Good afternoon. I am Tracy and I will go over some logistics before we begin. Beware this event is being recorded and will capture WebCam images and the voices of all speak for us. The recording will be shared publicly by the Bureau. Your attendance is construed as your consent to these terms. The link for closed captioning will be placed in the chat box, which is located near the bottom of the WebEx window. If you're having any issues with your audio, click on the audio button near the bottom of your screen. The audio options are located within the circle button with three dots near the bottom of the WebEx window. There, you will receive guidance on switching your audio to your telephone. To adjust the way you are viewing the WebEx, click on the layout box near the bottom of the screen and you can toggle between the different views. For technical support during this event, send a message to the host and I will provide assistance. Now I will turn the event over to the office of advisory board Intel.

Thank you, Tracy, and good afternoon. I would like to officially convene today's academic research Council meeting or arc. Thank you for making time today. My name -- I serve as a staff director for the Pfizer board and counsel section here at the Bureau. Today, I will be serving as a designated federal officer for this advisory committee meeting. For my background, they established is advisory committee to provide substantive information, analysis, operational expertise, knowledge of the committees and feed:to inform the bureau QS work. They have economic experts and economics -- you can find a full list of the bureau's advisory committees on our website. As a reminder, the views of the ARC members are their views and they are appreciated and welcomed if they do not represent the views of the bureau. Now I would like to go over what you can expect during this engagement. Today's meeting will run from 1:00 and complete at 3:15 Eastern. We will start the remarks with the deputy director and then our first agenda item is a discussion of small business lending research. The second agenda item is on incorporating racial and economic equity analysis. There will be time for Q&A and discussion with ARC members and Bureau staff following each session. We will have a one 15 minute break. As a reminder, to Bureau staff and ARC members, during the Q&A sessions, if you would like to make a comment or ask a question or answer a question, please press the raise a hand icon and research staff or the ARC chair will call on you. Before you speak, unmute your lines and provide a name, title, and organization. Be sure to mute your mics when you're not speaking. Please put the raise a hand feature down when you have finished speaking. Everyone should have received an email from my team with the meeting materials, including the agenda of the presentations. Please open those documents now, so you may follow along with us. I am pleased to introduce Martinez, who was appointed as deputy director of the [ Indiscernible ]. He joined the bureau in 2010 to help lead to the implementation team and has since served as senior adviser for supervision and enforcement and he is the director for the external affairs division and the assistant director for the office of community affairs. Deputy director, the floor is yours.

Good afternoon and thank you for the introduction. Welcome, everyone, to the consumer financial meeting of the academic research counsel for the ARC. First, a special thank you to our chair, Vicki Bogan, for her leadership. We greatly appreciate your time and expertise. I also want to thank all of you for being here today. Public service is a rewarding endeavor and I recognize and thank you for your service to consumers for your contributions to the ARC. When Congress created this group, they entrusted the bureau with carefully monitoring financial markets to spot risks and ensure compliance with existing laws and educate consumers and promote fairness and competition. As a consumer centric regulator, research is a key part of meeting our statutory requirements. With that in mind, the ARC was created to help us utilize and develop the latest research and methods along with the models we need to understand the impacts of the emerging risks to consumers. With your insights, we will be better positioned to improve the methods we use to develop analytical frameworks and inform rule makings and help us post questions to identify the root causes of challenges that consumers face. Looking to those challenges, I think we can all agree that today's economy looks very different than it did a year ago. The labor market is tight and employers have had millions of new jobs. The bureau has ongoing research that has shown consumer and household spending is reflect the of and up demand and that the housing market is booming with the median home price recently reaching $400,000 for the first time in history. The CFP has also highlighted the unevenness of recovery. Millions of families continue to struggle to make their housing payments and small businesses face significant challenges. As a result, we are at a critical crossroads for consumers and the American economy. Your perspectives as leading researchers in your field will play a vital role in helping the CFPB to monitor markets , spot risks, and help foster a full and equitable recovery. As part of our research efforts just two weeks ago, we issued a section 1022 orders from Wake Tech payment platforms to provide information about their products, plans, and practices. What orders were issued to Google, Apple, Facebook, Amazon, square, and PayPal. The bureau also announced they would study the practices of Chinese tech giants that offer payment services like we chat pay and others. These platforms are cheaper and quickly evolving. They are also network businesses and can gain tremendous scale in market power within a short period of time. That opens up consumers to significant risks and potentially undermines fair market competition. Our researchers, economists, and market specialists will look at important roles in using the data we receive to better understand these services and practices and answer key questions such as how might Wake Tech use this data to beep and behavioral advertising and practice discrimination or sell personal data to third parties. How might companies operate the payment platforms in a manner that interferes with fair, transparent, and competitive markets? How adequate are these platforms to ensure adherence to key consumer protections? How effectively do they manage complaints, disputes, and errors? This evaluation of the data will inform us about the future of our payment systems. It will also give us insights that might help the CFPB implement our responsibilities, including any potential rulemaking under section 1033 of the Dodd Frank act. As we continue to exercise our authorities to determine the emerging risk posed by the presence of big tech in the financial marketplace, the CFPB looks forward to working with you to ensure consumer protections are clear and robust. Looking to today's reading, there are equally important topics to discuss. First, a small business lending research project. As you know, small businesses are the engines in the economy, serving as key drivers of wealth creation and upward mobility. In fact, there are over 30 million small businesses in the U.S. that employ nearly half of all public sector -- small businesses are also a vital part of the fabric of our communities, giving character and identity to neighborhoods and serving local areas. Yet we do not know enough about whether they have fared in equitable access to the credit they need. And when they cannot access credit, that does not just hold them back but it holds back their employees, the communities they serve, and the American economy. We saw the risks that came with this amid the pandemic one small businesses were hit hard by the resulting financial shocks. 74% of small businesses reported losing revenue and 2000 more closed than in normal pre-pandemic times. In response, federal government implemented the Paycheck Protection Program but initially, we saw reports of the smallest businesses, many of those black or Hispanic owned, struggling to access funds. They are reminding us of the importance of fair and equitable access to credit. Small businesses continue to face challenges to achieving a full recovery as new obstacles such as labor and supply shortages arise. This continued uncertainty presents difficulties for small businesses seeking access to much needed credit. Since bank lending practices have historically been cautious during similar economic times, we see this uncertainty in the data with the U.S. Census Bureau finding as of October 2021, almost 40% of small businesses expect another six months to pass before they can return to more normal operating times. The CFPB has made learning about small business lending a top priority. We have recognized the vital roles small businesses play in order for families and communities to thrive. That is particularly communities that have historically faced structural disadvantages in our economy. To better respond to future crises, as well as in the day to day, we need to know much more about the credit needs of small businesses. As part of that focus, on September 1st, the CFPB Published a notice of section 1071 of the Dodd Frank act, that would help them create a database of application levels small business lending data. Simultaneously, we launched a share your story platform for small business entrepreneurs to share their experiences about applying for credit. The comments gathered through that and they share your story effort will help us learn more about how we can help small businesses thrive. During today's session, representatives from the office of research will share more about our ongoing efforts to understanding the effects of the pandemic on the use of small business credit. Then the agenda will turn to discussing the CFPB Efforts to incorporate racial and economic analysis into the bureau's work. For example, the CFPB's office of consumer response recently published a report on consumer complaint data that looks at complaints by census -- using this approach, we were able to view new connections between types of complaints we receive and the demographic characteristics of the communities they represent. There is even more work to do that is similar to this. A shift that is essential as part of our commitment to equity in our work. Most important, ensuring access to fair and affordable credit for low income minority or traditionally underserved communities is at the core of our mission. Because of that, it is a top priority. We see this in our work to uphold and enforce they're lending, prevent housing discrimination, and ensure all consumers can access credit, regardless of their race, national origin, age, familiar status, other factors, and sex. The office of research will solicit your suggestions and advice for ways to integrate racial and economic equity analysis into the CFPB's research agenda. Finally, to close, I would like to re-center our conversation on the people the CFPB Serve. All families and consumers face challenges to achieving their American dream. The CFPB Must be intentional about creating opportunities that fit the needs of specific communities, families, and individual consumers. I expect that today and in future meetings, all of you can help us develop ways to tear down structural barriers, create markets that are fair and competitive for everyone as well. Although I will need to leave at 1:30, staff will brief me and another director on the outcome of the arc meeting at a price us of action items that require a response. For now, I leave you in the capable hands of CFPB Staff and extend gratitude to you all for taking time out of your work and family to provide your insights and feed back on these critical industries. Thank you.

Thank you so much, director. With that, I will pass the baton to the arc chair.

Thank you, deputy director Martinez and thank you. I am pleased to be here today with all of you. I would like to at what was said and welcome you all into today's meeting. At this time, I want to pause to think Manny and all of his wonderful staff for putting together this meeting. I also have a special thanks to Krystal for her help with my personal preparations. Thank you to your team. As Manny mentioned, we are joined by members of the bureau's academic research Council or the arc, as we refer to the group. I serve as the chair of this committee and it is a pleasure serving with all of the arc members. I also would like to acknowledge Jason Brown, assistant director for the office of research. He is joining us today. It has been wonderful to be able to work with Jason and his quite dynamic team. The academic research Council advises the bureau on its strategic research learning process and research agenda. Members also provide the bureau vertically the office of research with technical advice and feedback on research methodologies, data collection strategies, and methods of analysis, including methodologies and strategies for quantifying the cost and benefits of regulatory actions. I have had the pleasure of participating in several engagements with research staff. For instance, I was delighted to have the opportunity to present my research related to household finance and mental health during a brown bag. I also have had several discussions with research staff to help advise them on the bureau's research agenda. I have appreciated the opportunity to work with fellow committee members and assist the bureau in this process. Today is an opportunity for arc members and the public to hear about the bureau's research on small business lending and racial and economic equity analysis. So with that, let's shift to our first agenda item on small business research lending and for that discussion, we are going to be joined by bureau subject matter experts and they include Keith Whitson, an economist, and clear of her neck he, and it economist. Now, I will turn the virtual floor over to you, Keith and Claire.

Yes, as Vicki said, I Kim [ Indiscernible ] and we have both done a lot of work, making -- additional research coming out of our interests. Can you go to the next light? So we always have to have our disclaimer, that particularly because this is about research. This cannot be used for any guidance or advice from the CFPB In any opinions or views we may share may not be -- may not be representative of the bureau co-West View. As the deputy director said, small businesses really represent an important part of the economy. That continues to be particularly affected by the recent COVID pandemic and the recession. The bureau has really been making learning more about small business lending a priority, both in research and in other areas. For example, as the deputy director said, we will least [ Indiscernible ] on small business lending data and it was on September 1st. It was known as section 1071. When we say that, that is what we are talking about. We also launched a share your story platform for businesses to share more about their experiences applying for credit. We are looking forward to the stories we have about that. We will be talking about the recent work we have done on small business learning and also some pretty host future work that we are planning to do on small business credit card usage. I am going to start with the work we have already done. Do you want to move to the next light? This is the consumer credit trends report that we put out this summer. Hopefully, you saw that as a pre-read. It will not be a shock to you hopefully. We are interested in a lot of times promotional and consumer credit are intertwined for these small business owners. You often see small personal credit scores are used to pay for commercial financing. Sometimes, that commercial credit is actually furnished to consumer credit bureaus. Prior to this report, we do not understand too much about how often that commercial credit was and how it worked. On June 30th, we released a consumer credit trends report called the commercial credit on consumer credit reports. We analyzed data from the consumer credit panel, and for those of you that have been in meetings before, you have heard a lot about this. We use that to talk about what kinds of commercial credit were reported to the credit bureaus. In general, we are also interested in describing the types of credit trade binds an understanding more about those practices. Also, for those who attended last year, we also, you know, prepped you for this report by presenting about our plans for last year. Now you get to see how it turned out. Next slide. Just a high-level overview. Again, we encourage you to go and read the report. What we found is that there was an average 1:45 .8 million consumers that had a commercial credit product on their consumer credit report. A lot of times, there was information about business credit cards. This is by no means all of small business owners but it is still quite a substantial number of consumers that are being affected by this. So another finding we had was the number of furnishers and institutions that are providing information to the consumer credit bureaus have decreased a lot over time and the decrease has largely corresponded to an overall decrease in the number of banks. They are doing much of the reporting to consumer credit bureaus and as those numbers decline, then we also see an equivalent decline in furnishers. We also are thinking it is interesting [ Indiscernible ] furnishing strategies. What are the patterns with which furnishers provide information? We found a lot of them were clearly not furnishing any information at all. Comparing the number of banks that provided information to the number of banks total that have a small business credit owned balance sheets, we find about 89% of all banks did not furnish any commercial credit to consumer bureaus. We also find small office loans that do furnish information only furnished some credit types. While there is a lot of business credit cards, very few non-credit card lines of credit were being furnished. It is generally only business credit cards and business term loans. That will affect whether the credit is being furnished. Finally, we found there were some furnishers that only furnished information when the account was delinquent. Some furnishers, you only really see -- you never really see any accounts that are in good standing but only those that are seriously delinquent. That has a real impact on those consumers actual business owners. That is just a quick summary of, you know, what we found in our existing research. I will hand it over to Heath to talk about what we are undertaking.

Good afternoon, everyone. On the next slide, we are going to talk about transitioning from thinking about our customer in this small estate lending space to discussing potential future recharge in this space. Research is going to be small business credit cards and also the interaction with the COVID-19 pandemic. Kind of starting out from what we know, both the bureau and external researchers have studied consumer credit card trends and the affect the pandemic has had on important outcomes. There are several examples of that within the bureau from bureau colleagues, like in September there was a consumer credit card report that also detailed a lot of credit card market happenings that occurred during the pandemic and we had a series of reports and blog posts documenting credit, including credit cards during the COVID-19 pandemic, which I would check out every month. There is a lot of great work in those respects. There is also been examples of external researchers, like economists at the federal board analyzing credit card data. For example, with internal research, we do know consumer credit card balances declined significantly during 2020. It was a broad trend that cut across the data in a bunch of different ways. That was true for a lot of different segments. From external research, there seems to be this relationship between [ Indiscernible ] in areas where they were locally hit harder by the pandemic, you would see a relationship between the pandemic severity and credit card balances decreasing. Our overall ideas are to carry some of those insights board and use the bureau's the data that I will talk about on the next slide to study some important trends. Also with business credit card usage in the past and during the pandemic. One of the difficulties with studying the small business lending space is a general lack of data, even to the extent we have data on the consumer markets. We have correspondingly less data than the small business loaning space. We have some surveys -- maybe it is from the Fed or from a survey. For -- within the data the bureau has, we have documented in previous reports that there are small business trade lines on consumer credit -- consumer credit reports. We also, in that same report, we have notice on white would not be good to use the CCP data to study this particular market because we know it is not coverage that is complete and does not include long-term factors. We would like to use this data for those that were impacted, particularly small businesses. We would like to learn about how businesses, credit card spending, might differ from consumers, particularly during recessions.

[ Captioners transitioning ] Small businesses with different experiences and also different types of interventions that were targeted toward small businesses. It would be interested to see if there are any differences, because it could have implications for future and interventions during recessions.

Let's move onto the next slide, please. So we think about this set of potential future research having 2 forks that we can think about. The first would be a bureau anticipated output as a data point. A longer bureau report that is a little bit more descriptive in nature. And we would use our Y 14 dad in the house. If you are familiar or unfamiliar, it's by the Federal Reserve board. Information that they collect as a part of the data collection. Account level credit card information that can be interesting and useful in this context.

So potentially we can use the data to broadly describe business credit card usage. Both before, during the pandemic. We think relative to the consumer credit card market there is less information about business credits cards are used. So would be good for us to describe what the market looks like, and things like balances, utilization, delinquencies, and the rates at which counts evolve. Existing in a pre-pandemic state. And then have all those different data items change, as a result of the pandemic.

For example, we can revisit the question of business owners paid out balances on credit cards during the pandemic? We saw the behavior with consumers and we can investigate whether or not the behavior was also true of business owners. On the next slide, if we can go to the next slide. The other fork of this research that we would anticipate more along the lines of academic research report for the Journal argued. Small business cards and pay tech -- paycheck protection program. The interactions with the PPP program. They provided a 100% federally guaranteed low interest loans to small businesses. The amount of the loan and the business qualified dependent on the overall amount of payroll spending. And loans can be forgiven largely spent in qualifying categories of expenses, and we think this is a large intervention directly that small businesses. This might be an interesting setting to use the credit care data to look at the effects of the program.

We have a recent paper by several Fed reserve economist. They use the Y-14 data. One of the key findings and methods from the report is to use measures of local pandemic severity to estimate the effect of COVID-19 cases on purchases of credit card purchases, utilization imbalances. The same is for small business credit card spending, which in the Y-14 data you can sort out small business .

And they would like to look further and use a measure of local PPP dollars to estimate the effect of PPP dollars all these credit card measures that we have been mentioned up until now, conditional on pandemic severity. There might be a window in doing that because of his studies have shown PPP uptake was only loosely related to pandemic severity. So in designing this program, we spent a lot of money on PPP and lumped into one time. As opposed to a lot of variation when there was severe, for example, the timing of the first wave of severe outbreaks of COVID-19 . And so we think it could be interesting to use the variation of PPP dollars issued, and the measures of local pandemic severity, and atomic -- the timing of the first wave of all these different credit card measures.

I am now going to transition over to having a broader discussion. We could talk about the discussion questions and the research that we have presented so far. If you would like to go to the next slide, we have overall discussion questions. We are interested in any feedback on everything we have presented so far, past research, and broad reactions to the proposed research that I was just talking about. We have some specific questions to facilitate that discussion as well. Which I would like to open it up to our members if they would like to take the opportunity to provide some comments, or questions. We can start out by focusing narrowly on other measures of the business credit card use that you would find interesting to study in our plant research?

Also as a sub question, or their outcomes, patterns, or folks is specific to business credit cards that may differ from consumer cards, which would find interesting to examine? I would like to open it up to both Vicki and feel free to jump in with questions or comments about the research we have presented.

I think I see some hands up.

Yes, thanks. I would like to probe a little bit. I find it very interesting the path that you were going down, in terms of trying to relate severity of the pandemic to various measures of credit card usage. I'm interested about the behavioral driver. What is the small business analog to this notion of consumers, many consumers having saved a lot during the pandemic is simply because of lockdown. And their prevention of a lot of places that they like to spend. It's not certainly true for everyone. But the income scale when you could not go to restaurants or travel, you ended up not spending nearly as much. We saw the consequent impact on credit card balances. Is there a small business analog to it? Is it tied to pandemic severity? What are your thoughts, I'm curious.

I think it's a great question. I think it's interesting. Credit cards, particularly business cards is an entry-level type of product for personal businesses. They might mean for example, business credit card users or somewhere in this region between consumers and commercial, they exist and that in between grade space. It would make sense to me that even some of the behaviors that you seen the consumer cards space because the essence owner is in between that space. They might exhibit some of the same behaviors that you see in consumer cards. They might be kind of using the same type of income, wrapped into the same stimulus payments. Things like that.

What's also interesting is this competing forces with the census as to one, whether or not they are allowed to operate and function because of the shutdown. And what happened to overall revenue stream, as well as other sources of pandemic funding, such as the paycheck protection program. So the way that worked is where they propped up businesses in that way and whether it acts as a stimulus payment for consumers. And do businesses exist the same? We also think it would be interesting to look at kind of what was happening with the issuance of those PPP dollars. Relative to when the business might've been impacted by some of their local pandemic conditions.

So what I think what makes the credit card context particularly interesting, you might have a confluence of both consumer behaviors, as well as these small business issues being faced. The predictions are tricky. Depending on the relative strength they can go in different directions.

Thank you.

Do you have anything to add before I move on, Claire ?

No. That was very good.

I see Anthony's hand up.

To thoughts. One is thinking about what has happened to home-equity over the last few years. And interest rates. It would be very smart for small businesses to consider switching their financing. Basically doing a lot of cash out refinancing. Through their mortgage market. And of course you have some geography disaggregated data and I wonder if that was going on. I wonder if that was going on with the consumer credit being paid down by households. If in fact, there has been a boom in cash out refinancing. And I just wonder if that is not also going on. So that is my first idea. The nice thing about it, you have geographic variation in government policy toward shutting down, and the severity of disease. Also in the rate of appreciation housing prices. So you have a very rich experiment that has been performed, where the opportunity to do this change in financing has occurred. As well as the regulatory environment and the severity of disease. So I think there is a lot of ideas. I know the fat people took advantage of geographic variation. But they only scratch the surface. -- FAD people. And what they were doing. All

Those are great suggestions. We definitely want to look at the geographic variation. I think this has been another way of thinking about how you might have PPP dollars coming in one direction, to affect how smaller businesses might be using credit cards. And then having this other way by using home equity and that kind of house pricing. So we can explore different dimensions. Sometimes it is unclear exactly how it is going to work directly to the credit card. One of the things that we are thinking about, is could we use some of our measures from the PPP? Finding the presence of the commercial product as a proxy to say this is a small business owner. And see how maybe they actually do the home-equity, if they were doing a lot of refinancing and how it might have affected those particular products. So they may be an avenue as a direct link there. But I think you are right about the geographic variation. That is a good rule and we will look into it.

I think I saw Vicki's hand next.

Yes, hello. First of I would like to say really appreciate the opportunity to look at your report. It was very nicely done. Thank you. I have a couple of things that I want to mention I will for start with one that links to one of Tony's comments. As I thought about small business lending and credit cards, home equity is actually another vehicle that small business owners used to finance their businesses. There were some other pandemic related programs that affected, forbearance programs that were part of pandemic relief. I was wondering if you have data, or if you can look at a forbearance take-up rate for small business owners, and look at how it influenced how it was influenced by the pandemic. If you have those types of data, that would be interesting and how it affected their access to credit differentially.

The other thing that I was kind of struck by, in terms of your report, were these differences in furnishing patterns for credit information. I do not know if you have the data. Are you able to identify any types of biases and furnishing patterns by type of small business owner? Are there any gender or racial differentials in furnishing information? Do you have those types of data?

Yes. I can take that one. Again, I think with this home equity question and forbearance program. I think we might be able to use -- talking to Tony about the proxy for small business owners in the PPP. Also we could see if there is more up chicken forbearance and we can talk more with colleagues. That is really interesting on a forbearance side. Okay, again it would be the same sort of thing. Trying to figure out a little bit more about if there is any bias. So right now we do not have demographic information for individual consumers. The identified consumers. But we are working on getting proxy information for those individuals. So I think at that point, we probably would want to go back and look at whether -- black and white small this is owners experiencing different furnishing rights. The one thing we could try to see right now, is based on the neighborhood the consumer lives in. That is something we use with the CCP , the demographic makeup that the consumer lives. And use it sort of as a somewhat stand-in for race right now. We can see if there are differences in furnishings. I think it's a little tricky because sometimes we will not know if someone is doing well. And they keep paying off their loans they may not appear in the data. Definitely something we can think more carefully about. And how we can do that. It would be really interesting. Thank you.

I see Matthew has his hand up.

Thank you for the presentation. It's really interesting for number of reasons. One general question in terms of the data on credit reporting. The distinction between soul for partnerships and limited liability corporations. Can you speak to that distinction? My limited understanding of course with the LLC, your personal assets are shielded from liability.

Yes. One of the difficulties, even if we can identify, if we can identify the [ Indiscernible ] if we can identify a business trade. We know very little about anything to do about potential business that could resulted in the business trade line. We typically think about these or why these products might appear on a consumer credit report. Tied in as to kind of personal possible guarantees associated with the credit product, which could still exist even if you had limited liability corporation. You still can have a personal guarantee attached to what he says he will repay even if it is loan -- if it's incorporated or LLC. Unfortunately, we can only have inferences on how the relationship should exist because we do not know much about the this is associated with the consumer and the CCP. We have explored commercial credit data because there are commercial credit reporting bureaus just like consumer ones which will have more information about the potential businesses. But those that also come with its own set of challenges. And things like that.

Okay, thank you. That makes sense. The other question and/or comment. This is more of a question. Is there any way to get a read on, you have mentioned PPP loans. And of course this gave nice liquidity bumps during tough times for a lot of small businesses. Do you have any read on PPP loan forgiveness? Downstream, removing the liability and how it may affect credit.

That is a great question, to the extent we have data, at least from the SBA on the originations of the loans. Right now I would have to look into it further to the data that will eventually be produced about the forgiveness aspect. I am not quite as familiar with the forgiveness side of that transaction. But I agree that would be interesting in learning about when that kind of liability being lifted.

In particular, mentioned earlier -- it was a pandemic as well is a recession, so for future recessions are mechanism policy mechanisms PPE, okay we get capital. But to what degree is the variation in actually seeking and getting the forgiveness? And how it affects businesses during recovery period.

One way that I am trying to think about it. It's very tough in this context to sort out the pandemic specific parts of the recession. Because it's not the usual recession, or not typical of recessions that we have seen quite recently. But that is one reason why am interested in this timing of pandemic severity, or your local pandemic severity is related to when you might've received PPP loan. There might be some areas for [ Indiscernible ] and the Southeast whose first wave happened much later. Possibly receiving PPP loans at an earlier time. You can think about that about [ Indiscernible ] in those areas not associated with the local pandemic severity. It's not great but trying to tease out the recession component versus pandemic component.

I see Mike has his hand up.

Yes, thank you, Heath . I want to follow up on the actual analysis of the business credit cards. I am curious about whether you have taken a deep dive, I apologize if this is already in their report and have not seen it. Have you taken a deep dive of winding liquidity constraints? Maybe trying to look at percent utilization on cards are cards maxed out with some consistency or frequency that tie into local lockdown conditions, or anything of that sort? In other words, getting at the actual data that you have a since credit cards, to see if there was a binding constraint.

I think that we could. To some extent that we should be able to see relevant measures of that, as the proposed research, not the research that we have done so for about proposed research using that data. You would definitely know rates of utilization, the balance what they look like, when the credit limits. For those cards and how close they are in any kind of measures of delinquency. Half we looked at that so far, that can definitely be incorporated as a measure what we would hope to look at in future reports. Using this data. It would also be interesting at some point to revisit what we have seen in the CCP analyzing for initial reports on consumer credit. To see what we can learn about behaviors. That's a little bit more [ Indiscernible ] because we are in the report documenting and there is a lot of selection and who was furnishing the data. And what trade lines actually end up. But in the Y-14 credit that we are proposing you would see a lot of those things.

Also I want to add, one thing that is a little bit of a challenge. We can see individual credit cards and Y-14 but we would not be able to save these three credit cards correspond to the same owner. That kind of thing we can see in the CCP as they are living together but that is not the case and Y-14. We cannot do any type of switching or seeing if this person is completely maxed out on everything. But we can see if we find folks are meeting their limits at some point. Or -- not of full portfolio level but we can see individuals. And I think that would be pretty interesting.

I also believe you can see new card issuance. You can see new card accounts as well which can give a similar measure to what extent new credit. Not PPP credit for new credit cards being issued during that time. Which also ties into the question, I think.

I think I saw Tony's hand next.

Good points. Both of which are generally academic. There is a paper, a working paper from this summer, July of 2021 by in Waco and Rebecca diamond. They have a very imaginative use of credit card data to make inferences about what is going on in terms of consumption and individuals. There might be some tricks in that paper that you would find handy. And you can contact the office. They may know some other tricks. The research assistants may know tricks. At Stanford and Berkeley it is what it is. So that is my first point or suggestion. The second, [ Indiscernible ] I enjoyed your September report to Congress. I thought there was a lot of information. But when you are doing those reports, you are kind of comparing what has happened recently to to what has happened in the past. And that is useful. But another thing that is often useful, is the kind of developed model of credit use. And then you have three comparisons. You have what we have done in the past, we have the forecast from the model, and the actual. And there is a lot of information in trying to forecast. And then trying to attribute the failure to something. And I know it takes a lot of time and everything like that, but obviously. If you guys want to get the director on the baldheaded guy who smashes a lot of TV and makes predictions? This is public. I should not have said that. But that guys program, you say here is what we are predicting for credit card use, and this is actual. And we think that differences are all coming from New Jersey. That could be pretty neat. Also it would get a lot of attention to your work. That is my wild idea. I apologize to the TV host who I mentioned.

An interesting set of ideas. Thank you for the paper recommendation. That does sound like learning tricks from the data and I assume that we have the data resources you to be able to [ Indiscernible ]. I appreciate it. It's really interesting about the idea of thinking about models and regular reporting of the model, and how well we can use the past data to predict. I think it would be -- we would have to have a broader effort in that respect. In terms of research. The undertaking would be larger in scale. Claire, I do not know if I jumped in before you. You have any thoughts?

No.

I thought I saw Vicki's hand up. I guess she must have put it down.

Actually, I put it down because I was going to mention the paper. Another follow-up question to something that Mike asked earlier. In terms of trying to understand the binding constraints in business credit card markets. You mentioned that you have new application information. Do you have denials do you have any measure of how many business owners get denied access to a basic -- business credit card?

Unfortunately we do not have applications in the data we have now. Once it's up and running we will. But unfortunately, not in the Y-14 as far as I am aware there there are some things we can do. With some of the in-house data. But I think we have to be really thoughtful about how to use it. And I do not think it would be very [ Indiscernible ]. Unfortunately that would be a challenge for us, in terms of looking at it. We can look at new originations of our cards.

Thank you.

More generally, because I do not see hands up at the moment. We can feel free to broaden our discussion. Thinking brought her behind the business credit card space. I think we have time to venture further into the small business lending space. If anyone has additional ideas about projects and/or directions maybe we should be heading in as a research unit. I am happy to explore that as well.

Also on this slide, one question that I did skip over. We talked a lot about what is going on the past and what happened during 2020 and 2021. What happened during the pandemic. We also had a question about moving forward in patterns or factors or patterns on small business cards may be interesting to monitor as the economy is recovering, and continuing to recover. Learning both from historical data, also performing a modern function to keep track of going forward, both of those things can be interesting.

I see Vicki's hand up.

Since there seems to be a little time, one of the things that I find interesting about business credit cards versus consumer credit cards, is the differing use of rewards. The rewards for credit cards seem to be a big thing. When you look at some of the financial institution marketing. Always marketing rewards that are specific and unique areas. Or unique aspect of the business credit cards. Have you looked at any of that at all it seems like a big, black box. Have you looked any information or reward usage for the small business credit cards?

We have not. But I am pretty sure we can. I am pretty sure there is some information in the data. I will check with our research assistance. Knowing all the details. I think that is something we could look at. And I think it will be interesting. It might be opportunity with other data sets. I am not sure if we currently have but maybe we can expand we have other data on credit card offers that go out. And primarily we have it on consumer cards. The something we can look into procuring maybe the business side. In terms of [ Indiscernible ] I am sure we are able to do that in the Y-14 . And looking into whether or not there are other papers that I've done it. I do not really have a good sense of what types of rewards are on business cards right now. And so I think that would be pretty interesting.

Thanks.

Card offers in marketing, some business parts do appear. But I think it's a question to what extent for us to be able to analyze with any type of granularity. We might be running into the similar problem. And that this is a small, selective portion with certain types of offers.

Thanks. I was just interested.

Thank you.

I think it is a great idea. Mike has his hand up as well.

The same theme. I am curious to learn what you guys up line from your exploration of small business credit in general. How much universe credit do you think you are missing? Do you think it is outside the credit card world, and the home equity lines that we have already dressed? One of the reasons I asked, I am curious as to why there has not been more comprehensive reporting that has been involved for loans outside of those two categories. One answer may be that there just are not that many. What are your thoughts on that?

I did my hesitation on the first. [ Indiscernible ] in the 1840s. Dissertation. Looking at small businesses, essentially. More of these at that time. It was handwritten reports saying, this guy is good, he has good credit, you should lend to him. And that it evolved into rating. And then you see the development of consumer credit. But I think it's a really interesting and big question that I have, and why it is not more developed now. We have the small business financial financial exchange. We have things like Dun & Bradstreet. And it became Dun & Bradstreet eventually. So there are things they cover but definitely not as extensive. So I think it's a interesting question as to why this market has not really developed that much. Or not as extensive. You are right. We see credit cards. We do see a little bit in the Consumer Reports. But for the most part, we have not been able to find those data that have a comprehensive view of what a small business, or what type of debt or credit they are taking on. Or even when we talk to different parties that provide that type of information, everybody agrees it is just not fair. -- It's not fair. -- there. It will fill a big hole. So that is something that I think is a great question. I would love to show you that. As to why this information market does not work the way you think it should. [ Indiscernible ] we have not been able to. But it is correct that we are using essentially using these regulatory data. That is what Y-14 is . And that will give us a nice, clean picture of a very large part of the business credit card market. But we do not have that for other things. To your point about the home equity loan, that is something that we also. Home equity loans and consumer credit cards, and how small this is owners use their actual consumer products to fund businesses. That is another thing that we do not have insight. We think every once in a while how we possibly can use the CC P in that way but we have not come up with anything. And so I think that would be extremely interesting and helpful to now how small business owners use their consumer products in that way.

It just strikes me that we are at the case where we are seeing the majority we cannot necessarily attribute or aggregate for -- but we might be seeing most of it. It seems like a convenient tool to use.

When we see the surveys. With the small credit survey. In surveys in the past. It seems like credit cards are one of the most commonly used products. And it depends on the age, and if you have employees or not. So there is some variation. Business credit cards of up there but there is still a lot of use of term loans, lines of credit. And that is something we can see from our work. There is an extensive amount but it is difficult to understand the pattern. If that makes any sense.

Also there are segments. Which we have encountered in our regulatory work as well. Especially financing by depositories is an area where we know murky estimates of the size of the market and what it could be but not subject to the same type of reporting requirements. As that of financial institutions will we have some idea about the overall commercial and industrial. For the purposes of research were we can look at individual accounts. But we at least know the size.

I know we are drawing down close to the end of our time. Three minutes remaining. I want to have a chance for any last thoughts for many participants. If we do not get a chance to ask -- answer your question earlier.

Okay. Vicki, I will pass it back over to you if you do not mind.

First I want to say thank you to everyone. This has been braving great feedback. You have given us great ideas to go back and look into. Papers to look at, as well as different ideas. Thank you for such a productive conversation. This has been great. Thank you, Vicki.

Thank you Claire and Heath for a wonderful presentation. I want to thank all the members and everyone for interesting discussion. We are now at time. We can take a 15 minute break. We can reconvene at 2:30 Eastern time for the discussion on incorporating racial and economic equity analysis.

[ BREAK - Will reconvene at 2:30 at 2:30 EST ]

[ Captioner transitioning ]

[ Captioner standing by ]

Okay, welcome back, everyone and thank you for coming back on a Friday afternoon. Without further ado, I would like is to shift to our next agenda item. Incorporated racial and economic equity analysis. For this session, we are joined by subject matter experts from the Office of Research. They include Rick Durbin, section chief for the consumer and household research and policy of the Office of Research. And Octavian Harare, supervisory economist Office of Research. And so, now I will turn the virtual floor over to Erik and Tommy, thank you so much.

Thank you very much, Vicki. I will start us off and then handed over to Tommy and thank you for joining us and useful discussion of incorporating racial and economic equity impacts into thinking about our rulemaking here at the Bureau. One of the things that we do in the Office of Research is what we describe as impact analyses often we think principally about cost-benefit analysis. There are certain other analyses that we have to do to do understated rulemaking such as looking at impacts on small businesses. One think that we have been taking a lot about lately is how to incorporate analysis of racial and economic equity impacts into thinking about our rulemaking's.

If we could go to the first or next slide here.

So we have included a quote here from executive order that was issued by the Biden administration early this year. I will just re-from it here and it says Executive Order strongly encourages independent agencies like ours to assess whether and to what extent it's programs and policies perpetuate systematic systemic barriers to opportunities and benefits for people of color and other underserved groups. Such assessments will better equip agencies to develop policies and programs that develop or deliver resources and benefits equitably to all.

This is a call to action to think more carefully and systematically about how the rules that we have issued here at the Bureau affect different groups. If we go to the next slide please make this is a list of some of the discussion topics and there are some overlap among these questions, but we thought this was a good set of prompts for discussion here as to how we should go about this work of trying to understand racial and economic equity impacts of the policies that we consider here at the Bureau. So we will be talking and asking you for ideas on how data that was currently available to the Bureau, the data which includes race, and other demographic variables, and the consumer credit panel, supplement it with looking at ways to supplement with proxies for race and how we can use those types of existing data to understand racial economic and equity impacts. But other data sources might we use or collect that would inform us about what we will call REE impacts about rulemakings. Ideas on how to analyze trade-offs or policy choices that might impact racial and economic equity, where there might be differences across the different policy choices we make in terms of how it affects particular groups as opposed to how does it affect average welfare overall.

Idea of data methods, methodologies that we could use to try to identify these impacts. Maybe more specifically ideas on how we could do effect of lab or fieldwork in this space.

Ideas on how is the best way to integrate REE analysis in terms of general analysis and rulemaking so how should this be folded into the type of cost-benefit analysis that we are currently dealing with

the next slide, please we have a specific example of a recent rule that I think might be helpful in terms of thinking more concretely as to how these considerations might fold into the policy work we do. The Bureau recently issued a servicing rule which was specifically targeted at the pandemic and there is a large number of households now who are behind on their mortgage and a lot of people have been in forbearance programs. Not making their monthly mortgage payments. Those forbearance programs are coming to an end as soon and we issued a temporary rule providing extra protections for people during this time to try and ensure that mortgage servicers are fully considering less mitigation offices for essentially for modification to their mortgage or other ways of avoiding foreclosure as we try and recover and come out of the pandemic period.

And in that role we said specifically that a lot of or Bureau is a -- mortgages are disproportionately black and Hispanic, black and Hispanic hours are also disproportionately likely to have less equity in their homes. Said that considering benefits to those groups was important to us in issuing this rule. So they said black and Hispanic hours in the community in which a live especially likely to benefit from this rule. Homeownership plays a primary role in both creation in the United States and a wave of foreclosures due to the current crisis may have lasting impact on are's ability to maintain and accumulate wealth.

In making those statements in the room and we cited to some research that we have done here the bro and decided to research folks that have done outside of the Bureau, to explain why we are seeing those different impacts may be greater benefits for these groups from our role. I think as we are going forward we want to find a way to more systematically ask these questions, how the rules that we are considering and different choices we might be considering with policy, how they affect disadvantage groups in different ways.

Next slide, please and I will hand it over to Tommy now.

Thank you, Erik. Data-driven agency, we are making rulemaking important by data, very valuable to us. As a result, the analysis of REE impacts and rulemaking, space, data, is something that the borough very much wants to do. And some policy spaces has as Erik hinted before, mortgages, consumer credit, may have in-house, good quality data, that can inform some of ours indicators and in that space, however, those of us who work with data know that it is almost always true that good quality data is rather costly or takes a long time to apply it or both. So one of the questions that we would like to ask the members, on the research Council, is whether they are aware of any sources of data preferably readily available that we can consider to shed light on the impact of rulemaking and racial and economic equity. And we are fully aware that sometimes as we are seeing rulemakings and often strained often, analysis based on findings of existing literature and application of first principles from economics and other social sciences may be helpful when data are unavailable. One of the questions to the ARC members is what strength and limitations this approach may have. Next slide, please. And you know, further area of discussion be related to the trade-offs that specific consideration of racial and economic equity make present policymakers just as an example of policy that addresses market failure but does not specifically address racial or economic equity, may result in a greater total well for improvement to the policy that aims to correct the same market figure, but which at the same time relates to improve racial and economic equity. This is very much a partial [ Indiscernible - low volume ], it may be more constrained policy choice. But you know, maybe the more important question to the ARC members is whether consideration of racial and economic equity may increase welfare or likely to [ Indiscernible - low volume ].

Next slide, please. One question that we thought we should discuss, and this is maybe a trickier one, but we hope that this is going to stimulate some discussion, is an approach based on evaluated potential racial and economic equity impacts using historical data appropriately. Or to what extent such an approach is appropriate, especially when or what we envision is a situation where rulemaking changes, the historical perspective, and as result of that data might be or not beef formulated and maybe a question that arises for some fundamental exogenous or maybe policy bearing factors that can help that way, economic, specifically the same, racial and economic equity.

Next slide, please. I should mention or mention that, you know, we have in our ongoing work that is foundational related to the understanding of racial and economic equity impacts and certainly aimed to an understanding that the baseline is updated and analyzing data, that may help us understand these analysis. So for example one of the current actual, you know, adding race and ethnicity proxies to the consumer panel, which will certainly allow [ Indiscernible - low volume ] analyses that have been [ Indiscernible - low volume ]. Expanding the sample sizes that surveys are conducted [ Indiscernible - low volume ] to generate more of the possible findings by race and ethnicity and this is something that we are or have been pursuing in OR or some type now, potentially increasing the sample size, and also oversampling for the populations of interest, and lastly been able to [ Indiscernible - low volume ] by race or by economic status. As well as recent descriptive reports on the experiences and different information groups, particular [ Indiscernible - low volume ] next slide, please this was composed by our associate Alyssa [ Indiscernible - low volume ] battery of questions related to affected lab or fieldwork and they are a research space, disclosures are an important part of Bureau policy, how can REE considerations be incorporated [ Indiscernible - low volume ] disposers, what are the potential benefits and risks to affecting REE data and lab studies as one study is that enough to ability to our findings and we require more studies, what research questions do we focus and testing quick so maybe actually the essentials between conducting the study Re: and discrimination, on the one hand, or collecting REE to identify the differences by race. How can we select subject rules that give us enough statistical power [ Indiscernible - low volume ] should reconsider that for questions, to identify effects related to [ Indiscernible - low volume ] and race. How can field study support [ Indiscernible - low volume ] REE work, part of the example that we should be aware of, these are just a few questions that arise [ Indiscernible - low volume ] fieldwork that is related to the REE. Next slide, please. So to remind everybody just almost 15 minute mark, some of the things that we see guidance on his our ideas and how data that is currently available to us can inform our analysis of the impact of the rulemakings with respect to racial and economic equity. Ideas on collecting informative data, adopt REE, adapt rulemakings, and looking for potentially prospective and retrospective data and analyses and ideas on how to analyze the potential trade-offs involved in specifically addressing racial and economic ability in our rulemakings and ideas of lab work, ideas on what is best way to approach the REE analysis in the conference in more general economic analysis of rulemaking impact. [ Indiscernible - low volume ] so with that, I think that maybe we can open the discussion and see if we have any answers to some of these questions.

Or hints.

Mike?

I believe Mike tried to say something and his camera came on but Mike, want to say something?

Yeah, I will jump in here. This is an enormously broad set of questions and challenges that you guys face and I recognize that. I'm not sure, in particular, mom capable of advising you on high-level guidelines that will apply in all cases.

What I try and do is I have been thinking about these issues over the last 10 years especially as attention has increasingly focused on gaps and economic opportunities, sort of going back to what I consider the first principles. That is, and my viewing this through the lens of Equal Opportunity? Or animate viewing it through the lens of equal outcomes? I think that is foundational the way that you think about things. I'm not saying you have to do one of the other, but I'm saying it does take you don't a different path. If you go down that path, then you start focusing on particular rules and rulemaking from the standpoint of addressing disparate treatment and say lending, put it in a country context, or desperate impact. The disparate treatment cases are often pretty clear-cut, you know? I think the system in large part in this country has dealt with that to a large degree as well over the last 20, 30 years to try to step but some of the more egregious impact. Disparate impact is a completely different issue and full of subtleties. That is where your data is going to come into play.

And so, you know, if we think about proxies, and same for me in my area of expertise, this comes a small frequently in the context of lending, where lenders are constantly trying to assess character cup capacity and oldest fundamentals of whether somebody will repay a loan a. Many of those things are observable. They end up season on observable proxies. Some of those proxies work pretty well and some of them sort of work but also are not exactly on the mark. We are all familiar with using residence, addressing residence, is a proxy. Which led to redlining, which clearly had or may have had some statistical validity at the time, but it ends up having enormous disparate impact that almost everybody considers unfair.

Or you fast-forward the lending profession and it is not that long ago that but it's going companies were telling you that the presence of a consumer finance loan in your credit report was a negative effect her. And that Maeve had statistical relevance, but it is pretty clear that that is using a proxy that is not entirely accurate for that individual and there are better proxies available. My sense is that has, not sure, but I think that is a declined in importance in the area and this is what I'm getting at.

If you think about the rules that you make along those lines, I think it gives you some guidance as to what kind of data you need to collect to be able to make sure you are making the right call. I will stop there.

Sorry, I was taking notes. Thank you so much for those thoughts.

XE Vicki's hand up. Happy to call on her if that is what I get to do [Laughter].

No, I just had a few initial thoughts. On some of your questions. One is kind of connected to some of Mike's comments in terms of talking about your proxies for race. Could you impact that a little bit just curious about you will supplement the CCP with Ray's proxy so I was just a little curious about that.

And the other thing I wanted to ask and was not clear on this, are you already oversampling this population or are you planning to? Is that something that is on the table to do that?

So I can answer the question about proxies. Sort of a high-level view. Based on things that we observe and in the CCP data. The proxies are basically a measure, mobility measures, of being of a certain race or ethnicity.

Okay.

These are informed of things like names and addresses and things like that. As for whether in the current one off, the CCP, there is already oversampling. I think this is something that if we have not done, we are considering. That is what I know, but there might be others who know this better.

Gap, I think with the CCP, random sample, with credit reports and does not oversample or anything like that. But when we do surveys, for example, on the CCP, we oversample on both mentions and we are simply and race and ethnicity, well, if we had access to proxies for race and ethnicity, that would give us an opportunity to oversample on race and ethnicity. As it stands, we have census tracts so that is something we could use, for example.

Okay.

When we do disclosure testing, for example, which is typically qualitative testing, where we will maybe interview relatively small number of people, often we will have a set of criteria that we would use to try to identify people and that could include race and ethnicity and not sure we have done that in the past but we have to focus on things like income or other factors that might speak to how someone I use the disclosure but that is one question I guess we could have for the Council. In doing that sort of testing, what might be good ways to make sure that we are working on differences, for example, and ethnicity in terms of how people with respond to disclosure.

My understanding is that the survey consumer finance is going to start oversampling minority populations soon. Would that be a data set that would be useful for up your analysis?

Certainly depending on the context of the policy that we are looking at. I would think that, certainly considering financing as a resource that we would certainly think about in many contexts here, so to the extent that they are doing a better job of identifying, or collecting richer data --

[ Indiscernible - overlapping speakers ]

Yeah, I think they are just starting.

Right.

That would be helpful to us.

To do oversampling for minority populations. That might be helpful.

Thank you.

Thank you.

I see more hands up. At the top of my list, Tony?

Yes, just a couple of thoughts. First, when you think about disclosure, I can see the idea of translating something into a different language. At the idea that you would hand someone a different disclosure form based on their race, I mean, I think you need to think about that, okay? Is a practice. Same way, you could have credit scoring schemes that were different for different, you know, ethnic groups, or what have you. You could do that. I think that might be regarded as really problematic and hard to explain to people. So I would really think about what you are doing before you plan to go down that path.

Another point I will make is that, by the way that relates to Mike's.about disparate impact and the answer is yes, you could physically say something like, okay, you again have to have a different credit scoring scheme for different groups, or you could just say, hey, you could only use one or two variables. Either way, those effects are going to be probably pretty negative. I mean, overall there is a concern with the market being efficient. We tend to believe that people benefit when the market is efficient. So I think you need to keep that in mind.

Another area is that honestly, I find in the credit area, that regardless of things like ethnicity or whatever, it is difficult to get the argument correct, period. To actually get the economics correct. I mean, for example, optimal forbearance, for anybody, it is a terrifically complex problem. If you really want to work at it, it is really complex. And particularly, you know, to forbear for someone who has a lot of negative equity is not doing them a favor. So that is a complex problem. I will give you another example of something that or where we got it completely wrong and that is foreclosure externalities. This his whole literature about foreclosure externalities and they say foreclosure is terrible for the neighborhood and that is based on the fact that they did not worry about foreclosure eliminating serious delinquency. It turns out serious delinquency is actually worse for the neighborhood than foreclosure.

So foreclosure is actually the cure rather than the disease, okay? There's a recent paper on this and you can look it up. Actually by me, but in any event, the point is that the whole foreclosure discussion and neighborhood quality is completely backwards. Here is the problem, I think the first thing to do is get the economics correct and second, you can worry about other stuff. But generally speaking, when you get the market to work efficiently, everybody will benefit in the long run. If the market does not work efficiently, everyone will be worse off, okay? Include, by the way, simply lie about their characteristics, right? If anybody or people think that a lender will give them and advantage for being a member of a particular group, they would just tell the lender they are a member of that group. So all you have done is just at massive falsification in the credits team. That does not do anybody any good. Anyway, I think about, just, promoting efficiency with the idea that people benefit from that, okay.

Thanks very much. Just to clarify one point there on disclosure testing, I think the thing we thought about more than providing different disclosures to people with different racial and ethnic groups is rather trying to understand more about whether a disclosure is understood or used differently across different racial or ethnic groups.

I agree, by the way I advised type years ago when they were working with different disclosure statements, and once you get beyond three numbers, forget it. You totally confuse almost everybody equally. And yeah, if you have economist design disclosure statements it will be a disaster. We will put in eight numbers, right? Rather than putting in duration, and, yeah, so you need to experiment with that, absolutely. It is a fascinating area but again where we found, after you get three numbers, the fourth number results in the people confusing the first three.

It is a fascinating area. I think we do a lot of testing, which I think it really helps get us totally far away from what and economist would expect want to see in their disclosures, to something that population finds more useful.

All right. Matthew had his hand up for a while.

I think first of all this is or I really appreciate this conversation and appreciate CFPB bringing this before the ARC. I want to go back to a point that Mike made earlier because I had a similar reaction that racial and economic equity is a meta-construct. There is a lot packed into it. Historically, and otherwise. I think before getting into data and methods that perhaps two things could considered or be considered, one is to consult with scholars, especially scholars of color, who have done various studies of racial and economic equity, to understand the different ways in which REE is conceptualized, operationalized and analyzed. Particularly with respect to credit data and HMDA. In the second consideration perhaps that CFPB looked at, ways in which REE driven analysis could produce insights that informed policy and regulatory issues that are or that that CFPB is currently wrestling with. You know, the compliance assistance sandbox and no action letters, for example, with upstart, and the very interesting, what the actual letter for upstart, and CFPB is looking at ways in which artificial intelligence might not just streamline underwriting, but perhaps remove some bias. Or maybe not.

We do not really know, but that might be an important thing to focus on, is if there is any way for regulatory innovation that CFPB is currently involved when to assess as it has a positive or negative affect with respect to REE. Yeah, so that is what I think are a couple of considerations.

Thank you very much, very helpful.

Not seeing any hands up at the moment so I will throw out one question that is implied by couple of these bullets and ask for examples of work that oaks are seen done that we might learn a lot from. Vicki mentioned the oversample race and ethnicity that I understand doing and and CF, other examples of research, or data sources that you have seen be developed that might be good examples or resources for us and focusing on this work.

Vicki?

There you go left.

So I was just actually, this is more of a question back to you, part of the Executive Order, I think was section 9, really identified this kind of establishing data sets that are identified or have racial identifiers. And they mentioned that many of the federal data sets are not disaggregated by race. Is there a central sort of source of information where you can actually see what are the data sets that are currently being developed and which ones have been earmarked like the NCF to provide more disaggregated information? It seems that as part of the Executive Order there was a section specifically identified to address issues with respect to federal data.

That is a good question. Probably might have something to say here, but I'm not familiar with the central repository. The bureau itself has published a data call luck with the resources that we have here in the Bureau. Generally my impression is that race and the city are available and server data sources and generally not in administrative data sources setting Honda aside. So for a lot of the administrative data sources that we use, that is where we have a gap where as being able to do surveys off of the consumer credit panel has been great from the perspective of being able to say something about race and ethnicity and other demographic factors that we can get by asking the individual directly. The downside we have seen to some degree is sample size just much smaller in our survey. That data. So while in our work making ends meet we have been able to identify differences in average a financial well-being and aesthetics since we are able to say, okay, week see that African Americans, national well-being is significantly less than white Americans, for example.

And looking at how to the pandemic affects the different groups quick that it affect different groups differentially but we just have not had the sample size to identify whether that has happened. That is something where maybe we can cure that through larger samples. Maybe we could cure that through oversampling to a greater degree.

But those are some of the trade-offs we see. I think as you mentioned the Executive Order, and other efforts around the government, may help develop resources on multiple funds.

It might be a nice idea to really understand, you know, as a result of the Executive Order, which places like the SEF, are going to be doing the oversampling that could lead to you being able to answer some of the big questions that you have with regard to the rulemaking process.

That is a great point. There's probably really important for us to understand what is really going on, going around the government.

[Laughter].

[Laughter].

Mathieu has his hand up.

Yeah, I was thinking about your question, again just makes me think just taking some time to look at what Brandeis has been doing over several years and really unpacking the racial wealth gap, for example. Tom Shapiro and that group. Jacob Farber, NYU. Eric Hamilton at Ohio State. You know, of course there are others.

But in terms of what would data sets with a be using, what operationalizing verbals and what kind of conceptual framework, is a presented, but also I think or I struggle with how to respond to the question, and I keep coming back to, what what is the research question? What specific lines of inquiry are you proposing? I do not know if that is known yet or if that is something that you all are developing.

Well, I'll say that that is probably best describes were described as something where developing. Tommy and I are coming specifically more of the context of looking at the impacts of the bureaus rulemaking. And what those rules are going to be of things that we might not know yet and [ Indiscernible - low volume ] Bureau has authorities in different credit markets.

And as the Bureau was for the policy priorities will change over time. The types of questions we will be looking at are probably going to continue to evolve.

All right. Tony's hand is up.

Shot in the dark. I mean, the group that does the most to characterize the welfare of a different group is probably Bureau of Labor Statistics. You know, certainly want to maybe consult with some of the economists over there. Very pleasant, they will be back in the office pretty soon. So you could maybe consult with them and they will probably have to respond to this Executive Order some way. Obviously they do have some advantage and some of their data sets like personal consumption data surveys but you might learn something from them.

That they make one other point, and that was a while back, there was some talk of promoting an index of financial distress using your, what is it FY14, whatever it is, data. And I think that would be a neat idea. You might be able to get some sort of disaggregation by demographic characteristics and again based on location or some other indications in the data. I really think that index numbers are really, really valuable to track how we are doing and what is happening. And whether what is happening is extraordinary or not. So I urge you to read or reconsider or if you drop them, to establish it again. And actually index numbers are something I know about. So if you want you can contact me and if you want some advice about construct when index number using some of the modern multidimensional techniques that give you a pretty good measure of what might be going on.

Anyway, sort of two ideas.

Thanks very much. I see Vicki has her hand up and camera is on and maybe this is not her role as timekeeper since I think we are at times.

Yes, I did want to exercise my role as time maker ordered timekeeper and be respectful of everybody's time and make sure that I give Annie a few moments. Any last remarks, Erik, that you want to say?

Just to say thank you to all of the members of the ARC unit and lots to work on and I'm sure it will impact you over the next year and we will talk about these issues.

Thank you so much.

Thank you so much for a great presentation. So I actually went like to thank everyone for a great afternoon. Filled with your perspectives on these important topics. We are at time now. I did want to say briefly that I was really struck by the rich discussion during today's meeting the. And insightfulness of the comments made by my fellow ARC members. With that, I would like to adjourn today's call and I hope you all stay safe during this time. And Manny, I will turn the call back over to you.

Thank you, thank you so much, Vicki, for moderating and obviously thank ARC members for providing such good feedback to the Bureau and for the Bureau staff for making time and presenting during this week advisory committee and today during this ARC meeting.

Without, thank you again for joining us today. Tracey, we may disconnect at this time.