

September 2018

Credit Union Advisory Council Meeting

September 27, 2018



Meeting of the Credit Union Advisory Council

The Bureau’s Advisory Board and Councils of the Bureau of Consumer Financial Protection (BCFP). The Credit Union Advisory Council (CUAC) of met in person at 9:30 a.m., Eastern on September 27, 2018. After the morning sessions, the CUAC, Community Bank Advisory Council (CBAC), and Consumer Advisory Board (CAB) convened for a combined roundtable meeting.

Council members present	BCFP staff present
Chair, Eric Schmidt	Acting Director Mulvaney
Arlene Babwah	Acting Deputy Director Brian Johnson
Sean Cahill	Julian Alcazar
Christopher Court	Kenneth Brevoort
Teresa Campbell	Mary Kate Binecki
James Hunsanger	Edward Blatnik
Bryan Price	Owen Bonheimer
	Matt Cameron
	Stacy Canan
	Albert Chang
	Bobby Conner
	Daniel Dodd-Ramirez
	Crystal Dully
	Naomi Karp
	Heidi Johnson
	Manny Mañón
	Zixta Martinez

	John McNamara
	Gary Stein
	Anthony Welcher

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Welcome

Julian Alcazar , Outreach and Engagement Specialist, Office Advisory Board and Councils

Eric Schmidt, Chair, Credit Union Advisory Council

Julian Alcazar convened the CUAC meeting and welcomed CUAC members and the listening public. He provided a brief overview of the meeting's agenda and introduced the CUAC Chair, Eric Schmidt. Chair Schmidt thanked the Bureau for hosting the members. He also thanked CUAC members for agreeing to serve. Mr. Schmidt thanked the Bureau for allowing the council's participation and for their work in setting the meeting up and thanked CUAC members for serving on the council. Next, he outlined the Bureau's focus for the year and the role the council would play: to provide to the Bureau feedback and advice from a credit union perspective on various initiatives and pending rules and regulations. Then, committee members and staff introduced themselves.

Innovation and Disclosures

Edward Blatnik, Senior Counsel, Office of Innovation

Owen Bonheimer, Senior Counsel, Office of Regulations

Heidi Johnson, Research Program Lead, Office of Research

Staff from the Office of Innovation, Office of Research, and Office of Regulations provided background on the Bureau's interest in innovation and disclosures and what the Bureau hoped to learn from the Committee members. Staff noted that the Bureau has identified disclosures as a priority area for research. The Bureau is focused on learning what works well for consumers, what helps promote understanding through disclosures, and also what has impacts on institutions. Additionally, the Bureau is examining electronic disclosure, including barriers to electronic delivery and how to leverage more

online capabilities. Staff provided an update on the trial disclosure policy and explained that proposed revisions aim to: reduce application burden, increase guidance for the testing timeframe, specify procedures for extensions, and provide coordination with programs offered by other regulators to facilitate innovation. Staff requested member feedback on capabilities they are interested in leveraging, how the Bureau could help facilitate innovation, and any obstacles. Staff also requested feedback on both electronic and non-electronic disclosures.

Committee members discussed how to best measure the effectiveness of disclosures. Members identified complaints, existing metrics, and loan application efficiency as potential measurements. Some members said that consumers may not open or thoroughly read the provided disclosures. Members talked about the proposed trial disclosure program, including the ability for institutions to sign up for the program as group, and noted that many credit unions rely upon disclosures developed by vendors. Members and staff discussed participation in the program and considered challenges that prevent institutions from participation. Additionally, members asked to receive specific feedback when an application is rejected, such as why it was rejected and what the institution should do to remediate the application to gain future approval. Members also discussed other general problems with disclosures, such as the length and viewing disclosures on mobile devices. There was consensus that some disclosures, such as overdraft and Truth in Savings, might benefit from a reduced version.

Members also discussed considerations regarding electronic disclosures. For instance, members commented on consumers' willingness to go paperless and the burdens of the opt-in process for obtaining consent to deliver paperless disclosures. Members noted challenges implementing this opt-in process for in-branch account openings, as well as for indirect automobile loans that consumers obtained at the dealership. There was also a discussion on the role of electronic disclosures in the re-disclosure process for mortgages and on security concerns around emailing disclosures. Members suggested that the Bureau examine the mortgage re-disclosure process since it can create a burden on consumers in certain circumstances. Members also discussed the potential for website-based disclosures by debt collectors they engage. Lastly, one member stated that consumers are not willing to pay fees for paper disclosures, but may respond to financial incentives to go paperless.

Credit Unions and Fintech: Partnerships as well as Potential Benefits and Risks

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

Albert Chang, Counsel, Office of Innovation

Staff from the Office of Innovation and the Office Consumer Lending, Reporting and Collection Markets met with Committee members for a listening session on partnerships between credit unions and financial technology (fintech) companies. Staff requested input on how credit unions partner with fintech companies and how those partnerships affect consumer banking experiences. Staff and members discussed benefits and risks that credit unions face.

Committee members discussed ways credit unions partner with fintech companies; for instance, online banking and for products to facilitate sending money. Staff and members discussed limitations with APIs. Some members said the lack of open API prevents smaller credit unions from using all available fintech options. Members identified core integration with small credit unions, what credit union data the fintech company is accessing, and how they are using and protecting that data as important considerations. Members discussed considering data usage and data protection when working with fintech. Members also discussed the role core processors play in credit unions adopting fintech. Members discussed the cost and the resources needed for the custom programming, from the fintech and the core provider, to allow for integration. Members highlighted challenges that prevent their credit unions from using fintech such as data security, privacy issues, longevity, and risk management. Additionally, members discussed federal financial prudential regulators with service provider oversight authority and their potential supervision of fintech companies.

Members and staff discussed whether the value in fintech partnerships is largely in terms of person-to-person payments and account servicing or if credit unions are also looking at other types of partnerships. Staff and members discussed new offerings from the fintech industry that consumers might be interested in and that credit unions would like to explore, such as alternative credit scores and robotic programming automations (RPA). There was also a discussion about the Bank Secrecy Act and how institutions are considering predictive analytics from a fraud perspective. Additionally, members said it would be helpful if the Bureau provided guidance on how to avoid UDAAP concerns when rolling out technologies.

Combined Advisory Committee Roundtable

In the afternoon CAB, CBAC, and CUAC members met with Bureau leadership for a combined roundtable discussion on credit invisibles and alternative data and a discussion on utilizing technology to prevent and respond to elder financial abuse. Zixta Martinez, Associate Director of the Division of External Affairs, welcomed audience members to the public meeting and introduced advisory committee members. Anthony Welcher, Policy Associate Director, provided welcoming remarks and introduced Acting Deputy Director Brian Johnson. Acting Deputy Director Johnson provided

welcoming remarks on behalf of Acting Director Mulvaney and welcomed the committee chairs, committee members, and members of the public.

Following Acting Deputy Director Johnson's remarks, Kenneth Brevoort, Section Chief, Credit Information & Policy, Office of Research, Albert Chang, Counsel, Office of Innovation, Bobby Conner, Senior Policy Counsel, Office of Fair Lending, and Daniel Dodd-Ramirez, Assistant Director, Office of Community Affairs provided an overview of the Bureau's work to improve credit visibility, including the Bureau's day-long symposium, *Building a Bridge to Credit Visibility*, organized by the Office of Fair Lending and held in September 2018. After the credit invisibles session, Acting Director Mulvaney provided remarks and thanked members for their service. Following Actor Director Mulvaney's remarks, Stacy Canan, Assistant Director for the Office for Older Americans, and Naomi Karp, Senior Policy Analyst for the Office for Older Americans, led a discussion on how innovation and technology can help identify and address elder financial abuse. The video of the roundtable is available on consumerfinance.gov.

Adjournment

Consumer Advisory Board Chair Johnson adjourned the meeting of the BCFP advisory committees on September 27, 2018 at 4:30 p.m. Eastern.

Certification

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



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



Rick Schmidt
Chair, Credit Union Advisory Council