

Consumer Advisory Board

October 23 - 24, 2019

Meeting of the Consumer Advisory Board

The Consumer Financial Protection Bureau's (CFPB) Consumer Advisory Board (CAB) met in person at 12:30 p.m., Eastern on October 23, 2019 in Washington DC. On October 24 the CAB, Community Bank Advisory Council (CBAC), and Credit Union Advisory Council (CUAC) convened for a combined roundtable meeting.

| CAB members present | CFPB staff present |
|----------------------------|--------------------------------|
| Chair Brent Neiser | Director Kathleen L. Kraninger |
| Nikitra Bailey | Deputy Director Brian Johnson |
| Nadine Cohen | Farah Ahmad |
| Sameh Elamawy | Edward Blatnik |
| Manning Field | Desmond Brown |
| Clint Gwin | Matt Cameron |
| Dr. Ronald Johnson | Robert Cameron |
| Eric Kaplan | Albert Chang |
| Timothy E. Lampkin | Darian Dorsey |
| Rebecca Steele | Crystal Dully |
| Timothy A. Welsh | Andrew Duke |
| | Kim George |
| | Timothy Lambert |
| | Manny Mañón |
| | Zixta Martinez |
| | John McNamara |

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| | Vanessa Megaw |
| | Tom Pahl |
| | David Silberman |
| | LaShaun Warren |

October 23, 2019

Welcome

Kathleen L. Kraninger, Director

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

Brent Neiser, Chair, Consumer Advisory Board

CFPB Office of Advisory Board and Councils Staff Director Matt Cameron convened the CAB meeting and welcomed CAB members and members of the public. He provided a brief overview of the meeting's agenda and introduced the CAB Chair, Brent Neiser. CAB Chair Neiser welcomed attendees and explained the CAB's mission, summarized recent CAB activities, and outlined the direction of future CAB efforts. Following his remarks, Chair Neiser invited the CFPB's Director, Kathleen L. Kraninger to provide welcoming remarks. Director Kraninger welcomed members and thanked them for their participation on the CAB. Following the Director's remarks, CAB members introduced themselves.

Information Exchange: Regulatory Agenda Overview

Kathleen L. Kraninger, Director

Tom Pahl, Policy Associate Director, Division of Research, Markets, and Regulations

David Silberman, Associate Director, Division of Research, Markets, and Regulations

Bureau leadership from the Division of Research Markets and Regulations led a discussion on the CFPB Regulatory Agenda. Currently, the approach to rulemaking at the Bureau is to make rules for regulated entities, prevent consumer harm, promote competition, and help foster compliance. The rules should be as clear as possible in order to better serve their regulatory function. Leadership further explained the rulemaking process, noting that the process generally begins with a public notice of proposed rulemaking, followed by a period of comment, then completed with the issuance of a rule (along with an explanation for the details contained therein).

The discussion centered on the Spring 2019 Regulatory Agenda, as the Fall 2019 Agenda was not yet completed (at the time of this meeting). On a semi-annual basis, executive branch agencies

submit to the Office of Management and Budget (OMB) their regulatory agendas for the ensuing twenty-four months which OMB compiles and publishes as the “Unified Agenda of Regulatory and Deregulatory Actions.” The Bureau’s most recent Unified Agenda lists the regulatory matters that, as of the time of submission, the Bureau anticipated having under consideration during the period from May 1, 2019 through April 30, 2020 and lists several matters that the Bureau anticipates addressing in the following year.

The agenda includes items in the “proposed rule stage” category in which the Bureau expected would get to the final stage of rulemaking after 12 months. The items in this category are payday, vehicle title, and high cost installment loans, the Home Mortgage Disclosure Act (HMDA), HMDA public disclosure and HMDA data points, and debt collection. A second portion of the agenda focuses on items in the pre-rule phase; items are not expected to get to a proposal before 12 months, but some action is expected to be taken. The items in this category include: Property Assessed Clean Energy (PACE); Small Business Lending Data or Section 1071 of the Dodd-Frank Act; Remittance Transfers; and the threshold for establishing escrows for higher-priced mortgage loans. An additional category consists of items that are set out 13-24 months. The items in this category include: consumer access to financial records as defined in Section 1033 of the Dodd Frank Act; defining abusive acts or practices; a review of inherited regulations. Lastly, some other potential rulemakings discussed were the Ability-to-Repay/Qualified Mortgage rule as well as disparate impact under the Equal Credit Opportunity Act (ECOA).

Committee members shared their thoughts on the inclusion and prioritization of Agenda items. Several members discussed the importance of data collection, particularly related to Section 1033 of the Dodd Frank Act, noting the importance of protecting consumer’s privacy and promoting responsible lending. Some members stated that Section 1033 shouldn’t be delayed and expressed concerns that financial institutions and data aggregators will make their own rules. Members noted that it is important for consumers to have access to their data. There was also a discussion on algorithmic bias in lending. Some commented on consumer expectations of institutions and privacy concerns. Members emphasized how data transparency can address bias and discrimination in the financial market. Some members noted that certain financial institutions aren’t required to report to the credit bureau’s which may hinder transparency. Some highlighted past conversations on artificial intelligence and said the Bureau should continue to work in that space.

Members discussed other items on the Bureau's Agenda. For instance, members discussed obstacles minority borrowers face with auto lending and negative impacts on their ability to save. Members also discussed debt collection practices, noting the need for updated modes of communication such as a mobile app. Some stated that there is need to limit the number of calls from debt collectors. There was also discussion on small business data collection and Section 1071 of the Dodd Frank Act. Some noted that many first-generation entrepreneurs get payday loans because of lack of access to capital. They noted that financial institutions and venture capital firms have created funds to serve minority populations because of a gap in service. Some stated that small business owners need protections similar to those of consumers.

Members discussed the need for the Bureau and the CAB to monitor the mortgage marketplace. Members mentioned low rates of homeownership in minority communities. Members also discussed the Bureau's work on qualified mortgages (QM). Additionally, members also raised concerns about student lending and some noted precedents for finding solutions for those facing hardships. The Director provided some remarks thanking the members for their time and consideration. She noted that the Bureau will use all its tools as efficiently and effectively as possible will aim to think holistically about some of these problems.

Information Exchange: CFPB Innovation Tech Sprint Request for Information (RFI)

Edward Blatnik, Deputy Counsel, Office of Innovation

Timothy Lambert, Senior Policy Counsel, Office of Equal Opportunity and Fairness

Staff from the Office of Equal Opportunity and Fairness and the Office of Innovation presented on the Bureau's Request for Information (RFI) Regarding Tech Sprints. Staff explained that Tech Sprints are a week-long gathering of technologists from regulators, financial institutions, and subject matter experts from key stakeholders attempting to develop innovative solutions to clearly-identified challenges. Staff presented an example of a process that had been solved by a Tech Sprint. The old process required significant amounts of paperwork, but the solution that was developed was entirely digital and significantly streamlined. They noted that Tech Sprints have been used successfully by the Financial Conduct Authority (FCA) in the United Kingdom.

The RFI was issued on September 13, 2019 and comments were due on November 8, 2019. The Bureau's RFI expressed interest in using Tech Sprints:

- To leverage cloud solutions, machine automated compliance checks that allow for independent validation by regulators, and other developments that may reduce or modify the need for regulated entities to transfer data to the Bureau.
- To continue to innovate HMDA data submission, processing, and publication to help ease burden, increase flexibility, and resolve compliance challenges, while satisfying all legal requirements.
- To identify new technologies and approaches that can be used by the Bureau to provide more cost-effective oversight of supervised entities, effective evaluation of compliance and risk, and closer interface with financial industry systems and technology that may include the use, for example, of analytical tools in the review of mortgage origination data.
- To explore other technological approaches to robust and secure data access or exchange between regulated entities and the Bureau.
- To reduce unwarranted regulatory compliance burdens.

Staff highlighted some comments that they found especially helpful (to date) and emphasized that this is a process that the Bureau is looking directly to external stakeholders to provide guidance. Committee members shared their thoughts on the Bureau utilizing Tech Sprints. Members discussed the timeframe, and some said that one week is not enough time to identify and fix larger scale problems. Members recommended that the Bureau focus on who participates in the Tech Sprints, as the Bureau might not regularly interact with the right stakeholders for this type of innovation. Some members expressed concerns about the status of the intellectual property that would result from the Tech Sprint and noted that this might discourage institutions from contributing to a Tech Sprint. Members asked about the governance process for a Tech Sprint and some noted that it may be difficult to explain Tech Sprints to consumers. Some members said that Tech Sprints could be great tools to drive innovation and create competition and they could be a great investment if handled properly.

Information Exchange: Market Monitoring – Trends in Debt Settlement and Credit Repair

John McNamara, Assistant Director, Office of Credit, Payments and Deposits Markets

Vanessa Megaw, Financial Analyst, Office of Credit, Payments and Deposits Markets

Staff from the Office of Consumer Credit, Payments and Deposits Markets facilitated a conversation on the current state of debt settlement and credit repair services, products frequently marketed to consumers struggling to pay their bills. Staff explained that Debt Settlement and Credit Repair are two distinct products that are likely to be marketed to consumers struggling to pay their debts or find access to credit. Staff highlighted some alternatives for these products. Debt settlement could be replaced by consumers paying the debts themselves, asking for forbearance, consolidation loans, credit counseling services, or bankruptcy. Credit repair alternatives include: disputing the debt, indirectly or directly; using free credit score analysis tools; applying for secure credit cards; securing a credit builder or other loan; and simply waiting for time to pass.

Staff presented evidence that there is a large market for consumers trying to settle their debts or repair their credit. For instance, the Bureau's Ask CFPB page titled "What is the best way to negotiate with a debt collector" has received 497,000 views. As a result of this large market, the for-profit industry of debt settlement and credit repair is rapidly growing. The Bureau has pursued enforcement actions in the debt settlement space, including some violations of the Consumer Financial Protection Act (CFPA) and the Telemarketing Sales Rule (TSR), with significant concerns about false advertising. Staff sought to gather feedback on current trends impacting consumers, including the activities of debt settlement companies (DSCs) and credit repair organizations (CROs), emerging alternative services, potential consumer harms and benefits, and feedback on any policy implications the Bureau should consider.

Committee members shared their thoughts on the current state of debt settlement and credit repair services. Members noted that this is a growing industry and startups backed by venture capital have come into play. Members said that consumers often use DSCs because they have too many different collectors, and one DSC is much easier to work with. Additionally, they flagged that with the current system many borrowers receive help only when they become delinquent and that consumers lack income to settle debt.

Members shared other concerns. For instance, some members spoke about the need to offer products to help consumers pay bills. Members also spoke about false advertising and fees that lead to an increase in consumer debt. They discussed harassment consumers face from DSCs. Some noted that the bad actors that knowingly violate rules that make it difficult for responsible actors to be commercially viable and protect consumers. Some noted that the Bureau should

actively pursue enforcement in this space. They also noted that some creditors will not work with debt settlement companies. Members discussed issues of systemic discrimination against minority groups and barriers minority groups face when trying to pay off debt.

Members suggested that it would be possible to utilize the data that organizations have on borrowers to predict and prevent significant financial trouble before it happens. Some members suggested non-traditional data as a good source of information. Members agreed that privacy concerns are important in this space.

October 24, 2019

Combined Advisory Committee Roundtable

On October 24, CAB, CBAC, and CUAC members met with Bureau leadership and subject matter experts for a combined roundtable discussion on the Bureau's *Start Small Save Up* initiative, an update on the Bureau's innovation policies, trends and themes, and enhancements to the Consumer Complaint Database. Zixta Martinez (Associate Director of the Division of External Affairs) welcomed audience members to the public meeting and introduced advisory committee members. Andrew Duke (Policy Associate Director of the Division of External Affairs) welcomed attendees and introduced Director Kraninger. Director Kraninger provided opening remarks and welcomed the committee chairs, committee members, and members of the public.

Following Director Kraninger's remarks, Desmond Brown (Deputy Associate Director, Division of Consumer Education and Engagement), LaShaun Warren (Deputy Assistant Director, Office of Consumer Engagement), and Farah Ahmad (Senior Operations Advisor, Office of Community Affairs) discussed the Bureau's *Start Small, Save Up* initiative. The goal of the initiative is to increase consumer's opportunities to save and empower them to achieve their savings goals as a step to improved financial well-being. Staff described future goals for the initiative, such as utilizing the connections the Bureau has with financial institutions to help better connect consumers to those institutions. Committee members agreed that it was important to provide education on behaviors regarding saving and to provide opportunities to make saving easier for consumers. The Director provided closing remarks to this roundtable session.

Next, Edward Blatnik (Deputy Counsel, Office of Innovation) and Albert Chang (Counsel, Office of Innovation) provided an update on the Bureau's innovation policies. Staff described recent

policies the Bureau has worked on regarding innovation including the revised No Action Letter (NAL) policy, the revised Policy to Encourage Trial Disclosure Programs, and the compliance assistance sandbox (CAS) policy. These programs were established to help make reaction to innovation more agile and certain, as well as to allow companies to better comply with the regulation handed down by the Bureau. Staff provided detail on each policy. Additionally, staff discussed the Office of Innovation's interest in coordinating with other regulators to facilitate innovation that will benefit consumers. The Bureau works with other Federal regulators such as the Commodity Futures Trading Commission, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Securities and Exchange Commission. In order to better coordinate with state regulators, the Bureau announced the American Consumer Financial Innovation Network (ACFIN). Committee members asked questions regarding the NAL, TDP, and CAS policies. Members and staff also discussed privacy, data use, and potential bias against certain groups of consumers. Members also discussed the importance of enabling agility.

The Director provided some closing remarks for this session and CAB Chair Neiser adjourned the meeting for a break. During the break, advisory committee members met for a preparatory working lunch (a summary of the working lunch can be found below).

Following the working lunch, CAB Chair Neiser reconvened the public meeting. Darian Dorsey (Deputy Assistant Director, Office of Consumer Response) led a discussion on enhancements to the Consumer Complaint Database (Database). Dorsey discussed the function of the Office of Consumer Response and explained that the Bureau examines trends of complaints over time, relationships between sets of complaints, and geographic relation of those complaints. She highlighted recent enhancements which include: updates to the Submit a complaint and Database landing pages, including adding tips for consumers before they start a complaint and a for users of the Database. She also highlighted new data visualization tools that the Bureau will add to the Database in Spring/Summer 2020. Following the presentation, committee members and staff discussed several items related to the Consumer Complaint Database including: the amount of complaint information available, consumer use of tools, company options to flag duplicate complaints, what success looks like to the Bureau, and the format of the data. Further, members and staff discussed feedback from institutions on alternate resolutions, how the Bureau views opinions expressed in complaints, the role of social media in the industry, and the prospect of having financial entities provide data themselves. There was also discussion on the

ratio between complaints that are started, and complaints submitted, the number of complaints responded to within 15 days, how banks are notified of complaints, and structured public response categories. Director Kraninger thanked committee members for their time and their feedback. The video of the roundtable is available on consumerfinance.gov.

Preparatory Work: Working Lunch – Private Education Student Loan Ombudsman Introduction

Robert Cameron, Private Education Student Loan Ombudsman, Office of the Director

The preparatory work - working lunch began with an introduction to the Bureau's Private Education Student Loan Ombudsman. CAB Chair Neiser introduced the Private Education Student Loan Ombudsman, Robert Cameron. Cameron greeted committee members and gave a brief overview of his professional career. He also provided background of his military service. He emphasized the importance of building trust and professional partnerships. Additionally, he summarized the Office's priorities and accomplishments to date, including the issuance of the [2019 Annual Report](#). Committee members and staff discussed student loan servicers, appropriate debt levels, legacy platforms, the return on investment on student loans, and student loan servicer oversight.

Preparatory Work: Working Lunch – Trends and Themes by CAB, CBAC, and CUAC Members

Erik Beguin, Community Bank Advisory Council (CBAC)

Sameh Elamawy, Consumer Advisory Board (CAB)

Manning Field, Community Bank Advisory Council (CBAC)

Sean Cahill, Credit Union Advisory Council (CUAC)

During the preparatory work trends and themes session, two pairs of committee members presented on trends and themes in the financial marketplace. CAB member Sameh Elamawy and CBAC member Erik Beguin presented on trends in credit reporting. Elamawy provided a background on credit reporting and identified 3 major issues that servicers face including: reporting cadence, slow rental reporting, and disputes. Mr. Beguin continued the presentation and focused on credit disputes. He noted that credit disputes help with fraud prevention.

However, he explained that there is significant consumer confusion around processing disputes, which cause some consumers to spend money on otherwise free services. He also highlighted other issues such as blanket disputes, fake identity theft disputes, and frivolous law suits. Mr. Beguin then described synthetic identity fraud and identity theft, the threat of credit privacy numbers (CPNs), and issues with the sale of trade lines. Following the presentation, committee members and staff discussed cases of fraud in the industry, penalties for committing fraud, difficulties in consumer reporting, and the accuracy of data at consumer reporting agencies. There was also discussion on debt collection practices and issues with accurate credit reporting.

Next CAB member Manning Field and CUAC Chair Sean Cahill discussed innovation in financial education. Field presented on four case studies. The first study he relayed was on Mint, which successfully gave consumers an aggregated view of their financial data, allowing consumers to learn how to budget and make better decisions. The second study was of Credit Karma, which elevated the numbers around credit health significantly. The third study he highlighted was Digit, which monitored consumer's cash flow, and put some money away on behalf on the users. The final study was on Acorns, which helped consumers obtain the financial confidence and means to properly increase financial health.

CUAC Chair Cahill highlighted information about credit unions and financial empowerment. He noted that financial well-being is founded on knowledge, skills, and access. Furthermore, he shared how credit unions can offer those tools to consumers in various ways, such as through middle school/high school reality fairs, retirement education, life simulations, varieties of educational tools, webinars, podcasts, classroom time, and new programs that are conducive to building financial resources. Next Field provided a rundown of some of the ways educational content can be better made to help consumers. Following the presentation, committee members and staff discussed changing attitudes toward money, aggregators of financial information, and investing into gaming. Members also suggested that education tools be in made conjunction with the Bureau's *Start Small Save Up* campaign.

Adjournment

CAB Chair Brent Neiser adjourned the meeting of the CFPB advisory committees on October 24, 2019 at 3:15 p.m. Eastern.

Certification

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



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



Brent Neiser
Chair, Consumer Advisory Board