

October 2014

Credit Union Advisory Council

October 1, 2014

Meeting of the Credit Union Advisory Council

The Credit Union Advisory Council (CUAC) of the Consumer Financial Protection Bureau (CFPB) met in person at 8:30 a.m. on October 1, 2014. The meeting was held at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

Board members present	CFPB staff present
Rose Bartolomucci, Chair	CFPB Director, Richard Cordray
Kevin Foster Keddie, Vice Chair	Abigael Bigham
John Buckley	Michael Byrne
Ron Ehrenreich	Ren Essene
Robert Falk	Delicia Hand
Mitchell Klein	Naomi Karp
Jason Lee	Joan Kayagil
Robin Loftus	Thomas Kearney
James McDaniel	Jeffrey Langer
Robin Romano	Jesse Leary
Marcus Schaefer	Zixta Martinez
Ronald Scott	Scott Pluta
David Seely	Gary Stein
Helen Godfrey Smith	Jennifer Stockett
John Bernie Winnie	Zach Teutsch
	Tracey Wilkerson

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Welcome and agenda overview

Director Richard Cordray, Consumer Financial Protection Bureau

Delicia Hand, staff director, Advisory Board and Councils Office

Kevin Foster-Keddie, Credit Union Advisory Council Chair

Chair Rose Bartolomucci called the CUAC meeting to order. She welcomed the members and emphasized the importance of learning about the priorities of the Bureau over the next year as they relate to credit unions. Staff Director Delicia Hand also welcomed new and returning CUAC members and reviewed the agenda for the day. Director Cordray also provided welcome remarks and thanked members for their willingness to serve on the Council. He encouraged members to stay in contact with the Bureau regularly and to share their on the ground perspectives. He also provided an overview of recent Bureau activities. Director Cordray invited members to share their name, information about their credit unions, and share why their chose to join the CUAC.

Committee Breakout Sessions

Helen Godfrey Smith, Chair, Card, Payment, and Deposit Markets

The Card, Payment, and Deposit Markets Committee discussed deposit-type services and the impact of those services on the future of financial institutions. Members discussed priorities for the next 12 months and identified overdraft as a top priority. Committee members stated their belief that there is still a place in the financial services marketplace for overdraft. Some members raised concern that the alternative to overdraft could be that the credit union or bank could just charge the item back and the consumer would have to deal with merchants which would be more costly. As such, the Committee agreed that those thoughts should be considered in the rulemaking process.

Next, committee members discussed mobile payments, prepaid cards, and remote deposit captured, remote deposits. Regarding mobile payments, members discussed security issues, consumer risks, and liability of the financial institution. Members noted that prepaid cards, are becoming more mainstream in the market. Committee members planned to spend time looking at potential pitfalls of prepaid, possibilities of abuse, where there are uses in the marketplace, and to bring forth some solutions before the product really pervades the marketplace. The

Committee pondered how Regulation E fits within the framework of mobile payments, prepaid cards and, deposit capture. They also discussed managing risks with these products. Additionally, the Committee talked about bringing financial literacy across the marketplace for consumers. Lastly, members identified checking account access and screening is as a major issue. Members stated that they are looking forward to supporting the CFPB with a program of work and bringing information to the table that could help with rulemaking.

Robin Romano, Chair, Consumer Lending Committee

Consumer Lending Committee members discussed various topics beginning with student debt and medical debt. Committee members also talked about ways to help smaller credit unions get back into the remittance business. Furthermore, the Committee discussed mobile consumer lending, and how that is becoming the wave of the future. Members wondered what kind of disclosures are going to be required, and discussed the need to make sure there is an even playing field. There was a discussion regarding payday lending within the industry. Additionally members conversed about non-regulated entities, specifically, about other kind of marketplaces trying to get into the financial industry. For instance, members highlighted Walmart and their attempt to get into this industry, as well as their new online debit card. Next, the committee discussed issues related to peer-to-peer lending, including different kinds of disclosures. Lastly, the committee discussed indirect lending preparation for the broader conversation with the full CUAC membership. Committee members shared that they want to make sure that they can continue to practice consumer lending in ways they are accustomed to, and that others in the industry are playing by the same rules.

Bernie Winne, Chair, Mortgages Committee

The Mortgages Committee spent time brainstorming priorities and identified the Home Mortgage Disclosure Act (HMDA), and how to best bring input to the Bureau about the rule, as the top priority. Next, the Committee members highlighted TILA RESPA implementation, scheduled as an additional priority that credit unions will continue to monitor. Members mentioned having to consider the reaction of the vendor community because many financial institutions would have to depend upon the vendor community for compliance. The third major priority established was to have discussion with Bureau subject matter experts about the secondary market and to get an understanding of what is within the Bureau's jurisdiction.

Members inquired if the Bureau actually has a weigh-in position regarding what the shape of the market will look like going forward. Members noted that credit unions depend on having some kind of an effective secondary market in order to be able to provide fixed-rate options to costumers.

Consumer Lending Committee: Auto Lending

Jeffrey Langer, assistant director, Installment and Collection Markets

Jeffrey Langer provided an overview of the indirect auto lending market and Bureau activities in this space. The staff member mentioned guidance issued by the Bureau in March 2013 regarding compliance with the fair lending requirements of the Equal Credit Opportunity Act and Regulation B for indirect auto lenders that permit dealers to increase consumer interest rates and that compensate dealers with a share of the increased interest revenues. The staff member provided information about the enforcement action against Ally Financial through which Ally agreed to pay \$80 million in remuneration and \$18 million in civil penalties. Additionally, he mentioned the CFPB field hearing held in Indianapolis, IN on September 18, 2014 on auto finance. The staff member also discussed the larger participant proposed rule for non-bank auto lenders. The fundamental principle behind the proposal was to bring large non-bank lenders under Bureau supervision and under general supervision for the first time. CUAC members and staff discussed the Bureau's jurisdiction in this market. The staff member clarified that the Bureau does not have jurisdiction over dealers that do not hold their own financing; however, the Bureau is concerned about fair lending concerns. CUAC members shared their experiences and observations with indirect auto lending.

Mortgages Committee: HMDA

Ren Essene, program manager, Mortgages Markets

Joan Kayagil, senior counsel, Regulations

Michael Byrne, HMDA technical operations lead, Technology and Innovation

Thomas Kearney, senior counsel, Regulations

Bureau staff provided an overview of the HMDA proposal issued in July 2014. The proposal was intended to implement the amendments to HMDA made by the Dodd-Frank Act. Staff provided historical information about HMDA, which was enacted in 1975. Staff also provided background information about the proposal. There were four major categories of regulatory changes included in the proposal, including modifications to: 1. Institutional coverage; 2. Transactional

coverage; 3. Data points; and 4. Reporting mechanisms. Staff summarized the proposed modifications in more detail. CUAC members and staff discussed the inclusion of dwelling-secured commercial loans in the proposal. CUAC members described potential challenges regarding the reporting requirements; for instance, having to hire additional staff and compile data from multiple systems. CUAC members noted that credit unions are not generally using MISMO industry data standards. Members also mentioned concerns with possible unintended consequences, such as higher costs and institutions exiting the market. Staff clarified the threshold for a proposed exemption from the rule for financial institutions that do less than 25 loans. Members asked about the value of including data points that were not specifically mandated by Dodd Frank. Staff stated that proposed data points relate to the following questions: What is going on in the market? How can local, state, and federal programs better respond to how the market is functioning? In response to a question about changes to reporting, staff noted that the Bureau proposed quarterly reporting for institutions with 75,000 or more transactions a year. Staff also explained that the Bureau is working to implement technology that would mitigate burden while also facilitating a modern, agile approach to data collection.

Card, Payments and Deposits Committee: Older Americans – Elder Tool Kit

Naomi Karp, policy analyst, Office for Older Americans

Naomi Karp provided an overview of the Bureau's work dealing with elder financial abuse. She shared the definition of elder financial exploitation as "the illegal or improper use of an elder adult's funds, property, or assets," and noted that only a small fraction of incidents are reported. The staff member highlighted cognitive decline as a challenge because in many cases, as people start to lose that ability to manage their own money, they become more vulnerable to financial abuse. The staff member also mentioned that the Financial Crimes Enforcement Network (FinCen) put out an advisory in 2011 stating that signs of elder financial exploitation are the types of issues that would allow the use of a Suspicious Activity Report (SAR). The staff member also noted that in 2013 the Bureau and other federal regulators issued joint guidance which clarifies that reporting suspected financial abuse of older adults to appropriate local, state, or federal agencies does not generally violate the Gramm-Leach-Bliley Act.

CFPB staff and CUAC discussed challenges with identifying victims and proper ways of reporting cases. The Bureau heard from credit unions and other financial institutions that they want that ability to reach out to a family member, especially if they know the customer. Several

CUAC members expressed interest in the Bureau developing a sort of a model consent form or protocol to help financial institutions navigate privacy concerns. The staff member described two projects that the Office of Older Americans initiated. The first initiative was creating an advisory for financial institutions on key steps to prevent and respond to elder financial exploitation with the goal being to help financial institutions deploy those key tools for protecting their older customers. The end product on this would be some concise recommendations on action steps for financial institutions to take on prevention, identification, and response. The second initiative was follow-up on interagency guidance due to issues with law enforcement agencies or adult protective services having a difficult time getting account information from financial institutions that are concerned with privacy.

The staff member noted that some states have picked up on the guidance. There was a discussion about the use of data and fraud detection tools for identifying abuse. CUAC members also discussed training methods they employ with their staff to identify and report abuse. Staff members encouraged CUAC members to utilize CFPB consumer tools and training materials available for free on the website and in bulk.

CFPB Credit Union Advisory Council public session

Chair Rose Bartolomucci welcomed audience members, CUAC members, and CFPB staff. Director Cordray addressed the CUAC, panelists, and members of the public. Following Director Cordray's remarks, Gary Stein, Deposits Markets program manager and Jesse Leary, section chief of Consumer and Household Research and Policy, provided an update on the Bureau's overdraft program inquiry. Next, Scott Pluta, associate director of the Office of Consumer Response provided an overview of the consumer complaint narratives on the Bureau's website. The video of the session is available on consumerfinance.gov.

Adjournment

CUAC Chair Bartolomucci adjourned the CUAC meeting on October 1, 2014 at 5:20 p.m. EST.

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. Hand", written over a horizontal line.

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