Combined Advisory Council Meeting

April 7, 2022

Consumer Financial Protection Bureau

Meeting of the CFPB Advisory Councils

The Consumer Financial Protection Bureau's (CFPB) Community Bank Advisory Council (CBAC) and Credit Union Advisory Council (CUAC) met via WebEx at 1 p.m. EST on April 7, 2022.

Council members present	CFPB staff present
Community Bank Advisory Council	Director Rohit Chopra
Chair John Buhrmaster	Manny Mañón
Barry Anderson	Deborah Royster
Mary Buche	Douglas Simons
Kristina Schaefer	Erin Scheithe
Michael Tucker	Shawn Sebastian
	Amy Zirkle
Credit Union Advisory Council	
Chair Jose Iregui	
Michael Daugherty	
Monica Davis	
Michelle Dwyer	
Jeff Ivey	
Michael Levy	
Deborah Wreden	

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Welcome

Director Rohit Chopra

Manny Mañón, Staff Director, Section for Advisory Board and Councils, Office of Stakeholder Management

Jose Iregui, Chair, Credit Union Advisory Council

CFPB Section for Advisory Board and Councils Staff Director Manny Mañón convened the combined advisory council meeting and welcomed committee members and members of the listening public. He provided a brief overview of the meeting's agenda and introduced Director Rohit Chopra. Director Chopra provided remarks on the Bureau's priorities, focusing on Relationship Banking, and Competition and Scale in Technology. Following Director Chopra's remarks, CUAC Chair Jose Iregui welcomed attendees, emphasized the importance of the two session topics, and expressed his appreciation for being able to serve as Chair of the CUAC.

Relationship Banking: Age Friendly Banking and Rural Relationship Banking

Deborah Royster, Assistant Director, Office for Older Americans

Erin Scheithe, Outreach and Content Specialist, Office for Older Americans

Douglas Simons, Senior Markets and Policy Fellow, Office of the Director

Shawn Sebastian, Senior Engagement and Policy Fellow, Office of the Director

The first session of the day began with CFPB staff from the Office for Older Americans and the Office of the Director presenting on Relationship Banking. During this presentation, staff from the Office for Older Americans provided an overview of their office and work that has been completed to date on the CFPB's Age Friendly Banking Initiative. Staff from the Office of the Director provided information on rural banking, the specific needs of rural communities, the challenges facing smaller rural financial institutions, the importance of accessible physical branches given clear consumer preference, and persistent limitations on internet access. Following the presentations, staff sought input from committee members.

Many members discussed age friendly banking and what they are seeing and doing within their organizations and communities to help older customers and members. A member said that one area of importance is recognizing romance scams and that these types of scams are primarily driven by bank transfers and cryptocurrency. As a result of the pandemic and loneliness, many have turned to dating apps and social media, and are being taken advantage of, including older adults. A member highlighted the need to create mechanisms within social media platforms to protect our elder Americans. Another member said that technology does not discriminate based on age. When they rolled out online banking, first adopters were in the age ranges of 65-80. A member stated that as a credit union, they make a point in getting to know members and in order to protect older customers where personal connections make the difference. A member applauded the CFPB for work in this area to protect the older population. A member said that banks are in a bind and can't share confidential information. The member's financial institution has a program called "First Class Club" geared towards older customers that is an in-person connection point. A member encouraged the CFPB to emphasize removing the stigma of being a victim, as older adults don't want to admit that they were victims of scams, emphasizing that older Americans shouldn't internalize harmful stereotypes. as there are older Americans who embrace technology, use it, and can be teachers for their peers. A member said that promoting education to front-line employees is key as they are the ones who see and hear about possible exploitation first and can help prevent fraud from happening. One member said that they are seeing scams firsthand but that when they approach customers about this, they close their accounts and go elsewhere.

Multiple members discussed rural banking and what they are seeing in their organizations and communities. A member shared a recent conversation with a CEO and President of a credit union in North Dakota and stated how that person expressed the pain of having to close its very last branch in a rural area and the impact it has had on that shrinking community. A member said that rural communities are struggling due to broadband issues. The member highlighted other issues as well such as climate change, many kids of farmers are moving to suburbia, tanking commodity prices, and current inflation. The member stated that having smaller institutions and in-person banking allows real people to talk to customers, and that is how you handle senior fraud, emphasizing that personal relationships are the only way to stop exploitation. A member said that anything that the CFPB can do that could lower the regulatory burdens on banks under a billion dollars is going to save rural banks.

A member shared concerns about the effect that farm credit and the big banks are having on agricultural lending in rural areas. A member shared that in South Dakota, rural areas are particularly important to their organization and state. Technology can be an obstacle to many of their rural customers depending on other demographics. In South Dakota, some farming communities use technology every day, even with their equipment, so access to broadband is critical. Another issue is finding the talent and willingness to travel to staff the branches. Housing in these communities is a challenge, and if you find the people, hopefully you can find the housing for them. One member said that in rural areas there are a lot of farmers and ranchers, which is especially the case in their area, and that they deal a lot with cattle loans. Some are substantial loans and are typically in underserved areas. A member said that there should be legislation for an exemption for credit unions and the Member Business Lending cap. The member encouraged the CFPB to look at this legislation. A member shared that in their rural area, one large bank closed in the last few years and that their organization has purchased a few of the buildings and opened branches and the branches are doing well. The member said it is hard to believe that the larger branches couldn't afford to stay open. A member said that relationship banking drives small institutions. A member said that one way to keep rural areas from turning into "deserts" is to subsize branches with metropolitan branches. It is very hard to compete with the manufacturers that have their own financing. What they are seeing is that people often get oversold on these products. With mobile home financing, their institution asks if the mobile home will be a viable standing home thirty years from now as the weather in their area beats up these types of homes.

A member highlighted a previous committee discussion on the section 1071 rulemaking, where several members maintained that the 25-loan threshold was unfairly small for reporting and stated this would be a disincentive to what the Director is asking small institutions to do to support more lending in the community. The member said that credit unions don't have open membership. The member also noted that reporting has less value than for larger banking institutions, where there is open membership.

A member said that banks and credit unions need to consider language barriers, especially in immigrant-based communities and that they also need to take those with visual and hearing-impaired disabilities into account. Another member shared that they have a wide variety of immigrants in their area and have a branch in a predominately Spanish speaking area, and they have Spanish speaking employees at that branch to help. The member said that they also have resources within their communities and having this helps.

Competition and Scale in Technology

Amy Zirkle, Payments and Deposits Program Manager, Office of Markets
Douglas Simons, Senior Markets and Policy Fellow, Office of the Director

For the second and last session of the day, staff from the CFPB's Office of Markets and the Office of the Director provided information on Competition and Scale in Technology. During the presentation, staff discussed the CFPB's focus on improving outcomes for consumers by promoting competition. Following the presentation portion of this session, staff sought to receive input from Council members.

Many members expressed their concerns about issues that they are experiencing with core providers. A member said that community banks need help from their core providers and that they have problems getting products. The core providers are big companies, and they also serve large banks who get their services quicker. The member also expressed concern with accessing mobile banking. The member said that customers should not have to have multiple applications; however, core providers won't connect. A member noted that the big three core providers are very focused on integration which makes their applications hard to get into. The member said that they are dealing with rising cost and limited flexibilities. A member said that they are a small credit union and are feeling the impact of the issues and costs with core providers. The member noted that rollover costs year to year for services such as mobile banking and remote deposit capture has created very tight margins for their credit union. A member said that their core provider is not one of the big three, but that the platform used is purchased from the big three and that even with the small core providers, there is still some integrations into the big three, causing an increase in costs. A member stated that credit unions are thinking of switching core providers because they don't have mobile banking and when they talk about what they pay with credit unions, it is said that they would have to consider a merger and acquisition (M&A) if they had to pay something similar. A member said that when they try to go outside the core, third party providers and fintechs can't provide services because of the cost or because of the requirements of what would have to be produced, and they can't meet those demands. A member said that the implementation cost isn't the issue, instead it is the ongoing month-to-month and annual fees. That is what small institutions are dealing with when trying to increase their technology and be competitive, i.e., to serve older Americans in rural communities. A member shared that the cost of the core and the technologies are their biggest issues. Another member said that there are alternatives to large providers and that their core provider is a family-owned company with a significant client base and a different price modeling. A member said that Credit Union Service Organizations (CUSOs) provide services to other credit unions and are typically owned by credit unions. A member said that the first of the big three of core providers that comes up with a scalable application programming interface solution for smaller financial institutions will get the market share. A member shared that as a small community bank, when they sign a contract for a service, by the time it is implemented the core provider has updated the service and that it is acquired an auxiliary software company. Regarding the lag time between signing a contract and implementation, there are issues with getting the products and services in a timely fashion.

Several members discussed technology, what they are experiencing and what is needed in order to provide the best services to their customers and members. A member said that they are entering a new era of banking and that people don't come into the lobby anymore. An equal balance of in-branch services, phone services, and technology products is needed for small institutions to grow. Another member said that technology is key to the underserved or unserved and that more people in underserved markets have smart phones than have bank accounts. If community banks could get them linked up with online banking or mobile banking products, they could reduce disparities. A member shared that they are consistently being priced out of technology due to the institution's size. A member said that the issue is the reasoning behind the CUSO, launched at their credit union. The CUSO helps other credit unions with technology and resources and helps them leverage products and grow. There is an added burden for being a community institution, being local, and serving the community. A member shared that their credit union is being forced to go on the cloud to get upgrades to the system and that the price to join the cloud is prohibitive. A member said that the common calculations don't work when trying to add technology and it is more about survival. which is why it can lead to an M&A. A member said it is tough for small communities to afford technology to compete with larger banks. A member said that issues with pricing need to be looked at and that there is no transparency when it comes to pricing as it comes down to how well you can negotiate. There is price gouging and sometimes when the contract is signed, the quality of the service isn't what you were expecting. A member said that collective bargaining for contracts will only make it worse for smaller banks in the long run. A member said that some of the vendor contracts are difficult for smaller institutions, especially those without in-house general counsels. A member said that there are complicated contract structures and there might be Master Services Agreements and a dozen different service agreements which then creates issues with the length of contracts with punitive termination provisions. Another member said that they are currently dealing with an overage of one of the contracts and facing a penalty and that part of the overage was servicing Paycheck Protection Program (PPP) loans. This is disappointing that they are going to being penalized for going over the normal volume because they were servicing PPP loans.

Adjournment

Staff Director Manny Mañón adjourned the meeting of the CFPB advisory committees on April 7, 2022 at approximately 4:00 p.m. EST.

Certification

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

Manny Manon

Manny Mañón
Staff Director, Section for Advisory Board and Councils, Office of Stakeholder Management
Consumer Financial Protection Bureau

John Buhrmaster

John Buhrmaster
Chair, Community Bank Advisory Council

Jose Iregui

Jose Iregui
Chair, Credit Union Advisory Council