

September 2017

Credit Union Advisory Council

September 7, 2017

Meeting of the Credit Union Advisory Council

The Credit Union Advisory Council (CUAC) of the Consumer Financial Protection Bureau (CFPB) met in person at 9:00 a.m. on September 7, 2017. The meeting took place at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

Board members present	CFPB staff present
Dave Seely, Chair	CFPB Director, Richard Cordray
Katey Proefke, Vice Chair	Julian Alcazar
Faith Lleva Anderson	Mary Kate Binecki
Daniel Berry	Olivia Calderon
Kayce Bell	Matt Cameron
Patrick F. Harrigan	Daniel Dodd-Ramirez
Gregory W. Higgins	Crystal Dully
Richard Ledezma	Gregory Evans
Sarah Marshall	Deirdre Foley
Dayatra T. Matthews	Delicia Hand
Amy Nelson	Paul Kantwill
Carrie L. O'Connor	Naomi Karp
Thomas J. O'Shea	David Low
Luis Peralta	Emmanuel Manon
James E. Spradlin	Zixta Martinez
David Tuyó	Eva Nagypal

Raynor Zillgitt

Patrick Orr

Terry Randall

David Silberman

Gary Stein

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Welcome and Agenda Overview

Richard Cordray, Director, Consumer Financial Protection Bureau

Delicia Hand, Assistant Director, Advisory Board and Councils Office

Dave Seely, Chair, Credit Union Advisory Council

Chair Seely welcomed new and returning CUAC members and staff and briefly recapped the previous day's new member orientation meeting. He introduced the new CUAC vice chair and new subcommittee chairs. Acting Deputy Director Silberman thanked Council members for their service, and stated that the Bureau understands that its work has an impact on members' institutions. He noted the Bureau makes it a point to have meetings with credit unions and community banks in order to receive input from smaller institutions. Assistant Director Delicia Hand then provided a brief overview of the day's agenda.

Director Cordray thanked members and staff for their attendance and participation. He invited Council members to discuss issues necessary for the Bureau's attention. He discussed some of the Bureau's current work in areas including: mortgage servicing, student loans, auto loans, credit cards, deposit accounts, credit reporting, and debt collection. He also flagged other work including the release of the 2017 Office of Minority and Women Inclusion (OMWI) report, the Bureau's work with small business lending, a study of the student loan industry, research on the transition to credit visibility, the final rule on the Know Before You Owe mortgage disclosure, and updates to the Home Mortgage Disclosure Act (HMDA). Following this, CUAC members introduced themselves and shared why they were interested in joining the Council.

Committee Breakout Sessions

Faith Lleva Anderson, Chair, Card, Payment, and Deposit Markets Subcommittee

The Card, Payment, and Deposits markets subcommittee met with Bureau staff to discuss the Bureau's assessment on remittances and also spent the time preparing for the public session discussion on Know Before You Owe: Overdraft. A Bureau staff member provided an overview of the assessment process. The Dodd–Frank Wall Street Reform and Consumer Protection Act requires the Bureau to assess significant rules within five years of effective date. The remittance

rule is the first significant rule due for assessment. Staff noted it is useful for the Bureau to understand how credit unions handle remittances. There was discussion about the effects of the remittance rule on credit unions. Some members said the additional costs and regulation are prohibitive to credit unions offering the service. Members and Bureau staff discussed various aspects of remittances including the use of corporate credit unions in the process, costs, and challenges. There was discussion on how the rule hinders the process while members also acknowledged concerns from the prudential side, such as concerns of money laundering. Several members commented that having to wait for the final exchange rate to come back is one reason the process is so cumbersome.

Next subcommittee members prepped for the public session discussion on Know Before You Owe: Overdraft. Staff reviewed questions put together to help guide the session. Members and staff discussed several aspects of overdraft protection, such as the opt-in form. There was also discussion on the types of programs offered by credit unions to help customers manage money and whether those programs have been successful. Members raised questions about the disclosure form, mainly regarding the purpose and function of the form. Additionally, members engaged in discussion on overdraft charges and how their institutions handle them.

Amy Nelson, Chair, Consumer Lending Subcommittee

The Consumer Lending subcommittee met with staff from the Office of Students and the Office for Older Americans. Staff shared the Bureau's recently released data highlighting the burden of student loan debt on older consumers by state. Staff provided a briefing on the findings of the data and noted that older Americans carry an unprecedented amount of student loan debt into their retirement. One factor that has contributed to this trend is the growing number of parents and grandparents helping to finance their children's and grandchildren's college education. Staff also highlighted some statistics on late and missed payments, defaults in relation to older Americans, and shared how all of this can impact older consumers. The report also summarized complaints from borrowers, such as delayed retirement, inability to get released as a co-signer, denial of other credit, and lack of awareness of discharge options.

Members asked how the Bureau arrived at the age of 60 as being considered "older". CFPB staff replied that 60 is typically the age that the Federal Reserve uses for the older segment and that a

lot of the aging programs set that as a minimum age. Members discussed various reasons for consumers' inability to repay, such as rising tuition costs and the lack of borrower education on available options. Members and Bureau staff discussed products with alternative repayment options and borrower education opportunities. There was a discussion about delinquency rates between nonprofit and for-profit schools and reasons for those rates, such as lower income after graduation and difficulties obtaining jobs. Members and staff discussed disability discharges and co-signer release in some of the products institutions provide.

Gregory Higgins, Chair, Mortgages and Small Business Lending Markets Subcommittee

The Mortgages and Small Business Lending subcommittee met in person to discuss several topics with Bureau staff from the Division of Research, Markets and Regulations. Members emphasized specific mortgage regulatory issues which impact their credit unions and shared concerns with staff. Members engaged in a conversation about the Bureau's future work on small business lending data collection and provided Know Before You Owe and HMDA implementation feedback to staff.

Bureau staff and Council members discussed how members have digested the HMDA rule and have begun to make changes within their systems. Members also shared what additional information they have found useful in understanding what changes need to be made and how to implement a process or technological change. Members noted that the tools and guidance on implementation that the Bureau provides have been helpful. Members discussed how some rules may have unintended consequences and cause burden. Members encouraged the Bureau to look at the regulatory landscape when finalizing regulations and assigning compliance dates, as there are non-Bureau regulations that institutions must comply with as well. Members suggested that the Bureau keep regulations easy to understand so the credit unions' governing boards of directors feel comfortable that they have a good overall understanding of the regulations. Staff replied that the Bureau's intent is that the guides are in plain language, and they are always open to suggestions. Members and staff discussed the use of third-party vendors and regulatory implementation of the HMDA rule. Members also shared what the effects of Know Before You Owe have been on their institutions.

Next, staff discussed the Bureau's work in small business lending. The Bureau has conducted information gathering in the small business arena. In June the Bureau released a whitepaper that provides an overview of the small business lending market and the data limitations and how Section 1071 of the Dodd Frank Act may inform those information gaps. Staff urged Council members to respond to the Request for Information (RFI) on small business lending, stating the feedback is critical. To further help inform the policy decision, the Bureau has been meeting with industry and other stakeholders. Staff indicated that the Bureau is very cognizant of the uniqueness of credit unions and the role they play in the small business lending market. Members and staff discussed the potential reporting system under Section 1071 and also discussed what types of data credit unions collect.

Administrative Session: Working Lunch – Governance Review

Delicia Hand, Assistant Director, Advisory Board and Councils Office

During the Governance Review session, the Advisory Board and Councils Office briefed CUAC members on the functions of the CUAC governing documents, specifically, the charter, and the bylaws. Staff provided an overview of the charter and noted that under the Federal Advisory Committee Act (FACA), the Bureau is responsible for outlining the purposes, goals, composition of membership, and other items in the charter, which was done in 2012 and is renewed every two years. The CUAC bylaws are the Council's operational documents. Staff also highlighted some recent updates to the bylaws for members to review, including the addition of term-extensions, and requested feedback and comment on the bylaws.

Information Exchange: Consumer Protection for Servicemembers, Veterans, and Their Families

Paul Kantwill, Assistant Director, Office of Servicemember Affairs

Bureau staff provided an overview about the work of the Office of Servicemember Affairs to address consumer financial challenges affecting servicemembers, veterans, and their families. The Office's mission is statutory based and threefold: 1. to educate and empower servicemembers and their families to make better informed decisions regarding consumer

financial products and services; 2. to monitor complaints by servicemembers and their families and responses to those complaints by the Bureau; and 3. to coordinate among federal and state agencies regarding consumer protection measures relating to consumer financial products and services offered to, or used by, servicemembers and their families. The Office is currently focusing on military education and training. It has begun using a targeted, direct-to-consumer approach, through the "Military Lifecycle" framework and a website with multiple resources, tools, and fact sheets for military consumers. Staff also discussed the Office's annual report on military complaints. This report identifies the main types of complaints to the Bureau from servicemembers, veterans, and their families. The report also provides information to these stakeholders about how to handle some of the issues. The most recent report, released in May, was organized along the "Military Lifecycle." Additionally staff discussed an initiative targeted at future servicemembers, called "Misadventures in Money Management," which is an interactive financial education program. It is distributed via a URL when servicemembers sign their enlistment contracts.

Members asked for clarification on the Bureau's role with the Department of Defense on the Military Lending Act. Staff replied that they provide technical assistance to the Department of Defense as it implements the Military Lending Act. Staff also noted that the Bureau has introduced the Department of Defense to the Bureau's Financial Well-being Scale and the Department is now including the Scale in the Status of Forces surveys. Members also questioned how the new retirement system is being phased in, wondering if new servicemembers are properly counseled. Staff replied that the Department of Defense has devoted a great deal of effort to the Blended Retirement System and that OSA has assisted when requested. Staff also explained how the blended retirement system works. Additionally, some members expressed interest in the "Misadventures in Money Management" training tool. There was discussion on what those members who have substantial contact or expertise with military clients are seeing. Members stated that the level of financial education is inconsistent on the bases they service. They suggested that the Bureau target financial education toward family members as well. Some members shared that they use the "just in time" approach to help with financial literacy and asked if the Bureau has considered that type of model. Staff replied that they will look into the model.

Information Exchange: Home Mortgage Disclosure Act (HMDA)

Patrick Orr, Policy Analyst, Mortgage Markets

Terry Randall, Senior Counsel, Office of Regulations

Bureau staff provided a detailed presentation on recent policy updates related to HMDA and led a discussion with members about the implementation process. Staff shared an explanation of the recently released resubmission guideline. This guideline is the final product of an interagency process that included issuance of an RFI and meetings with industry, consumer advocates, and regulatory agencies to create a uniform guideline that can be applied to all institutions that report HMDA data. Staff also provided details on the HMDA Loan Application Register (HMDA LAR), the examination process for HMDA LAR data, and feedback the Bureau has received from institutions on this topic.

Next, staff provided an update on the Bureau's rulemaking with respect to HMDA. The Bureau issued a final rule amending Regulation C, updating the 2015 HMDA final rule. The most significant change in the final rule is the change in the threshold for reporting open-end lines of credit, which was increased to 500 open-end lines of credit for the 2018 and 2019 calendar years, reverting to 100 for the 2020 calendar year. The Bureau increased the threshold due to feedback it received.

In addition to the increased threshold, a number of technical and clarifying amendments were made to the 2015 HMDA final rule, again due in part to feedback. To help financial institutions understand changes adopted in the final rule, the Bureau issued an updated filing instruction guide for 2018 and also issued an executive summary. Lastly, staff discussed implementation of the rule. They submitted several questions for feedback. The Bureau is interested in hearing about the process for understanding the rule, communicating to vendors, and ensuring that vendors are providing updates and/or a platform to manipulate and store data for submission, along with any other feedback.

Several members raised questions about the reporting threshold, including questions about home equity lines of credit (HELOCs). Staff replied that the Bureau has not started rulemaking, but if a proposed rule were issued, comments would be solicited at that time. Members and staff further discussed the increased threshold for the open-end line of credit. There was discussion on what makes up the costs of reporting, including one-time and ongoing costs. There was also a discussion about vendor readiness. Members discussed getting data ready for submission and

associated burden, changes, and costs. Additionally, members and staff discussed the training process, including when it occurred, use of Bureau training resources, and any resulting changes made in institutions.

Information Exchange: Age-Friendly Banking

Naomi Karp, Senior Policy Analyst, Office for Older Americans

Deirdre Foley, Senior Policy Analyst, Office for Older Americans

Staff from the Bureau's Office for Older Americans provided CUAC members with an overview of their work to improve financial protection for older Americans. Staff asked to receive feedback from Council members on the Bureau's efforts to promote protective account features and other age-friendly services. They provided data on older Americans, noting that this population segment is very heavily banked. Staff then discussed the filing of Suspicious Activity Reports (SARs) for elder financial exploitation and discussed the Bureau's work in this area, including an issuance of the interagency guidance in 2013. The Bureau also issued a detailed set of recommendations that institutions are encouraged to consider to protect older members against financial exploitation and an interagency memorandum that highlights the key role of SARs. Staff then requested input on work to increase fraud prevention protection for older Americans and to offer age-friendly services, such as opt-in account features.

Several members shared anecdotes of cases of financial exploitation discussed various ways to address this issue. Members suggested also getting states involved since credit unions do not have the ability to freeze these types of transactions. Staff replied that there have been state statutes passed along those lines. Additionally members discussed fraud detection software and its capabilities in this area. Members and staff discussed similarities in financial abuse issues between aging populations and those with disabilities. There was also a discussion about levels of access for online banking. Members highlighted their experiences with working with adult protective services. Staff said that the Bureau is doing work around having multidisciplinary collaborations. Members and staff discussed issues around advance consent and some members said that it would be helpful to have a model form for advance consent. Members also commented on convenience accounts, also known as agency accounts or multi-party accounts

without right of survivorship. Lastly, members and staff discussed Powers of Attorney in elderly banking.

CFPB Credit Union Advisory Council public session

Zixta Martinez, Associate Director of the Division of External Affairs, welcomed audience members to the CUAC public meeting and introduced CUAC members and Bureau staff. Director Cordray addressed the CUAC and members of the public. CUAC Chair Dave Seely provided opening remarks and facilitated the meeting. Gregory Evans, Senior Counsel in the Office of Regulations, Gary Stein, Deputy Assistant Director, of the Office of Card, Payment, and Deposit Markets, David Low, Economist, and Eva Nagypal, Senior Economist, respectively of the Office of Research, presented on the Bureau's work on Know Before You Owe: Overdraft. Daniel Dodd-Ramirez, Assistant Director, and Olivia Calderon, Senior Advisor, both of the Office of Financial Empowerment discussed the Bureau's financial empowerment's initiatives, including the new disabilities companion guide for *Your Money, Your Goals (YMYG)*. A live-stream video of the session is available on consumerfinance.gov.

Adjournment

CUAC Chair Dave Seely adjourned the meeting on September 7, 2017 at 5:11 p.m. EDT.

Certification

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



Delicia Reynolds Hand
Assistant Director, Office of Advisory Board and Councils
Consumer Financial Protection Bureau