

Joint Advisory Committee Meeting

September 23, 2020

Meeting of the CFPB Advisory Committees

The Consumer Financial Protection Bureau’s (CFPB) Consumer Advisory Board (CAB), Community Bank Advisory Council (CBAC), and Credit Union Advisory Council met via WebEx at 1 p.m. Eastern on September 23, 2020.

Advisory committee members present	CFPB staff present
Consumer Advisory Board	Director Kathleen L. Kraninger
Chair Brent Neiser	Pavitra Bacon
Nikitra Bailey	Desmond Brown
Nadine Cohen	Christopher Davis
Sameh Elamawy	Jenefer Duane
Manning Field	Kristen Evans
Clint Gwin	Lewis Kirvan
Dr. Ronald Johnson	Barbara Maurice
Eric Kaplan	Manny Mañón
Timothy E. Lampkin	Bryce McNitt
Sophie Raseman	Sophia Sahaf
Rebecca Steele	Deborah Royster
Timothy A. Welsh	
Community Bank Advisory Council	
Chair Aubery Guzzo	
John Erik Beguin	
Maureen Busch	
Patrick Ervin	

Shan Hanes	
Bruce Ocko	
Valerie Quiett	
Heidi Sexton	
Credit Union Advisory Council	
Chair Sean Cahill	
Arlene Babwah	
Teresa Campbell	
Rick Durante	
Doe Gregersen	
Brian Holst	
Racardo McLaughlin	
Eric "Rick" Schmidt	

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Welcome

Kathleen L. Kraninger, Director

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

Sean Cahill, Chair, Credit Union Advisory Council, Chair

CFPB Section for Advisory Board and Councils Acting Staff Director Manny Mañón convened the joint advisory committee meeting and welcomed committee members and members of the public. He provided a brief overview of the meeting's agenda and introduced CFPB Director, Kathleen Kraninger. Director Kraninger provided remarks on the Bureau's priorities, focusing on the Bureau's efforts to provide resources for consumers and institutions during the COVID-19 pandemic. Following Director Kraninger's remarks, CUAC Chair Sean Cahill welcomed attendees and explained the advisory committees' mission and expressed his appreciation for being able to serve as Chair of the CUAC.

The Impact of the COVID-19 Pandemic on Consumers and the Financial Marketplace

Director Kathleen L. Kraninger

Desmond Brown, Assistant Director, Office of Consumer Education

Lewis Kirvan, Consumer Insights Program Manager, Office of Consumer Response

**Barbara Maurice, Senior Product and Strategy Advisor, Office of Consumer
Response**

Bryce McNitt, Chief of Staff for Markets, Office of Small Business

This session began with a presentation from the Office of Consumer Education on the Bureau's efforts to educate consumers during the COVID-19 pandemic. Staff provided an overview of how the Bureau is helping consumers and noted that the Bureau is committed to providing consumers with up-to-date resources to protect and manage their finances during this time. The Bureau does so by collecting input from stakeholders and the market; analyzing information; and developing content. After Congress passed the CARES Act, the Bureau quickly developed a suite of educational resources explaining important components of the law and how

consumers can take advantage of them. The Bureau has a centralized website with these resources at www.consumerfinance.gov/coronavirus. Staff also explained how the Bureau has partnered with other federal agencies including the Federal Housing Finance Agency (FHFA), and the Department of Housing and Urban Development (HUD) to create a new mortgage and housing assistance website <https://www.cfpb.gov/housing>. Staff also explained other coordination effects to keep consumers apprised of their options.

Following the Consumer Education presentation, the Office of Consumer Response presented on “Consumer Complaints and COVID-19.” Staff described the tools used to analyze and monitor complaints and highlighted the tools that are available to the public, including new visualization tools integrated into the public complaint search functionality. Staff discussed trends in the complaints and discussed complaints with COVID-related terms. Staff also noted that product-level trends helps the Bureau understand changing consumer experiences as the crisis unfolds.

The last presentation in this session focused on the impact of the pandemic on the financial marketplace. Staff shared the Bureau’s findings on consumer spending, credit inquiries, consumer delinquencies, forbearance, and originations. While unemployment is high, there has not been widespread defaults across several markets. There have been significant assistance and forbearance programs across many markets, but some of these programs are ending. The fiscal support that has supported many consumers so far has ended, so the next several months may look very different. Spending fell in March but has recovered, particularly among low-income consumers. Credit applications have also recovered in some markets. The Bureau continues to monitor data and markets to see how consumers manage through the pandemic in the coming months.

Committee members provided feedback following the presentation. Several members discussed the deferment period for loans and the need for guidance on how to handle deferrals. Several members noted that financial institutions, particularly small community banks and credit unions, need guidance from state and federal regulators on how to handle deferrals in the long-term. A member said that different institutions are handling mortgage deferrals differently and this may cause an increase in complaints. A member noted that disparity in treatment between different loan programs caused angst and confusion among borrowers. A member expressed concern about the deferment period expiring, considering high unemployment rates. The

member suggested limiting the sale of debt for 6 months and to allow for more repayment options. A member explained how income-based repayment plans would have been helpful to different cohorts of consumers.

Members also discussed considerations with forbearances. A member noted that if mortgage relief isn't administered properly, it can harm financial markets and ultimately harm consumers. A member discussed plans to allow borrowers to sustain payments when repayment forbearance. Another member said that consumer advocates are concerned many homeowners will face foreclosures when forbearance relief ends. The member recommended that the forbearance period be extended; that forbearance amounts be put at the end of the loan; that lenders and servicers be encouraged to consider principal forgiveness; and that loan modifications be streamlined with less paperwork. Along with mortgage concerns, some members also highlighted concerns in the rental market. A member flagged a large increase in the number of housing counseling clients with rental challenges. The member suggested using mortgage program relief as a model for rental programs and suggested a working group or taskforce to consider options. Regarding taskforces, a member said that the Bureau should consider an effort with other federal agencies that work on consumer finance to review procedures during major economic crises. The member said that the Bureau could lead a taskforce with relevant agencies to consider what could be immediately put in place during a crisis and what changes are needed.

Additionally, several members discussed consumer education during the pandemic. Members commended the Bureau on being at the forefront with financial education material and resources during this time. A member expressed the need for increased education around relief options, so consumers don't ruin their credit. A member said that many financial institutions offer digital tools, but consumers often don't know to look for them and how they can benefit from them. The member encouraged making people aware of these tools. A member noted that many consumers, particularly low-to-moderate income (LMI), Black, and Hispanic borrowers were unaware of CARES Act mortgage relief options. Therefore, the member noted that these consumers have not been able to take advantage of refinancing opportunities. The member recommended a stronger public awareness campaign to ensure borrowers are aware of forbearance relief which should target families of color, LMI families, and limited English proficiency speakers.

Members also discussed the challenges small businesses face during the pandemic. A member highlighted that a large percentage of minority-owned businesses closed or shut down temporarily and that owners hope that there will be additional stimulus payments to boost consumer spending and sales. Another member expressed concern with predatory lenders targeting minority-owned small businesses with services with bad terms and conditions. Several members discussed concerns related to access to credit. A member raised concern about the impact on consumers when loans move from deferral status to collections and charge-offs.

Members discussed access to credit, some noting that future markets for mortgages and other loans may become more restrictive. A member raised concern about inaccurate data reported to the credit bureaus due to uncertainty and inconsistency of reporting forbearance information (because of the lack of guidance on certain rules). A member recommended that the Bureau resume supervising mortgage servicers for compliance and resume supervising the national credit reporting agencies for compliance. The member also recommended that the Bureau conduct research on the racial disparities in mortgage approvals and mortgage pricing, noting that the Bureau's 2019 Home Mortgage Disclosure Act (HMDA) data report showed significant disparities.

ECOA Request for Information: Bureau Seeks Input on Ways to Prevent Credit Discrimination and Build a More Inclusive Financial System

Director Kathleen L. Kraninger

Pavitra Bacon, Senior Counsel, Office of Regulations

Christopher Davis, Senior Counsel, Office of Fair Lending and Equal Opportunity

Staff from the Office of Regulation and Office of Fair Lending and Equal Opportunity presented on the Bureau's Request for Information (RFI) on the Equal Credit Opportunity Act (ECOA) and Regulation B. The Bureau sought comments to identify opportunities under ECOA and Regulation B to: prevent credit discrimination; encourage responsible innovation; promote fair, equitable, and nondiscriminatory access to credit; address potential regulatory uncertainty; and develop viable solutions to regulatory compliance challenges. The RFI was issued on July 28, 2020 and the comment period was extended from October 2, 2020 to December 1, 2020. Staff raised questions for consideration on topics including serving limited English proficiency (LEP)

consumers, special purpose credit programs, small business lending, artificial intelligence (AI) and machine learning and ECOA adverse action notices.

Committee members provided feedback following the presentation. A member said the Bureau should focus on incentivizing or highlighting positive household financial outcomes and suggested that the Bureau partner with attorney general offices and state government agencies (with similar missions as the CFPB) to decrease the negative impact on marginalized communities. Several members discussed the need for more guidance. For instance, a member said the special purpose credit program is underutilized and institutions would participate if given more guidance. A member said that the Bureau should apply this type of program to residential mortgage and should partner with HUD to address any concerns related to the Fair Housing Act. A member asked for more clarity on limited English proficiency (LEP) and UDAAP implications. The member inquired about the role of machine learning and artificial intelligence (AI) with Regulation B and empirical scoring. Another member noted that the definition of “application” is unclear and welcome more guidance.

Several members discussed concerns about restrictions. A member said that some credit unions have expressed frustrations that large technology companies have adopted restrictive advertising policies for credit products. Therefore, due to concern for potential litigation risk, credit unions are disadvantaged and lack flexible options to target advertising. The member said that the Bureau should ensure that tech companies who control the largest digital platforms are not making it difficult for community financial institutions to achieve their mission. A member mentioned challenges community banks face when starting new programs or products, noting that they are required to provide several risk assessments which discourages small financial institutions from offering new programs. A member said that implementing ECOA may lead to an impact on FICO and credit scoring. The member also said that non-traditional lenders are not held to the same standards for disclosures and transparency [compared to traditional financial institutions]. The member said that the Bureau should ensure that institutions are held to the same standards, including terms and conditions and impact to consumers. The member also encouraged the Bureau to work with the FDIC, NCUA, and other regulatory bodies to ensure that lenders can use these tools.

Several members discussed fair lending considerations. A member said the Bureau should enforce national fair lending laws and highlighted potential disparate impacts of AI on Black

and Latinx consumers. The member mentioned a UC Berkeley study that found human and AI bias costs Black and Latinx buyers \$765 million in additional fees annually. A member asked if communities that have been historically ignored have expanded in their use of financial products and asked if more people are getting access without adverse circumstances. Another member asked the CFPB to consider eliminating the disparate income standard under ECOA and said that the standard might not help prevent discrimination.

Members discussed small business lending. A member said that the distribution of PPP loans raised fair lending concerns, highlighting that a large portion of minority-owned businesses have closed since March, several of which were unable to secure the first round of PPP loans. The member said that ECOA was designed to prevent this. A member said that there is a need to determine the cause of lack of funding and program availability for minority- and women-owned businesses.

A member noted that technology can decrease the cost and increase the accuracy of the inputs and outputs. The member also said that efforts such as tech sprints, no action letters (NALs), and sandboxes are forward looking; however, the time is now for implementation. The member said that the Bureau can level the playing field, help underserved markets, and advance the cause of fairness in lending. Another member said that comparison shopping tools can help reduce discrimination and encouraged the Bureau to support this type of innovation.

Recent Bureau Initiatives: Elder Fraud Prevention and Response Networks (EFPRN); Your Financial Path to Graduation – Paying for College Tools; Economic Impact Payments (EIP) Outreach to Consumers
Director Kathleen L. Kraninger
Deborah Royster, Assistant Director, Office of Older Americans
Jenefer Duane, Senior Program Analyst, Office of Older Americans
Kristen Evans, Section Chief, Students and Young Consumers, Office of Financial Education
Sophia Sahaf, Deputy Assistant Director, Office of Community Affairs

This session began with a presentation from the Section for Older Americans on “Supporting Local Elder Fraud Prevention and Response Networks (EFPRN).” Staff described the functions of the Section which include developing initiatives and resources to help protect older consumers from financial harm and to help older consumers make sound financial decisions. The Bureau has created and strengthened elder fraud prevention and response networks to help prevent harm. Research has found that the networks’ benefits include: improving responses to cases of financial exploitation; increases in reporting of cases; enhancing members’ skills and capacity to address financial exploitation; and improving coordination, including the use of community resources. Based on these findings the Bureau has developed recommendations for stakeholders interested in starting or enhancing a network. In 2017, the Bureau launched a pilot convening program to increase the presence of networks and expand the capacity of existing networks. Recently the Bureau released the Elder Fraud Prevention and Response Networks Development Guide as a resource for stakeholders. The Bureau also offers other resources including the Money Smart for Older Adults curriculum and fraud prevention placemats, handouts, and activity sheets.

Following the EFPRN presentation staff from the Section for Students and Young Consumers presented on the Bureau’s tool, “Your financial path to graduation.” This tool helps students make decisions about where (or whether) to go to school and how to pay for it. The 2018 Financial Capability Study found that student loan borrowers need help estimating the long-term impacts of borrowing. The tool provides students with an interactive plan that can be saved and revised, simple explanations of financial concepts, and comparisons of multiple aid offers, among other features. Postsecondary institutions, counselors, and college access advisors can join the pilot and help students with paying for school.

The last presentation in this session focused on the Economic Impact Payments (EIP) campaign. Staff noted that millions of individuals hadn’t yet accessed their \$1,200 stimulus payment (as of September 2020) and had until October 15, 2020 to claim them which inspired the campaign. The campaign’s target population which included: individuals and families with incomes under the \$12,200 income threshold for required tax filing; recipients of Medicaid, SNAP, TANF; people struggling with homelessness; and people disconnected from the internet and financial institutions. The campaign rollout focused dissemination of EIP information to intermediary organizations intersecting with the target population and serving large volumes of consumers including the public, private, and non-profit sectors.

Committee members provided feedback following the presentation. Several members discussed elder financial exploitation. Members applauded the Bureau for its work on this issue. A member noted that their community bank has one access point for fraudulent activities and others noted that elder financial exploitation is unique to identify. Members said that some older consumers refuse services and asked how institutions can reach this population and provide them with information to help. Members noted that they have systems in place for reporting, but those systems don't always work and said that sometimes older consumer lose accounts over scams. Members mentioned partnerships and information sharing with groups such as the AARP and the National Council on Aging. Members shared challenges with receiving timely responses from law enforcement or adult protective serves and recommended that the Bureau consider the role of these actors and encourage them to work together. Several members discussed the Bureau's paying for college tool and commended the Bureau for its work on this matter. The member suggested that the Bureau add information on paying down interest while in school and ways to borrow less.

Several members said that the Bureau should focus on providing relief for those who face debt after school. A member suggested providing a companion tool for colleges/universities and that students should consider alternative paths such as community college, military service, or college credit courses in high school. A member said that the Bureau and other regulators should aid young adults in filling out required documentation. A member suggested that the Bureau should provide more tools for parents and guidance counselors.

Adjournment

Acting Staff Director Manny Mañón adjourned the meeting of the CFPB advisory committees on September 15, 2020 at approximately 4:45 p.m. Eastern.

Certification

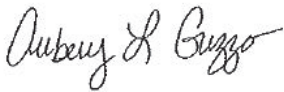
I hereby certify that, to the best of my knowledge, the foregoing minutes are accurate and complete.



Matt Cameron
Assistant Director, Office of Stakeholder
Management
Consumer Financial Protection Bureau



Brent Neiser
Chair, Consumer Advisory Board



Aubrey Guzzo
Chair, Community Bank Advisory Council



Sean Cahill
Chair, Credit Union Advisory Council