Combined Advisory Councils Meeting

August 12, 2021

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. EDT on August 12, 2021.

Advisory committee members present	CFPB staff present
Community Bank Advisory Council	Acting Director David Uejio
Chair Valerie Quiett	Robert Cameron
John Buhrmaster	Kristen Evans
Patrick Ervin	Feng Liu
Shan Hanes	Manny Mañón
Ronette Hauser-Jones	Barbara Maurice
Kristina Schaefer	Mark McArdle
Brad Williamson	Terry Randall
Credit Union Advisory Council	Jessica Russell
Chair Racardo McLaughlin	Patricia Scherschel
Monica Davis	Kristin Wong
Rick Durante	
Michelle Dwyer	
Doe Gregersen	
Brian Holst	

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Welcome

David Uejio, Acting Director

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

Racardo McLaughlin, Chair, Credit Union Advisory Council

CFPB Section for Advisory Board and Councils Staff Director Manny Mañón convened the consumer advisory board meeting and welcomed committee members and members of the public. Manny provided a brief overview of the meeting's agenda and introduced CFPB Acting Director, David Uejio. Acting Director Uejio provided remarks on the Bureau's priorities, focusing on mortgage challenges during the pandemic, work and development around the pandemic recovery, the Bureau's mortgage servicing final rule, HMDA, and student lending. Following Acting Director Uejio's remarks, CUAC Chair Racardo McLaughlin welcomed attendees and explained the council's mission and expressed his appreciation for being able to serve as Chair of the CUAC.

COVID-19 Session: Recent Bureau Research on Mortgage Challenges; Mortgage Servicing Final Rule Overview; Work/Development on Recovery Related Bureau Resources; and Consumer Response Compliant Snapshot

Mark McArdle, Assistant Director, Office of Markets

Kristin Wong, Financial Analyst, Office of Markets

Terry Randall, Senior Counsel, Office of Regulations

Jessica Russell, Program Manager, Office of Markets

Barbara Maurice, Senior Product and Strategy Advisory, Office of Consumer Response

This session began with staff from the Office of Markets presenting on mortgage market challenges in relations to COVID-19. Staff shared data about the current stage of the mortgage markets, discussed current and future risks, and highlighted vulnerable populations.

Following the first portion, staff from the Office of Regulations presented an overview of the Bureau's mortgage servicing final rule which took effect on August 31st, 2021. During this portion, staff discussed the four key amendments to Regulation X, all of which encourage borrowers and servicers to work together to facilitate review for foreclosure avoidance options.

During the third part of this session, staff from the Office of Markets presented on COVID-19 recovery related Bureau resources. During this presentation, staff shared updates and resources related to its interagency partner launched one-stop website for information to help homeowners and renters understand and access the help they need.

Lastly, staff from the Office of Consumer Response provided a presentation on snapshots of what has been gathered from the Bureau's complaint system, specifically related to the time frame since the declaration of the national emergency date of March 2020, in which there have been 900,000 consumer complaints filed.

Committee members provided feedback following the recent Bureau research on mortgage challenges presentation. Several members raised their concerns around home appraisals. A member said that fees are increasing due to the high demand which then impacts the consumers. A member mentioned that we need to look at how appraisers are being licensed and recommended that the Bureau should look at getting involved with this issue to investigate what can be done.

Many members mentioned that their institutions are doing whatever is necessary to help their members/customers so that their homes don't go to foreclosure. A member said that lenders don't win the foreclosure process, they don't want to foreclose on people's homes even if there is equity in the property, and that they do as much outreach as they can to contact consumers. A member complimented the Bureau on establishing the foreclosure rules and stated that independent banks don't have an issue with following these because they're given the flexibility that is needed. A member said that it would be best to find a way to keep people in their homes and that we need to find a long-term plan/solution that works in the best interest of the homeowner. A member inquired as to what is deemed the appropriate outreach to unresponsive borrowers, what is considered enough outreach, and what is the best way for financial institutions to document efforts made to contact those individuals. A member highlighted the process put in place to help their borrowers get out of forbearance; and stated they never stopped reaching out to delinquent consumers because of the policies we have in place. Our bank reaches out to consumers before they're 30 days past due and stated they're used to the contact they receive from their institution. A member said that some borrowers are hesitant in speaking with the credit union despite attempts to contact them and stated they're in panic mode because the relief programs are coming to an end. The member asked if other members of the CBAC and CUAC are experiencing the same issues with respect to the regulatory responses the receive (expectations on how to promptly deal with homeowners who are in distress), and said that there seems to be a disconnect between what regulatory expectations are and what may or may not be good for the consumer. A member said that there has been a significant response to forbearance and deferral requests and that over 93% of those mortgages are out of forbearance and have resumed payments. A member said that the last person a struggling homeowner wants to hear from is their bank and that it might be helpful to partner with social service agencies to assist in getting the word out, as consumers are more willing to reach out to one of these entities for assistance.

Committee members provided feedback following the mortgage servicing final rule overview presentation. Members thanked the Bureau for the good work it's doing, and for taking committee members' comments into consideration for future rulemaking. A member said that CBAC and CUAC members are closest to the issues that are being discussed and it's important for us to communicate what we're hearing to the Bureau. A member mentioned that some of the Fannie Mae and Freddie Mac standards contradicts those of credit unions and community banks with respect to servicing rules. A member highlighted that they are pleased with the servicing rules that were put into place and the model the bank has works very well.

Committee members provided feedback following the work and development on recovery related Bureau resources. Many members praised the Bureau for its efforts to help consumers though the pandemic. A member said that the efforts that the CFPB has done concerning education and social media outreach has been remarkably effective in terms of communicating with people who might not be willing to talk with their servicers. A member commended the Bureau for the outstanding work on the rental assistance portal and for springing into action to resolve the eviction crisis. A member highlighted that they are sharing the Bureau's resources on their organization's website and that there is an incredible response from the 176,000 members of the credit union who have accessed the information quite extensively. A member suggested looking at other ways of getting this information out to consumers by partnering with state and local agencies (i.e., social services facilities) and stated that we need to avoid any unnecessary foreclosures and evictions.

Committee members provided feedback following the consumer response complaint snapshot presentation. A member highlighted that Freddie Mae and Fannie Mac are tightening the credit market making it difficult for borrowers to refinance. A member stated that smaller loan amounts are harder to refinance and placing limitations and restrictions on financing investment properties; 75 % of rental properties are owned by individuals. A member shared that they aren't seeing an immediate economic consequence that other geographic regions are experiencing and said their bank has fewer than 20 borrowers that are under some modification or forbearance program. A member said that housing affordability is a huge issue and asked if any other committee members' forbearance activity has diminished.

HMDA Session: A Conversation about 2020 Mortgage Lending Data

Feng Liu, Senior Economist, Office of Research

Staff from the Office of Research presented a HMDA session on 2020 mortgage lending data. During this session staff shared background information on HMDA. HMDA is a data collection, reporting, and disclosure statute first enacted in 1975. HMDA data are used to assist in determining whether financial institutions are serving the housing needs of their communities; to assist public officials in distributing public-sector investment so as to attract private investment to areas where it is needed; and to help identify possible discriminatory lending patterns and enforcing antidiscrimination statutes. Staff also noted that the 2020 HMDA data are the third year of data that incorporate amendments made to HMDA by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (DFA) and 2015 HMDA Rule. During the past year, with the COVID-19 pandemic and historically low interest rates, the mortgage market saw significant overall growth, led by a refinance boom. Staff shared trends about the current state of the mortgage market based on the 2020 HMDA data.

Committee members provided feedback following this presentation. Several members shared their concerns with disparities in communities of color. A member said that they are seeing a pattern in communities of color, whether it is foreclosures or rental evictions, and low rates of refinancing. The member went on to say that this gives you an idea of the disparities that we need to address, of course, financial literacy will help. A member said that it would be helpful to have a breakdown of race/ethnicity, and then what percentage of outstanding loans were able to refinance. The member inquired if there is a way to calculate this and stated that 18.5% percent of respondents aren't even sharing this data, which is statistically significant, and this number is increasing year over year. A member highlighted that they are cognizant of advertisements and making sure there isn't one type of applicant that they are tailored to, and expressed that they are trying to reach out to different groups in their community, as they want to avoid unconscious bias or doing anything that would push customers away from the bank; and establish trust and relations with various customers. A member inquired if there is any data on the higher mortgage rates that are being charged in certain minority groups., and asked if there is data on their source of mortgages and is it directly banks and credit unions or from brokers; noting that this would be an interesting statistic to see as it would underscore the argument that you need more small banks and credit unions to serve these underserved communities. A member said that one issue they come across is making sure that they have staff that are fluent in Spanish and finding staff who can serve folks where English is not their first language. They would applaud any efforts by the Bureau to provide materials in multiple languages. A member inquired about the presentation and how staff mentioned that perhaps the higher interest rate charged to people of color is driven by FHA and various other reason. The member inquired about the Bureau's thoughts on the loan level pricing adjustment with regard to FICO scores and asked if this is a heavy factor in determining the interest rates of people of color. A member inquired about addressing the racial disparities and said that they formed a coalition to provide counseling to local agencies in the area.

A member highlighted that they are seeing an influx of homeowners who are buying homes in cash, and not financing/borrowing. The member stated their neighbor is from California, sold their home, bought a house in their small Kansas neighborhood with cash, and wondered if it's just their state seeing reduced number of borrowers.

Several members shared their concerns regarding HMDA data. A member said that before 2018 HMDA came out, when an examiner came in, their bank would have to give detailed information and asked how much of this is included in the Bureau's analysis and does this also reflect the down payment assistance program which effect the interest rates. A member referred to the presentation about the number of reporting banks and stated that it is down by 1,000. The member stated that when the 2018 changes rolled out, smaller banks were saying you're going to see banks leaving the mortgage business. The member went on to say that this is a clear statistic, and this is a 20% drop in places for consumers to get mortgages, that the CFPB should take this into consideration especially when looking at the 1071 rule and that the regulatory burden lowers the number of institutions that can do this. The member continued that this stopped some people in the underserved areas from receiving mortgage services and stated when you lose some banks, you lose them in communities that need the banks. A member said that it is striking how many financial institutions have stopped being reporters and this is most likely smaller institutions who felt like the compliance risk was too high. The member stated that it would be great if the CFPB would work with regulatory groups and think about how we are dealing with problematic reporting and stated this is the reason their institution called off an acquisition; there are a lot of FI's that have gotten into this space and everyone should be facing the same compliance risks across the board.

Several members shared their thoughts on consumers and financial literacy as it relates to mortgages and financing. A member said they wondered why consumers haven't taken advantage of low interest refinance rates. The member stated that there are a couple of things to consider as you have borrowers that are taking advantage of financial literacy. The member continued that those that haven't had financial literacy don't see an ability to refinance. The member stated that banks and credit unions need to do a better job at outreach to these underserved communities. The member continued that working with the education department and making this financial education available in schools, the CFPB has the ability to take the lead in educating consumers. A member said that many members are still reeling from the effects of the last mortgage meltdown. The member stated that properties haven't appreciated; there are second mortgages and homes don't have enough equity. The member continued that the borrowers themselves may not have the credit to take advantage of those lower rates. A member said that there are a lot of factors including credit scores that prevent people from refinancing, as well as the cost of appraisals. A member highlighted that they have seen that the amount of student loan debt or medical debt are limiting the abilities of potential buyers. A member said that credit unions and banks do a wonderful job at education and that they haven't had any shortage and are signing up seminars. The member stated that however, there are simply no homes to buy, their bank is meeting about it weekly; the inventory is very low.

Student Lending Session: Overview of the Annual Report of the CFPB Private Education Loan Ombudsman 2020 and Recent Bureau Work on Student Lending

Robert Cameron, Private Education Loan Ombudsman, Director's Front Office
Patricia Scherschel, Student Lending Program Manager, Office of Markets
Kristen Evans, Section Chief, Students and Young Consumers, Office of Consumer Education

During this last session of the day, the Bureau's Private Loan Ombudsman provided an overview of the 2020 Annual Report of the CFPB Private Loan Ombudsman.

Following the first portion, the Office of Consumer Education and the Office of Markets presented on current work that the Bureau is doing regarding student lending and student loan repayment updates. The COVID-19 pandemic and economic downturn have caused financial disruptions for young people and students. Federally held student loans were placed in an administrative forbearance with interest suspension. Additionally, many private student lenders have offered flexible repayment options to borrowers who may be experiencing financial difficulty as a result of the pandemic. As these relief options expire or as borrowers approach their forbearance and deferment limits and must begin repaying, we may see an increase in delinquency and default. The Bureau is dedicated to assisting student loan borrowers when they are required to resume repaying their loans. The Bureau is coordinating with the Department of Education to create and disseminate information to borrowers as well as conduct outreach to those impacted.

Committee members provided feedback following the presentation. Many members commended the Bureau for its continued work in this area.

Several members discussed the effects that they have seen and heard regarding the relief of student loan payments. A member said that they recently heard on the radio that consumers that have student loans and relief received during the Pandemic has given them the opportunity to catch up on bills. A member inquired about if the Bureau is going to be putting the same kind of resources as to website information as it has with the rental/relief/evictions as to relief with repayment for student debt.

A member said that there is more flexibility with federal lenders versus private lenders and stated that advocating more of an understanding with capitalized interest has a major impact during the deferment process, not so much now during the duration of the CARES Act and noted that when it is capitalized it makes a big difference with balances.

Several members discussed the upcoming servicer change and transitions. A member said that the servicer transition will involve more than 10 million accounts and asked, moving forward, what ways can the Bureau assist or provide guidance for consumers. A member mentioned that they do hold a portfolio for student loans, mostly with Legacy and stated they haven't had a lot of contact with these borrowers. In the last 90 days the member noted they have had a flurry of members contacting them as to their concerns going forward with being able to make their payments. The member inquired if anyone else has seen or experienced this with their members/customers.

Several members raised concerns with what they are seeing regarding older generation debt with student loans. A member said that the younger debt is lowering while the older generation is increasing and asked if there is any metric or data that talks about the related debt with parents, and if so, how much is co-signed debt. A member inquired with there being less complaints being filed, is there any metric showing if parents have refinanced their homes to take advantage of lower rates to perhaps make payments on their children's student loan debt.

Several members shared their thoughts on standardized disclosures. A member inquired if the Bureau has had any discussions around standardized disclosures, i.e. standardized way of communicating the risk of investment without return to the potential students, parents and guidance counselors. A member highlighted how a standardized disclosure form for the college or university could help with understanding what the return on this investment will be and asked what happens when the numbers continue to grow and stated the CFPB should consider a partnership with the Department of Education. A member shared that as a father of six, if they could do it all over again, they would have started their first 2 years in a community college to get those basic classes out of the way, and their degree would reflect the same after 4-6 years with less cost incurred.

A member shared that with the income-driven repayment program, that it factors in with repayment both incomes from a married couple, even if one of the spouses put their name on the note and apply for the debt. The member stated that they think that for obvious reason the income is inflated, the payment amount will be higher with each month.

Several members made mention that their institutions don't offer student loans.

Adjournment

Staff Director Manny Mañón adjourned the meeting of the CFPB advisory committees on August 12, 2021 at approximately 5:00 p.m. EDT.

Certification

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

Manny Mañón
Staff Director, Advisory Board and Councils Section
Consumer Financial Protection Bureau

Valerie Quiett

Valerie Quiett
Chair, Community Bank Advisory Council

Racardo McLaughlin

Racardo McLaughlin
Chair, Credit Union Advisory Council