

April 2016

Community Bank Advisory Council

April 21, 2016

Meeting of the Community Bank Advisory Council

The Community Bank Advisory Council (CBAC) of the Consumer Financial Protection Bureau (CFPB) met in person at 8:30 a.m. on April 21, 2016. The meeting was held at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

Board members present	CFPB staff present
Guillermo Diaz-Rousselot, Chair	CFPB Director, Richard Cordray
David Reiling, Vice Chair	Julian Alcazar
Jonathan Allen	Matt Cameron
Angela Beilke	Stacy Canan
Kathleen Cook	Kelvin Chen
Julia R. DeBery	Chris D'Angelo
Jack Hopkins	Crystal Dully
Michael Gallagher	Darian Dorsey
Ricardo "Ricky" D. Leal	Delicia Hand
David Motley	Emmanuel Mañon
Cara Quick	Patricia McClung
Thomas Spitz	Eva Nagypal
Yee Phong "Alan" Thian	Zixta Martinez
Monica Thomas	John McNamara
Christopher Triplett	Margaret H. Plank
Samuel Vallandingham	David Silberman

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Welcome and agenda overview

Director Richard Cordray, Consumer Financial Protection Bureau

Delicia Hand, staff director, Advisory Board and Councils Office

Zixta Q. Martinez, associate director, External Affairs

Guillermo Diaz-Rousselot, Community Bank Advisory Council Chair

Guillermo Diaz-Rousselot called the Community Bank Advisory Council (CBAC) meeting was called to order at 8:30 a.m. Chair Diaz-Rousselot voiced his appreciation to CBAC members and CFPB staff. Zixta Martinez, associate director of External Affairs, also thanks CBAC members for their time, attention, and feedback to CFPB staff. Staff Director Delicia Hand reviewed the agenda for the open and closed portions of the meeting.

Director Cordray welcomed CBAC members and expressed his appreciation for its work. He provided an update on the Bureau's most recent work. He discussed the CFPB's efforts in financial education and the work to develop a set of tools, "Moments in Time: Financial Education Tools," to help people during important financial moments. The tools comprise three modules, "Paying for College," "Owning a Home," and "Planning for Retirement," and, in the near future, will include "Buying a Car." Director Cordray also highlighted an update to the mortgages rule as well as the "Know Before You Owe" mortgage disclosure forms rule.

Committee Breakout Sessions

Michael Gallagher, member, Card, Payment, and Deposit Markets

The CBAC Card, Payment, and Deposit Markets committee, which has been working on drafting a set of guiding principles on overdraft protection products to share with the Bureau, discussed the guiding principles on overdraft for financial institutions and the consumer benefits associated with them. The committee discussed several topics including overdraft fees, implementing overdraft protection programs, and core processors. The committee decided to emphasize the need for balance between financial institutions and the needs of consumers. Some committee members also highlighted the benefits of overdraft programs. A committee member suggested that the guiding principles serve as a "published best practices" for institutions. Another committee member advised that being honest and upfront will foster trust between the consumer and the financial institution. CFPB staff explained that informing community banks, credit unions, and big financial institutions about best practices will create a

ripple effect throughout the market. Lastly, CBAC members asked if this document would make core processors more community bank friendly.

David Reiling, member, Consumer Lending Committee

The CBAC Consumer Lending Committee discussed the CFPB's work on debt collection. A CFPB staff member presented information about the debt collection market, case studies, and findings reported. The staff member informed the committee that the average price of debt has steadily increased. The staff member also discussed the Card Act Report, published in December 2015, which revealed that the largest credit card issuers are able to dispose of charged-off debt through their handling of debt sales, internal collections, internal recovery, and managing their collection agencies. A committee member asked if debt collectors needed formal registration, similar to licensed mortgage originators. CFPB staff informed that this question was included in the ANPR, but does not necessarily mean that it will show up in the rulemaking. Several members commented that their institutions often pull payments for loans internally from their members' accounts. If there are insufficient funds, they don't assess a fee. Members wanted to know how the rule would address the fee notification rule on internal transfers.

Angela Beilke, Chair, Mortgages Committee

The CBAC Mortgages committee discussed TRID and loan estimates. Committee members voiced concerns about whether loan rates should be locked and about whether inclusion of the time zone is mandatory or voluntary.

Next CFPB staff provided an update on the Home Mortgage Disclosure Act (HMDA). CFPB has focused heavily on the regulation implementation piece of HMDA, and a "HMDA operations team" at CFPB has been formed. Staff expects to have a webinar sometime in the near future that will walk people through system changes. Staff reminded the committee that 2017 data will be collected according to the current rule and reported to the CFPB in 2018. Staff also provided an overview of the Helping Expand Lending Practices in Rural Communities Act. The general consensus of the committee was that they were very happy with the tool and that it was easy to use. Several committee members stated they would like to see more instruction in CFPB webinars on how to fill out forms associated with HMDA and TRID.

Information Exchange: Know Before You Owe

The CBAC Mortgages committee led a discussion on the Bureau's Know Before You Owe mortgage disclosure rule. Chair Beilke summarized the feedback the committee received for the CFPB. The committee discussed webinars, investors, third parties being over reactive, and frequency of regulations changes. The Chair also mentioned appraisal rates in rural areas and how they impact changed circumstances in closing disclosures (CD) and loan estimates (LE). A staff member informed the committee that, in the last four years, the market share and mortgage market that is being taken by community banks and credit unions has risen.

CBAC members highlighted some concerns with the Know Before You Owe form posted on the Bureau's website. Specifically, they noted that the form provides incorrect guidance to small community banks regarding the use of "em-dashes" or "hyphens" as well as Time Zone requirements. CFPB staff acknowledged the confusion. A CBAC member also asked for clarification on the language used for loan estimates regarding "rate lock." Staff also noted that the loan estimate can be re-disclosed. This document primarily notes a change in circumstances, at which point the loan becomes locked. Additionally, a CBAC member praised the webinars. CFPB staff noted that the information in the webinars is a direct result of feedback provided by council members.

Information Exchange: Consumer Complaint Handling

Darian Dorsey, chief of staff, Consumer Response

Darian Dorsey provided an overview of the Bureau's Office of Consumer Response's complaint handling process. The Office of Consumer Response uses the latest technology to answer consumer questions, handle consumer complaints, and analyze and share data in order to empower consumers and improve the marketplace. Consumer complaint handling capabilities have been rolled out in phases, beginning in July 2011 with credit card complaints, and most recently the CFPB has added the ability to handle marketplace lending complaints. The Bureau routes complaints to companies for a response or to other regulators, directing the consumer to the right place and collecting feedback from consumers about companies' responses to their complaints. The Office of Consumer Response shares data with the Federal Trade Commission's Sentinel database and publishes complaints in the CFPB's Consumer Complaint Database. With consumer consent, the CFPB publishes anonymized complaint narratives on the database and companies have the option to respond publically to complaints.

One CBAC member inquired about which category of complaints resulted in the most volume. A CFPB staff member informed the Council that mortgages, credit reporting, and debt collection

equate to about two-thirds of all complaint volume. Another CBAC member asked how complaints were categorized when submitted. A staff member responded that consumers identify the product or service they are complaining about when they submit a complaint.

Administrative Session: Working Lunch – Communications and Ethics

Margaret Plank, senior counsel, General Law, Ethics & Oversight, Legal Division

Delicia Hand, staff director, Advisory Boards and Councils Office

Margaret H. Plank and Delicia Hand presented the communication procedures for the CBAC and reviewed the federal code of ethics for new and returning members. Staff explained that the work of CBAC members, and their written communication with the Bureau in fulfilling that role, are considered to be government records and are subject to the Freedom of Information Act (FOIA). Additionally, as a result of a provision in an omnibus appropriations bill enacted at the end of last year, the Bureau and its Advisory Board and Councils are now subject to the Federal Advisory Committee Act (FACA). FACA provides rules around process, accountability, transparency and other aspects of federal advisory committees.

Information Exchange: CBAC Card, Payment, and Deposit Markets

Committee Overdraft Principles Discussion

CBAC Card, Payment, and Deposit Markets Committee Members

The CBAC Card, Payment, and Deposit Markets Committee shared the contents of a set of guiding principles on overdraft that the committee had been working on. The committee hopes to produce and formally share a document for the CFPB to consider when enacting new rules or regulations. The committee discussed the process of reordering checks and the impact that technology would have for certain institutions, as guidelines were assessed. Committee members noted that they would not like to see the establishment of quantitative limits on fees, a overdraft fee price structure or usury limit, the requiring of credit underwriting before accessing, the establishment of definitions for the excessive use of overdrafts, or hardline restrictions on transaction posting order. Members also stated that the definitions of the different types of balances should be clarified and that each of those definitions may be worded differently depending on the institution.

Following the presentation of the guiding principles, CBAC members asked for clarification on the process of ordering checks in order to avoid overdraft fees. Members determined that institutions should choose and that the term “presentment” should be the proper terminology. CBAC members also noted that it would be a challenge to provide multiple 24-hour access

points because some consumers do not want to sign up for alerts. CBAC members suggested providing clarity on when the deadline should be for allowing consumers to clear their overdraft items. Lastly, CBAC members and CFPB staff commended the committee on taking their time to produce the guiding principles they produced, and everyone was encouraged to provide feedback as the committee continues to work on it.

CFPB Community Bank Advisory Council public session

Zixta Martinez welcomed audience members to the CBAC public meeting and introduced CBAC members and CFPB staff. Director Cordray then addressed the CBAC and members of the public. After the Director's remarks, CBAC Vice Chair David Reiling conducted the meeting on behalf of the Chair. Chris D'Angelo, CFPB chief of staff, led a discussion on the Bureau's nine near-term priority goals. Stacy Canan, deputy assistant director of the Office of Older Americans, presented the Bureau's recently released advisory and report about the prevention of elder financial abuse and discussed how CBAC members can aid in the prevention of elder financial abuse. She led a discussion about how the Bureau can most effectively educate and collaborate with community banks on this issue. A live-stream video of the session is available on consumerfinance.gov.

Adjournment

CBAC Vice Chair David Reiling adjourned the meeting on April 21, 2016, at 4:30 p.m. EDT.

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



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