Community Bank Advisory Council

June 5 - 6, 2019

Consumer Financial Protection Bureau

Meeting of the Community Bank Advisory Council

The Consumer Financial Protection Bureau's (CFPB) Community Bank Advisory Council (CBAC) met in person at 12:30 p.m., Eastern on June 5, 2019. On June 6 the CBAC, Consumer Advisory Board (CAB), and Credit Union Advisory Council (CUAC) convened for a combined roundtable meeting.

CBAC members present	CFPB staff present
Chair, Maureen Busch	Director Kathleen L. Kraninger
John Erik Beguin	Deputy Director Brian Johnson
Bryan Bruns	Matt Cameron
Aubery L. Hulings	Crystal Dully
Heidi Sexton	Andrew Duke
Jeanni Stahl	Kim George
	Michael Herndon
	Gail Hillebrand
	Jonah Kaplan
	Manny Mañón
	Zixta Martinez
	Mark McArdle
	John McNamara
	Kristin McPartland
	Thomas Oscherwitz
	Karuna Patel

	Jane Raso
	Janneke Ratcliffe
	Judith Ricks
	Jessica Russell
	Irene Skricki
	Gary Stein
	Michael Thompson

June 5, 2019

Welcome

Manny Mañón, Acting Senior Advisor, Office of Advisory Board and Councils

Maureen Busch, Chair, Consumer Advisory Board

Acting Senior Advisor Manny Mañón convened the CBAC meeting and welcomed CBAC members and members of the public. He provided a brief overview of the meeting's agenda and introduced the CBAC Chair, Maureen Busch. CBAC Chair Maureen Busch welcomed attendees and explained the CBAC's mission, summarized recent CBAC activities, and outlined the direction of future CBAC efforts. Following Chair Busch remarks, CBAC members introduced themselves.

Information Exchange: Remittances – Request for Information (RFI)

Jane Raso, Senior Counsel in the Office of Regulations

Karuna Patel, Managing Counsel in the Office of Regulations

Staff from the Office of Regulations provided an overview on the Bureau's Request for Information on the remittance rule, issued on April 25, 2019. Public comments for the RFI are due by June 28, 2019. Staff also provided background information on the Bureau's work with remittances. The Bureau's remittance rule became effective on October 28, 2013, and the rule was implemented with amendments to the Electronic Fund Transfers Act. The remittance rule imposes requirements on companies that send international money transfers, or remittance transfers, on behalf of consumers. The rule mandates that providers generally must disclose the exact exchange rate, the amount of certain fees, and the amount expected to be delivered to the recipient. The rule also asserts the right of consumers to cancel a remittance typically within 30 minutes of payment, and error resolution rights. In 2018 the Bureau assessed the rule and published a report on the impact on consumers and industry participants.

Staff discussed what the Bureau hopes to learn from the current RFI on remittances. The Bureau is seeking information about the number of remittance transfers a provider must make to provide them in the normal course of business, and information on incorporating a small financial institution exception into the rule. The Bureau is asking for information about the expiration of a temporary exception in the rule that allows certain insured institutions to estimate the exchange rate and certain fees they are required to disclose when sending remittance transfers.

Members who are part of institutions that offer the service shared how they have adopted the mandates since the rule came into effect. Members discussed the potential of the Bureau increasing the threshold and remarked that doing so would allow more players to participate in this market. Members explained they do not make a profit by offering remittances; however, they believe it is important that community banks be able to provide this service. Members noted that those who use the service tend to be repeat customers. Members highlighted that many small banks stopped offering the service after the rule came out in 2013. Furthermore, members stated that technology has changed in the last 15 years, so the statute may not align with the changes in technology. Some suggested that there should be a consideration of whether the law still fits the current market.

Some members shared details about the number of remittances they typically process and the vendors they work with to do so. Some members shared the types of costs related to compliance with the rule. They noted that they have had to provide more employee training on the processing of the service, post-implementation of the rule. Some members discussed difficulty they have with tracking any additional fees that get added on after their institution processes the transfer. Members asked staff to explain the enforcement process for the rule.

Information Exchange: Continued discussion on the Bureau's Start Small, Save Up Initiative

Janneke Ratcliffe, Assistant Director, Office of Financial Education
Liane Fiano, Outreach and Engagement Specialist, Office of Consumer Engagement

Staff from the Office of Financial Education and the Office of Consumer Engagement led a discussion on the Bureau's Start Small, Save Up initiative. This conversation was a continuation of the discussion held in March 2019 with advisory committee members. Motivation for this initiative stemmed from the results of research on financial well-being. Recent Bureau research found that even small amounts of liquid savings can correspond to big differences in financial well-being. However, 40 percent of Americans would borrow money or sell something to cover even a $400 emergency expense.

The *Start Small, Save Up* program is planned to be a four to five year initiative. Through this initiative, the Bureau offers tips, tools and information to help consumers build a basic savings cushion and saving habit, as a foundation for securing their financial futures. The Bureau developed a four part definition of financial well-being which includes: a sense of financial security now, financial freedom of choice now, having a sense of control of one's future, and being on track for long-term financial goals. Staff discussed the three themes in improving liquid savings, which are: start small - make initial steps; instill good financial habits; and plan for the unexpected. Staff also discussed behaviors related to having better financial well-being, which include day-to-day basic money management activities; planning activities around money; and having a habit of savings. Staff noted that the Bureau recognizes that community banks work to help consumers to build a foundation of basic savings.

Members discussed online savings accounts. Members discussed the need for educators to go into the schools and work with children and talked about their institutions' focus on youth getting started on healthy financial paths. Members noted that regular savings account savings has received more traction than specially designated savings accounts, such as Christmas club accounts. Members also discussed employee benefits as ways to boost savings.

Information Exchange: Faster Payments

Gary Stein, Deputy Assistant Director, Card, Payment and Deposit Markets Office
Michael Thompson, Financial Analyst, Cards, Payments, and Deposits Markets Office

Staff in the Office of Card, Payment, and Deposit Markets provided an overview of faster payments and Bureau activities. Staff provided background information on the Bureau's work on faster payments. In 2015, the CFPB outlined principles for protecting consumers and to ensure consumer interests remain top of mind as the private sector develops new faster payment systems. In addition, Bureau staff have held leadership roles on two Federal Reserve-sponsored groups that have aimed to bring about safe, ubiquitous, faster payments capabilities in the United States. In September 2018, the Bureau published a blogpost outlining tips for consumers using mobile payment services. The Bureau continues to work with other regulators, entities that are developing the new systems, and other stakeholders to ensure that new payment systems address consumer needs and interests.

Staff provided a number of observations regarding the evolving payments market, including that:

- Legacy payment systems, such as check and ACH, are getting faster.
- The concept of speed in payments pertains both to the how quickly funds are transmitted from payer to receiver as well as to the flow of payment information between the two parties.
- Payment system providers may face challenges in balancing the desire to make payments faster with the need to ensure some friction and transparency in the payment process to ensure consumer control.
- The Federal Reserve's Faster Payments Task Force established the goals for new payment solutions to transmit in real-time or near real-time, for payment system services to be available 24/7, and for access to be ubiquitous.
- In addition, emerging payment solutions also offer some promise of increased security and more robust, attached messaging.
- The paradigm may be shifting for consumers regarding decisions on where to keep their funds. That is, consumers may increasingly choose their account provider based upon payment services offered, and this could lead to a decline in consumers opting for traditional bank and credit union accounts.

Staff also highlighted potential risks and benefits of the increase usages of faster payments. Staff asked members to share observed trends and challenges as well as next steps for the Bureau to consider.

Members discussed the consumer interest in the convenience of faster payments. Members also highlighted comparisons between various payment services and noted that with more servicers entering the market, researching them take a lot of time. They noted that it is difficult to identify risks associated with each solution or to determine risk management requirements. Members also commented that the different nature and flows of emerging payment systems could imply consumer protections and liabilities vary based on the form of payment used. Some members said that people are beginning to expect pocket to pocket payments with no charges and costs. Members and staff also discussed the Bureau's legal authority in this industry.

June 6, 2019

Combined Advisory Committee Roundtable

On June 6, CAB, CBAC, and CUAC members met with Bureau leadership and subject matter experts for a combined roundtable discussion on the Bureau's Debt Collection Notice of proposed rulemaking (NPRM), an update on the Bureau's work to educate and engage consumers, and trends in the mortgage market. 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, John McNamara (Assistant Director, Office of Consumer Lending, Reporting and Collections Markets) and Kristin McPartland (Counsel, Office of Regulations) discussed the Bureau's NPRM on debt collection. Next, Gail Hillebrand (Associate Director, Division of Consumer Education & Engagement), Janneke Ratcliffe (Assistant Director, Office of Financial Education), Irene Skricki (Senior Financial Education Program Analyst, Office of Financial Education), Michael Herndon (Deputy Assistant Director), and Judith Ricks (Economist, Office of Research) provided an update on the Bureau's work to educate and engage consumers. After the education and engagement conversation, CAB Chair Dr. Ronald Johnson adjourned the meeting for a break.

During the break, advisory committee members met for a preparatory work, working lunch (a summary of the working lunch can be found below). Following the working lunch, CAB Chair Johnson reconvened the public meeting. Mark McArdle (Assistant Director, Office of Mortgage Markets) and Jessica Russell (Mortgage Data Assets Program Manager, Office of Mortgage Markets) led a discussion on Trends in the mortgage market. The video of the roundtable is available on consumerfinance.gov.

Preparatory Work: Working Lunch – Update on OMWI Outreach

Lora McCray, Director, Office of Minority and Women Inclusion, Office of Equal Opportunity and Fairness

The working lunch began with an update from the Office of Women and Minority Inclusion on the Bureau's outreach and engagement with regulated entities. Staff explained how the Bureau has worked with regulated entities and received helpful information related to diversity and inclusion opportunities and challenges. This process derives from the mandate in Section 342 of Dodd Frank that the Bureau assess the diversity policies and programs of entities we regulate. To start, Bureau held roundtables and outreach meetings with the mortgage industry to get the pulse on issues and barriers the entities have observed and experienced. The Bureau plans to expand the work with the mortgage industry and expand into other industries. Pursuant to the Joint Standards developed by the federal financial regulators in 2015, the Bureau will begin engaging entities in a voluntary self-assessment process this fall to determine how diversity and inclusion are doing within various industries. This data will be collected through an online portal, which will allow for thorough analysis and assessment. Staff emphasized that since this is a voluntary process, the Bureau wanted the entities to be comfortable and to understand how the data will be used; it will be aggregated and examined to identify gaps or shareable best practices. The trends and patterns the Bureau finds will be published in the Bureau's Annual Report to Congress, and the Bureau will use this information to look for programs, tools, and resources to provide to entities to aid in their progress on diversity and inclusion. The Bureau is currently working on a fact sheet, FAQs and other tools to help inform and educate entities about the process. The Bureau is partnering with mortgage industry trade groups to socialize this process with entities in an effort to encourage greater participation.

Members acknowledged the importance of this work and thanked staff for the undertaking. Members also thanked the Bureau for working with prudential regulators to develop best practices on building out these programs. Members also encouraged the Bureau to continue to work with state regulators on this as well. Members discussed the reporting of the voluntary information and stated that there will be questions about the data use. Members also inquired if the Bureau would like to see more publicity around this from an institution.

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

Liz Coyle, Consumer Advisory Board (CAB)
Luz Urrutia, Consumer Advisory Board (CAB)
Bryan Bruns, Community Bank Advisory Council (CBAC)
Bryan Price, Credit Union Advisory Council (CUAC)

CAB members presented on small business data reporting in relation to Section 1071 of the Dodd-Frank Act. A member stated that the collection of data under Section 1071 would facilitate the enforcement of fair lending laws. The member reported out on disparities in credit approval by race and gender. The member noted that data collected under Section 1071 may provide a path to understanding what measures should be put in place to change outcomes. Another CAB member discussed findings from the Federal Reserve Board's Small Business Survey and cited access to credit as a top reason for financial challenges. She noted that small business loans help self-employed individuals and communities. The member explained that data collected under Section 1071 would also benefit institutions in understanding the small business market.

Following the presentation, members discussed data collection. Some noted that the data collection called for in Section 1071 could come with unintended consequences that might harm consumers. Members asked for more transparency on data analysis, a standard approach for analyzing the data, which might lead to more acceptance of the data collection. Members also discussed small-business lending. Some pointed out that small-business loans are not homogenous and there are differences that need to be accounted for that the debt may not reflect over time.

Next, a CBAC member presented on consumers' rights to access information in relation to Section 1033 of the Dodd-Frank Act. The member said that there are many questions raised and discussed balancing consumer protection and customer convenience. He summarized Section 1033 and focused on Section D and Section E. He noted that having one standard for writing APIs would open up competition in the industry and allow institutions to provide good service to their customers. Additionally, he discussed the challenge of balancing regulation with innovation. He mentioned that fintech companies should be subject to similar examinations that financial institutions face.

In response to the presentation, members discussed several different considerations for access to data including: the need to know what information format is usable by consumers; how most consumers with little or no credit can still have robust financial records; how collected data can be used for the good of consumers; how consumers leverage their information; and potential benefits of moving toward a common API standard. Members also discussed concerns over data security at fintech companies, such as their ability to adequately safeguard consumer data in their possession, and the issue of liability, for example, if data is compromised.

Lastly, a CUAC member presented on unfair, deceptive, and abusive acts or practices, also known as UDAAP. He provided a brief history and detailed overview of each aspect of UDAAP. He discussed how UDAAP could be applied to many practices of financial institutions. He commended the Bureau for trying to add definition to what "abusive" might be. He also offered suggestions of some mitigating activities financial institutions could utilize, such as a UDAAP policy review, waivers and exceptions at the institutions level, and reviewing complaints. He noted that there is no safe harbor for institutions. He concluded with a discussion on financial institutions and consumer advocacy.

Following the presentation, members discussed the impact of UDAAP on their institutions. Some members noted that risk assessments are sometimes difficult to process because of the broadness of UDAAP. Some members highlighted institution-focus on consumer impact as a positive. Additionally, members discussed the legal system weighing in on the definition of the term "abusive." Members also discussed various unfair and abusive practices and provided examples.

Adjournment

CAB Chair Dr. Ronald Johnson adjourned the meeting of the CFPB advisory committees on June 6, 2019 at 3:30 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, Advisory Board and Councils Office
Consumer Financial Protection Bureau

Maureen K Busch

Maureen Busch
Chair, Community Bank Advisory Council