

February 2016

Consumer Advisory Board

February 24-25, 2016

Meeting of the Consumer Advisory Board

The Consumer Advisory Board (CAB) of the Consumer Financial Protection Bureau (CFPB) met in person at 10:00 a.m., EST on February 24, 2016. The CAB met at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

Board members present	CFPB staff present
Seema Agnani	CFPB Director, Richard Cordray
Sylvia Alvarez	Julian Alcazar
Ann Baddour	Ron Borzekowski
Don Baylor	Matt Cameron
Maeve Elise Brown, Co- Chair	Chris D'Angelo
Bill Bynum, Chair	Crystal Dully
Steve Carlson	Ren Essene
Tim Chen	Delicia Hand
Kathleen C. Engel	Noerena Limon
Judith L. Fox	Wendy Kamenshine
Patricia Garcia Duarte	Laurie Maggiano
Neil F. Hall	Manny Mañón
Dr. Raul Hinojosa-Ojeda	Zixta Martinez
Brian D. Hughes	Patricia McClung
Christopher Kukla	Genevieve Melford
Max Levchin	Paul Mondor

Joann Needleman	Patrick Orr
Patrick O'Shaughnessy	Margaret Plank
Judge Annette Rizzo	Dan Quan
Paheadra Bratton Robinson	Janneke Ratcliffe
Ellen Seidman	Jessica Russell
Gene Spencer	David Silberman
Josh Zinner	Diane Thompson
	Julie Vore

February 24, 2016

Administrative session - Welcome

Director Richard Cordray, Consumer Financial Protection Bureau

Delicia Hand, staff director, Advisory Board and Councils Office

Bill Bynum, Consumer Advisory Board Chair

Chair Bynum called the meeting of the Consumer Advisory Board (CAB) to order on February 24 at 10:10am and welcomed CAB members back to the thirteenth in person meeting of the CAB since its establishment.

Director Cordray also welcomed CAB members and expressed his appreciation for their efforts to help improve the Bureau's work. Director Cordray provided an overview of the Bureau's recent activities and highlighted the Bureau's work to improve checking account access; the release of a new retirement tool; as well as recent enforcement actions. Following his remarks, Director Cordray introduced the Bureau's new General Counsel, Mary McLeod .

Lastly, Staff Director Delicia Hand welcomed CAB members and reviewed the agenda for the meeting.

Information exchange – Mortgages Discussion: Seen and Heard in the Housing Market

Ren Essene, program manager of Mortgage Data Assets, Mortgage Markets

Noerena Limon, policy analyst, Mortgage Markets

Laurie Maggiano, servicing and secondary markets program manager, Mortgage Markets

Patricia McClung, assistant director, Mortgage Markets

Patrick Orr, policy analyst, Mortgage Markets

Jessica Russell, research analyst, Mortgage Markets

Julie Vore, originations analyst, Mortgage Markets

Paul Mondor, Regulations

Diane Thompson, Regulations

CFPB staff members provided an update on the Bureau's work in the mortgage market, specifically on the Know Before You Owe mortgage disclosure rule, the Home Mortgage Disclosure Act (HMDA), and mortgage servicing. Staff members highlighted that the market is continuing to recover after the 2008 financial crisis.

The Know Before You Owe mortgage disclosure regime has been in place effect since October 3, 2015. Staff reviewed the 22 month implementation process, and highlighted several key changes the program brings to the mortgage origination process. Staff shared the upcoming timeline for the HMDA operations modernization process, as well as resources that make it easier to use the current public HMDA data. In response to an inquiry about the kind of analytics the Bureau is considering for future HMDA data, staff explained that they are working to improve usability, and coordinate with the FFIEC to update reports to reflect the new HMDA data in 2019. Staff members also provided an overview of mortgage servicing.

Several CAB members commented on the impact of investors purchasing properties and, as a result, possibly slowing the financial recovery in certain markets. Additionally, CAB members voiced concerns that banks appear to be steering minorities to Federal Housing Administration (FHA) loans although many qualify for conforming loans, and encouraged staff to take a deeper look into it. Members provided feedback on sources of mortgage servicing data and on the emerging trends in the marketplace.

Information exchange – Working Lunch: Perspectives on Financial Innovation and Regulation

Bill Bynum, Consumer Advisory Board Chair

The CAB Chair led a discussion on financial innovation and regulation. He explained that this preliminary conversation would be the first of recurrent information exchanges on the topic where CAB members would attempt to provide the Bureau with information and perspectives on financial innovation and regulation. The discussion focused on problem identification with the goal of CAB members outlining a range of issues and then, through subcommittees, prioritizing the identified issues for further exploration. CAB members shared what they perceive as issues which arise with new technology and consumer financial products in the marketplace.

Key themes emerged in the discussion. CAB members identified the following issues: access to financial technology is a major issue facing the industry; there was concern about vulnerable populations being targeted online by bad financial products; members discussed the Bureau's capacity to stay current in the financial technology space and to manage shared authority with other federal agencies; the importance of transparency in the development and marketing of products; the future role of brick and mortar locations and the ability of financial institutions to help develop a sense of community. A member asked if the Bureau is looking into deceptive marketing practices by financial technology companies. CFPB staff said the Bureau is closely monitoring this space and that these practices are an area of shared jurisdiction with the Federal Trade Commission; therefore, both agencies coordinate in this effort.

Administrative session –Communications and Ethics

Delicia Hand, staff director for Advisory Board and Councils Office

Margaret Plank, senior counsel for General Law and Ethics

Bureau staff reviewed federal ethics rules and communication guidelines with CAB members. Staff advised CAB members that the Bureau's advisory groups now fall under the Federal Advisory Committee Act (FACA), which governs procedures, communications, and other aspects of federal advisory committees. Finally, staff reminded CAB members that the work products of CAB members and their communication with the Bureau in that role constitute government records which may be subject to disclosure under the Freedom of Information Act (FOIA).

Sub-Committee Breakout Sessions

James Van Dyke, chair, Card, Payment and Deposit Markets Committee

The Card, Payment and Deposit Markets Committee discussed the role of technology in shaping consumer behavior. The members considered the issues that consumers face when using personal financial management (PFM) tools and the role that information plays and how data is used. CFPB staff informed members that the Bureau is monitoring the growing ecosystem of aggregating apps. The committee discussed the concerns banks have about these aggregators because of their capacity constraints and liability concerns under Regulation E. The committee then discussed how the industry could develop a good housekeeping seal that would alert consumers to trustworthy applications and tools. CFPB staff highlighted several of the actions underway to fix data privacy and security concerns this environment.

The committee agreed that the proliferation of consumer-facing apps and PFM tools can create problems with quality and data security. As such, several committee members recommended consumer education for these PFM tools. A committee member shared concern that such tools could let lessen banks' obligations to communities. Committee members voiced concerns about the lack of information regarding whether the tools effectively change consumer behavior. The committee also discussed the Bureau's ability to address breaches and suggested passing regulation ahead of an occurrence. Staff members explained the Bureau's supervisory authority, explaining that the Bureau can supervise providers of consumer financial products or services. The committee discussed the possibility of the CFPB being able to oversee aggregators that are brokers to loan services.

Ann Baddour, Chair, Consumer Lending Committee

The Consumer Lending Committee was briefed on the Bureau's work on debt collection. Staff provided background on the debt collection industry and its important role in consumer lending. Debt collection leads the daily volume of complaints at the CFPB; the two most common consumer complaints are about attempts to collect a debt not owed and communication tactics. Dodd-Frank has given the CFPB the authority to address rulemaking around the Fair Debt Collection Practices Act (FDCPA) for third party debt collections. The Dodd-Frank Act also conferred on the CFPB the general authority to issue regulations concerning UDAAPs for those who offer or provide consumer financial services. Staff reviewed the Bureau's consumer education and engagement work on this issue, discussed the Bureau's risk-based approach to exam prioritization and covered the Bureau's debt collection related enforcement actions.

Committee members inquired about the correlation between regulation changes and the decrease in number of collection agencies. The committee and staff also discussed criminal behavior by off-shore entities, which is an issue for consumer protection.

Responding to an inquiry about the imposition of quotas on debt collectors, staff said that contingency collectors typically use an operation model that includes performance goals to reward or punish performance. In response, a committee member asked if it was possible for regulators to request training manuals and performance expectations, which has been done in recent enforcement actions. A committee member commented that debt validation is at the heart of the issue of default judgments and a staff member responded that the CFPB is watching this issue closely. Committee members shared their observations, which include scammers

using scraps of real information to pass themselves off as government agencies. Data protection is an important area for consumer protection. Furthermore, educating the public on differentiating between legitimate and illegitimate agencies remains a challenge.

Gene Spencer, Chair, Mortgages Committee

Mortgage Committee members continued the conversation on mortgages from the morning information exchange, which focused on trends observed in the marketplace. The committee members commended staff on their presentation, and suggested improvements to mortgage data utilization. The committee focused the conversation on small balance loans and their role in the market, land contracts, and the effect of institutional owners of rental properties on the rental market.

The committee agreed that small balance loans below \$50,000 are difficult to obtain because large banks are less willing to lend small amounts. This is due, in part, to the difficulty of making a return on servicing these loans, a higher risk of default, and an increased margin of error on appraisal risk. Committee members noted that a niche player will soon fill the small balance loan market. Several committee members discussed certain practices of some small loan lending institutions that committee members consider to be unfair or deceptive. Such practices include failing to disclose the full terms of a loan, providing little or no assistance for first time homebuyers and non-native English speakers, and misrepresenting property conditions. Committee members highlighted the role of rental property owners in the mortgage market. Committee members also shared that mortgage servicers do not help borrowers who are not delinquent, but need assistance. Members agreed that this practice is counterproductive and possibly a violation of lending laws.

Adjournment

CAB Chair Bynum adjourned the first day of the meeting on February 24, 2016 at 5:29 p.m.
February 25, 2016

CFPB Consumer Advisory Board meeting

Zixta Martinez, associate director of External Affairs, welcomed audience members to the CAB public meeting and introduced CAB members and CFPB staff. Director Cordray welcomed the chair, vice chair, CAB members, and members of the public. Following Director Cordray's

remarks, Chris D'Angelo, CFPB chief of staff, led a discussion on the Bureau's near-term strategic objectives.

After the strategic outlook discussion, the CAB adjourned for lunch. During the working lunch discussion, Wendy Kamenshine, Ombudsman, provided CAB members an overview of the CFPB Ombudsman's Office. Acting as a neutral third party, the CFPB Ombudsman helps assist in resolving process issues that outside stakeholders may have with the Bureau while utilizing the tenets of independence, impartiality, and confidentiality. Following this discussion, CAB members Steve Carlson, Tim Chen, Brian Hughes and Max Levchin led a panel discussion about financial technology. The panel provided an overview of several areas of financial technology: marketplace lending, personal financial management, digital wallets, money transfers, roboadvisors, investment management, direct lending and online banking.

Chair Bynum reconvened the meeting at 2:04p.m. Genevieve Melford, senior financial education research analyst, and Janneke Ratcliffe, assistant director, both from the Office of Financial Education, discussed the Bureau's work in financial well-being and financial education and presented an update on the CFPB Financial Well-Being Scale. The video of the public session is available on consumerfinance.gov.

Adjournment

Chair Bynum adjourned the thirteenth meeting of the CFPB Consumer Advisory Board on February 25, 2016 at 3:50 p.m.

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



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