

December 2018

BCFP Advisory Committee Meeting

December 6, 2018



Meeting of the BCFP Advisory Committees

The Bureau’s Advisory Board and Councils of the Bureau of Consumer Financial Protection (BCFP). The Consumer Advisory Board (CAB), Community Bank Advisory Council (CBAC) and Credit Union Advisory Council (CUAC) via a public conference call at 1pm., Eastern on December 6, 2018.

Advisory committee members present	BCFP staff present
CAB Members	Acting Director Mulvaney
Chair, Dr. Ronald Johnson	Acting Deputy Director Brian Johnson
Liz Coyle	Matt Cameron
Sameh Elamawy	Crystal Dully
Manning Field	Brent Lattin
Clinton B. Gwin	Manny Mañón
Brent A. Neiser	John McNamara
Sophie Raseman	Thomas Oscherwitz
Luz Urrutia	Gary Stein
	Anthony Welcher
CBAC Members	
Chair, Maureen Busch	
John Erik Beguin	
Bryan Bruns	
Michael H. Head	
Aubery L. Hulings	
Heidi Sexton	

Jeanni Stahl	
CUAC Members	
Eric Schmidt	
Arlene Babwah	
Sean Cahill	
Christopher Court	
Teresa Campbell	
James Hunsanger	
Bryan Price	

December 6, 2018

Welcome

Acting Director Mulvaney

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

Eric Schmidt, Chair, Credit Union Advisory Council

Acting Staff Director Matt Cameron convened the advisory committee meeting and welcomed committee members and the listening public. He also conducted a roll call of advisory committee members on the call. Next Anthony Welcher provided opening remarks. He thanked the committee chairs of each committee and thanked members for their participation. He provided an overview of the call's agenda and provided more context for the Bureau's work in artificial intelligence and consumer access to financial records. Acting Director Mulvaney provided remarks and thanked committee members for their commitment. He also briefly spoke about the confirmation of the incoming Bureau Director. Rick Schmidt, chair of the CUAC, provided welcoming remarks, established guidelines for the discussion, and introduced participating staff.

Emerging Issues: Artificial Intelligence in Consumer Financial Services

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

Thomas Oscherwitz, Senior Advisor and Counsel for Consumer Lending, Office of Office of Consumer Lending, Reporting, and Collection Markets

Staff from the Office of Consumer Lending, Reporting, and Collection Markets led a discussion on the implications of artificial intelligence (AI) related to consumer financial services and the Bureau's mission. Staff are interested in how artificial intelligence will impact the Bureau's work. Staff acknowledged that artificial intelligence can encompass several different technologies. They defined artificial intelligence (for the purpose of the discussion) as a system that exhibits humanlike intelligence and can sense, reason, act, and adapt. Staff noted that machine learning is a subset of artificial intelligence and explained other key terms related to this topic. They also attributed the growth of artificial intelligence to the growth in data; improvements in algorithms; and growth in computational power.

Staff discussed relevant developments of artificial intelligence in consumer financial services. These include: chatbots; credit underwriting; roboadvisors; regulatory compliance; and fraud detection and risk management. Regarding credit underwriting, staff noted that artificial intelligence use may help "thin file" consumers reach mainstream credit and credit visible consumers obtain more tailored credit

terms. Staff also highlighted potential challenges with the technology. Furthermore, staff discussed policy issues associated with artificial intelligence and consumer financial services such as privacy, data use, data security; biases in training sets; use of AI marketing and microtargeting tools; and increasing transparency in AI models.

Committee members exchanged ideas and shared feedback about the Bureau's role in artificial intelligence. Some members said that the Bureau should support the emergence of artificial intelligence in consumer financial markets to improve consumers' experiences. Members flagged that the Bureau should pay close attention to fair lending implications in the artificial intelligence space, flagging that the technology could be biased if manipulated in a certain way. There was further conversation about the need to reduce potential biases and errors. Furthermore, several members highlighted the importance of transparency.

Committee members also discussed potential benefits of artificial intelligence. For instance, members noted that AI presents new ways of underwriting for low-to-moderate income consumers, and could be a gateway for inclusivity and expanding access to credit. Members encouraged the Bureau to research this further. Members also noted that the Bureau could itself use AI to support regulatory activities. Members shared examples of how AI can be used as a fraud prevention tool. Members also discussed how banks and credit unions use AI technology, such as chat bots for financial coaching.

Members asked several questions related to the scope of Bureau supervision (related to AI); the Bureau's rulemaking timeline; and how the Bureau will measure if AI is actually helping consumers. Members also encouraged the Bureau to have a level playing field for all market participants: banks, non-banks (including fintech companies) and credit unions. Some members noted that banks and financial institutions find it difficult and costly to innovate due to various regulations. Members recommended that the Bureau consider conducting AI field studies to better understand the market.

Consumer Access to Financial Records

Gary Stein, Deputy Assistant Director, Office of Card, Payment, and Deposit Markets

Brent Lattin, Managing Counsel, Office of Regulations

Staff from the Office of Card, Payment, and Deposit Markets and the Office of Regulations discussed the Bureau's work related to consumer access to financial records. Staff provided an overview of the Bureau's authority under Section 1033 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Staff also discussed market activities and developments in consumer aggregation. Staff highlighted

that both financial technology (fintech) companies and financial institutions are leveraging technology for such practices and shared market case examples. Staff also highlighted issues and risks such as those related to consumer-authorized data access and service restrictions; consumer privacy and security; data retention and reuse; and technical burdens on financial institutions. Staff also shared the Bureau's activity in this area including: the Request for Information (RFI) on Consumer Access to Financial Records (published November 2016); Consumer Protection Principles (published October 2017); and Bureau outreach to stakeholders. Staff noted that consumer access to financial records remains a long-term action on the Bureau's public Unified Agenda. Staff further explained the Consumer Protection Principles which were intended to provide a consumer-centric perspective to market issues and inform market development. Staff invited members to share their thoughts on what role the Bureau should play in this area.

Some committee members described this as an important issue for fintech companies and noted that greater clarity regarding stakeholder obligations would facilitate market innovation. Some members said they strongly believe in a consumer's right to their own data. Members also noted that small institutions bear responsibility and operational risks; for instance, if third party merchants mishandle the data. They said that the Bureau should consider protections and mitigate potential liability for small institutions.

Committee members shared several suggestions for the Bureau's consideration. For instance, members recommended that the Bureau better define how the data should be made available to consumers (i.e., the format). Some members said that access granted by a consumer should expire after a certain time period and that the Bureau and financial institutions should consider what happens when a consumer no longer wants to share or use the data. Members also said that the institutions should consider the role of agents who work on the consumer's behalf.

Additionally, members raised several questions about consumer access related to the Bureau's role including: the scope of data that consumers can access; the use of that data; protection of consumer data; and revoking data if necessary. Several members also highlighted the importance of financial education. Some members noted that the Bureau should take its time and consider all possibilities. Additionally, members said that their institutions follow existing rules to protect consumers and asked how to balance consumer data aggregation and other risks. They want to ensure consumer information is protected. They recommended that the Bureau move forward with a rule implementing section 1033. Members said there should be a common set of safeguards provided by regulators rather than by industry actors.

Adjournment

Credit Union Advisory Council Chair Eric Schmidt adjourned the meeting of the BCFP advisory committees on December 6, 2018 at 3:45 p.m. Eastern.



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



Rick Schmidt
Chair, Credit Union Advisory Council



Dr. Ronald Johnson
Chair, Consumer Advisory Board



Maureen Busch
Chair, Community Bank Advisory Council