consumers in getting into the financial mainstream. Members discussed credit terms that lure consumers into bad situations and stated that counseling should be provided without ulterior motives.

Members said they were encouraged by the Bureau's focus on helping credit invisible consumers access innovative programs. Members noted that the focus should be on the people who are most affected. Members discussed the difficulty in knowing how to address those who are under-banked or those with no depository accounts. Members also discussed the Bureau can use its position to encourage mainstream institutions that have "skin in the game" to work on credit building. Members discussed efforts to offer consumers safe and affordable starter payment accounts. Members also discussed the role of employers in this space.

Some members discussed the use of mapping some of the incentives for consumers using the model of credit scores. Members also discussed consumers accessing their

own data. Members discussed various ways alternative data can potentially be used to boost credit building. Members noted that just because credit reporting companies will accept alternate data, underwriters may not consider it.

Information Exchange: 2018 Consumer Response Annual Report

Matthew Pfaff, Program Manager, Office of Consumer Response

Lewis Kirvan, Program Manager, Office of Consumer Response

Staff from the Office of Consumer Response provided an overview of its work, complaint data, and the process of handling the complaints. The work consists of three areas of service: (1) answering questions about financial products and services with over 21,000 calls per month to the Bureau's contact centers in New Mexico and Florida; (2) handling an average of over 25,000 monthly complaints from consumers across the nation regarding a variety of financial products and services; and (3) sharing data and insights through products such as the Consumer Response Reports. Staff described the steps involved for handling consumer complaints sent via consumerfinance.gov, phone, fax, email, or referrals.

Staff discussed findings in the most recent Consumer Response Annual Report. In 2018, the Bureau received approximately 329,000 consumer complaints, 80% of which were sent to companies for review and response. More than 2,700 companies responded in 2018. In 2018, credit and consumer reporting was the most complained about product or service followed by debt collection and mortgage. When conducting complaint analysis, the Bureau uses tools to filter and search through 1.8 million complaints. The Bureau reads complaints to understand the issues that consumers are raising in their complaints to the Bureau.

Members inquired about the outcomes that are being achieved as a result of the complaint data. Members also discussed potential solutions that can remedy issues. Members noted that because the process has become more visible and gotten more exposure, complaints have often been elevated to leadership in companies. Members encouraged the Bureau to develop a program of ongoing partnerships with industry and nonprofit users. Additionally, members discussed recognizing trends or emerging threats based on the data. Members also asked if the Bureau has communicated with other federal agencies using similar models.

Information Exchange: Remittances – Request for Information (RFI)

Jane Raso, Senior Counsel in the Office of Regulations

Karuna Patel, Managing Counsel in the Office of Regulations

Staff from the Office of Regulations provided an overview on the Bureau's Request for Information on the remittance rule, issued on April 25, 2019. Public comments for the RFI are due by June 28, 2019. Staff also provided background information on the Bureau's work with remittances. The Bureau's remittance rule became effective on October 28, 2013, and the rule was implemented with amendments to the Electronic Fund Transfers Act. The remittance rule imposes requirements on companies that send international money transfers, or remittance transfers, on behalf of consumers. The rule mandates that providers generally must disclose the exact exchange rate, the amount of certain fees, and the amount expected to be delivered to the recipient. The rule also asserts the right of consumers to cancel a remittance typically within 30 minutes of payment, and error resolution rights. In 2018 the Bureau assessed the rule and published a report on the impact on consumers and industry participants.

Staff discussed what the Bureau hopes to learn from the current RFI on remittances. The Bureau is seeking information about the number of remittance transfers a provider must make to provide them in the normal course of business, and information on incorporating a small financial institution exception into the rule. The Bureau is asking for information about the expiration of a temporary exception in the rule that allows certain insured institutions to estimate the exchange rate and certain fees they are required to disclose when sending remittance transfers.

Members inquired about what can be done to mitigate the impact of the expiration of the temporary exception in the rule on the consumers. Members also discussed the situation with expatriates who start their financial lives in one country and switch to another and how the rules affect them. Some members discussed the politics involved in this space and noted that it is difficult to know the intent of the lawmakers when they wrote the rule.

June 6, 2019

Combined Advisory Committee Roundtable

On June 6, CAB, CBAC, and CUAC members met with Bureau leadership and subject matter experts for a combined roundtable discussion on the Bureau's Debt Collection Notice of proposed rulemaking (NPRM), an update on the Bureau's work to educate and engage consumers, and trends in the mortgage market. 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) welcomed attendees 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, John McNamara (Assistant Director, Office of Consumer Lending, Reporting and Collections Markets) and Kristin McPartland (Counsel, Office of Regulations) discussed the Bureau's NPRM on debt collection. Next, Gail Hillebrand (Associate Director, Division of Consumer Education & Engagement), Janneke Ratcliffe (Assistant Director, Office of Financial Education), Irene Skricki (Senior Financial Education Program Analyst, Office of Financial Education), Michael Herndon (Deputy Assistant Director), and Judith Ricks (Economist, Office of Research) provided an update on the Bureau's work to educate and engage consumers. After the education and engagement conversation, CAB Chair Dr. Ronald Johnson adjourned the meeting for a break.

During the break, advisory committee members met for a preparatory working lunch (a summary of the working lunch can be found below). Following the working lunch, CAB Chair Johnson reconvened the public meeting. Mark McArdle (Assistant Director, Office of Mortgage Markets) and Jessica Russell (Mortgage Data Assets Program Manager, Office of Mortgage Markets) led a discussion on Trends in the mortgage market. The video of the roundtable is available on consumerfinance.gov.

Preparatory Work: Working Lunch – Update on OMWI Outreach

Lora McCray, Director, Office of Minority and Women Inclusion, Office of Equal Opportunity and Fairness

The working lunch began with an update from the Office of Women and Minority Inclusion on the Bureau's outreach and engagement with regulated entities. Staff explained how the Bureau has worked with regulated entities and received helpful information related to diversity and inclusion opportunities and challenges. This process derives from the mandate in Section 342 of Dodd Frank that the Bureau assess the diversity policies and programs of entities we regulate. To start, Bureau held roundtables and outreach meetings with the mortgage industry to get the pulse on issues and barriers the entities have observed and experienced. The Bureau plans to expand the work with the mortgage industry and expand into other industries. Pursuant to the Joint Standards developed by the federal financial regulators in 2015, the Bureau will begin engaging entities in a voluntary self-assessment process this fall to determine how diversity and inclusion are doing within various industries. This data will be collected through an online portal, which will allow for thorough analysis and assessment. Staff emphasized that since this is a voluntary process, the Bureau wanted the entities to be comfortable and to understand how the data will be used; it will be aggregated and examined to identify gaps or shareable best practices. The trends and patterns the Bureau finds will be published in the Bureau's Annual Report to Congress, and the Bureau will use this information to look for programs, tools, and resources to provide to entities to aid in their progress on diversity and inclusion. The Bureau is currently working on a fact sheet, FAQs and other tools to help inform and educate entities about the process. The Bureau is partnering with mortgage industry trade groups to socialize this process with entities in an effort to encourage greater participation.

Members acknowledged the importance of this work and thanked staff for the undertaking. Members also thanked the Bureau for working with prudential regulators to develop best practices on building out these programs. Members also encouraged the Bureau to continue to work with state regulators on this as well. Members discussed the reporting of the voluntary information and stated that there will be questions about the data use. Members also inquired if the Bureau would like to see more publicity around this from an institution.

Preparatory Work: Working Lunch – Trends and Themes by CAB, CBAC, and CUAC Members

Liz Coyle, Consumer Advisory Board (CAB)

Luz Urrutia, Consumer Advisory Board (CAB)

Bryan Bruns, Community Bank Advisory Council (CBAC)

Bryan Price, Credit Union Advisory Council (CUAC)

CAB members presented on small business data reporting in relation to Section 1071 of the Dodd-Frank Act. A member stated that the collection of data under Section 1071 would facilitate the enforcement of fair lending laws. The member reported out on disparities in credit approval by race and gender. The member noted that data collected under Section 1071 may provide a path to understanding what measures should be put in place to change outcomes. Another CAB member discussed findings from the Federal Reserve Board's Small Business Survey and cited access to credit as a top reason for financial challenges. She noted that small business loans help self-employed individuals and communities. The member explained that data collected under Section 1071 would also benefit institutions in understanding the small business market.

Following the presentation, members discussed data collection. Some noted that the data collection called for in Section 1071 could come with unintended consequences that might harm consumers. Members asked for more transparency on data analysis, a standard approach for analyzing the data, which might lead to more acceptance of the data collection. Members also discussed small-business lending. Some pointed out that small-business loans are not homogenous and there are differences that need to be accounted for that the debt may not reflect over time.

Next, a CBAC member presented on consumers' rights to access information in relation to Section 1033 of the Dodd-Frank Act. The member said that there are many questions raised and discussed balancing consumer protection and customer convenience. He summarized Section 1033 and focused on Section D and Section E. He noted that having one standard for writing APIs would open up competition in the industry and allow institutions to provide good service to their customers. Additionally, he discussed the challenge of balancing regulation with innovation. He mentioned that fintech companies should be subject to similar examinations that financial institutions face.

In response to the presentation, members discussed several different considerations for access to data including: the need to know what information format is usable by consumers; how most consumers with little or no credit can still have robust financial records; how collected data can be used for the good of consumers; how consumers leverage their information; and potential benefits of moving toward a common API standard. Members also discussed concerns over data security at fintech companies, such as their ability to adequately safeguard consumer data in their possession, and the issue of liability, for example, if data is compromised

Lastly, a CUAC member presented on unfair, deceptive, and abusive acts or practices, also known as UDAAP. He provided a brief history and detailed overview of each aspect of UDAAP. He discussed how UDAAP could be applied to many practices of financial institutions. He commended the Bureau for trying to add definition to what "abusive" might be. He also offered suggestions of some mitigating activities financial institutions could utilize, such as a UDAAP policy review, waivers and exceptions at the institutions level, and reviewing complaints. He noted that there is no safe harbor for institutions. He concluded with a discussion on financial institutions and consumer advocacy.

Following the presentation, members discussed the impact of UDAAP on their institutions. Some members noted that risk assessments are sometimes difficult to process because of the broadness of UDAAP. Some members highlighted institution-focus on consumer impact as a positive. Additionally, members discussed the legal system weighing in on the definition of the term "abusive." Members also discussed various unfair and abusive practices and provided examples.

Adjournment

CAB Chair Dr. Ronald Johnson adjourned the meeting of the CFPB advisory committees on June 6, 2019 at 3:30 p.m. Eastern.

Certification

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



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



Dr. Ronald Johnson
Chair, Consumer Advisory Board