

February 2015

# Consumer Advisory Board

February 18- 19, 2015

## Meeting of the Consumer Advisory Board

The Consumer Advisory Board (CAB) of the Consumer Financial Protection Bureau (CFPB) met in person at 9:00 a.m. on February 18, 2015. The CAB met at the CFPB Headquarters located at 1275 First Street, NE, Washington, D.C.

<b>Board members present</b>	<b>CFPB staff present</b>
Bill Bynum, Chair	CFPB Director, Richard Cordray
Maeve Elise Brown, Co- Chair	Julian Alcazar
Gary Acosta	Michael Byrne
Ann Baddour	Matt Cameron
JoAnn Barefoot	Jennifer Draper
Don Baylor	Crystal Dully
Steve Carlson	Ren Essene
Laura Castro de Cortes	Delicia Hand
Betsy Costle	Cora Hume
Prentiss Cox	Naomi Karp
Patricia Garcia Duarte	Joan Kayagil
Julie Gugin	Thomas Kearney
Patty Hasson	Jeffrey Langer
Adam Levitin	Jesse Leary
Brian Longe	Manny Mañón
Jim McCarthy	Zixta Martinez

Jen Mishory	Gary Stein
Joann Needleman	Veronica Spicer
Bill Nelson	Brian Webster
Patrick O'Shaughnessy	
Jose Quiñones	
Dory Rand	
Judge, Annette Rizzo	
Ellen Seidman	
Robert Stoll	
Donna Tanoue	
Jane Thompson	
Jim Van Dyke	

February 18, 2015

## Welcome and meeting overview

**Delicia Hand, staff director, Advisory Board and Councils Office**

**Bill Bynum, CAB Chair**

Chair Bill Bynum called the CAB meeting to order on February 18, 2015 at 9:00 a.m. EST. The chair welcomed the members and reviewed the agenda for the day. Chair Bynum explained the importance of learning about the priorities of the Bureau; he reviewed the agenda for open and close portions of the two-day meeting.

Director Cordray welcomed members and thanked them for their service on the CAB. He expressed appreciation for the ways in which the CAB has affected the Bureau's work. He briefly mentioned some of the Bureau's recent work including: enforcement actions against Sprint, and Wells Fargo and JPMorgan Chase; modifications to mortgages rules for lenders in rural and underserved areas; and the Owning a Home online toolkit. He also shared some of the Bureau's priorities for the year.

Staff director Delicia Hand also welcomed CAB members and reviewed the CAB meeting agenda. She also went over logistics for the day.

## Committee Breakout Sessions

### Cards, Payments, and Deposits Committee

**Ellen Seidman, Chair, Card, Payments and Deposits Committee**

Chair Seidman called the committee meeting to order at 10:20 a.m. The committee discussed the Bureau's request for input concerning trends relating to elder financial services, with a focus on abuse, and technology development/opportunities that can improve experience and reduce abuse. Bureau staff stated that the Bureau is working to understand the landscape and how consumers are affected. There may be customer confusion, and the Bureau hopes to understand that better.

Bureau staff shared two resources: Money Smart for Older Adults and Managing Someone Else's Money. Money Smart for Older Adults targets intermediaries, which are already working with vulnerable older adults, low-income, chronic health conditions. Managing Someone Else's Money is a series of four guides for people who are financial caregivers.

## Consumer Lending Committee

### **Judge Annette Rizzo, Chair, Consumer Lending Committee**

Chair Annette Rizzo called the committee meeting to order at 10:20 a.m. The committee discussion focused on agenda setting for the year. Agenda items discussed were short-term dollar regulations, ability to pay in short term dollar lending, and alternative data used in determining someone's ability to pay.

Bureau staff described its understanding of current uses of alternative data and machine learning algorithms. Some companies are using this type of data to determine underwriting and credit risk. The difficulties of creating, organizing, and analyzing the data were discussed. Bureau staff acknowledged concerns from companies that use machine learning that they sometimes may not know the meaning or impact of each data variable, including whether it is a proxy for something that under fair lending law would be considered a prohibited basis.

## Mortgages Committee

### **Patricia Garcia Duarte, Chair, Mortgages Committee**

Chair Patricia Garcia Duarte called the meeting to order at 10:20 a.m. The committee focused on agenda setting for the year along with a Home Mortgage Disclosure Act (HMDA) update.

CFPB staff provided committee members with a briefing regarding the CFPB's recent RESPA enforcement action against Genuine Title, JP Morgan Chase and Wells Fargo. The marketing-services-kickback scheme violated the Real Estate Settlement Procedures Act (RESPA), which prohibits giving a "fee, kickback, or thing of value" in exchange for a referral of business related to a real-estate-settlement service. Committee members also expressed some concerns

regarding current appraisal regulations and how they affect consumer's access to credit in some GSE locations. Members stated that current appraisal regulations are overly conservative and consumers are unable to access credit in some circumstances. After the briefing, members had conversations regarding next steps for future committee meetings.

## **Consumer Lending Committee – Supervision of Consumer Lending**

**Peggy Twohig, assistant director, Supervision Policy**

**Amanda Logan, strategy and management analyst, Supervision Policy**

CFPB staff provided CAB members with an overview of the Bureau's Supervision work. The Bureau has supervisory authority over banks, thrifts, and credit unions with assets over \$10 billion, as well as their affiliates and service providers. The CFPB also has supervisory authority over nonbank mortgage originators and servicers, payday lenders, and private student lenders of all sizes. Additionally, the CFPB supervises the larger participants of other markets as the Bureau defines by rule, which to date includes debt collectors, consumer reporting agencies, student loan servicers, and international money transmitters. The Bureau's Supervision work is handled by two offices: the Office of Supervision Examinations and the Office of Supervision Policy. The Office of Supervision Examinations, through four regional offices, supervises and examines financial services companies to protect consumers by ensuring compliance with federal consumer financial laws. The Office of Supervision Policy develops supervision strategy and provides subject-matter expertise to the CFPB's examination staff on legal and policy issues.

CFPB staff also discussed Supervisory Highlights, a publication released several times a year, which provides insight to both the public and industry on recent, key supervisory findings and can help industry limit risks to consumers and comply with federal consumer financial law. Often the report is done in a market-by-market fashion. Importantly, Supervisory Highlights does not refer to any specific institution by name in order to maintain the confidentiality of supervised entities. These reports also communicate operational changes to our supervision program and provide a convenient and easily accessible resource for information on our recent guidance documents. The Bureau also provides bulletins that provide other developments the Bureau thinks are significant to report out on.

## Administrative Session: Working Lunch – Communications and Ethics

**Margaret Plank, senior counsel, General Law, Ethics & Oversight, Legal Division**

**Delicia Hand, staff director, Advisory Boards and Councils Office**

Margaret H. Plank and Delicia Hand provided an overview of the federal code of ethics for new and returning members. Staff emphasized rules around conflicts of interest. Staff explained the Bureau's expectation that members look to federal ethic rules as guidelines in their dealings with the Bureau. A staff member also discussed the acknowledgement and waiver for gratuitous services and the non-disclosure agreement.

## Consumer Lending Committee – Financial Well Being

**Janneke Ratcliffe, assistant director, Financial Education**

**Genevieve Melford, senior financial education research analyst, Financial Education**

CFPB staff shared the work that the Bureau has done in accordance to the Dodd-Frank Act; requiring the Bureau to develop and implement a strategy to improve the financial literacy of consumers. The Bureau is carrying out this mission by promoting more effective financial education for more consumers through trusted sources. CFPB staff discussed a commitment to evidence and to research about what works in financial education. The Bureau set out to offer a framework to define success in financial education, one that resonates with consumers' own goals for their lives.

Research focused on understanding what a consumer defines as success. The Bureau took guide for this project from the growing consensus that the ultimate success metric for financial literacy efforts should be improved individual financial well-being. It is how U.S. and international policymakers are defining the purpose of financial literacy and financial capability; that they should allow people to engage in behaviors to enhance their individual financial well-being.

CFPB staff noted that the project will take place in three phases, the first has been defining financial well-being from a consumer perspective and researching what influences it. Phase two

is to develop a way to directly measure financial well-being and related concepts and phase three is to use the findings to measure financial well-being and further study the factors that influence it. Through the first phase of the project, financial well-being can be defined as a state of being wherein a person can fully meet current and ongoing financial obligations, can feel secure in their financial future, and is able to make choices that allow him or her to enjoy life. Financial well-being includes four elements: having control over your day-to-day, month-to-month finances; having the capacity to absorb financial shock; being on track to meet financial goals; and having the financial freedom to make choices that allow one to enjoy life.

## **Mortgages Committee – Qualified Mortgage/Small Lender Updates**

**Kathleen Ryan, deputy assistant director, Regulations**

**Paul Ceja, senior counsel and special advisor, Regulations**

**Amy Quester, senior counsel, Regulations**

CFPB staff provided an overview of the proposal, revising the Bureau's regulatory definitions of small creditor, rural and underserved areas. The proposed rule was published in the federal register, at 80 FR 77 70. The Bureau encourages CAB members to review the proposal, the Bureau will review and consider all submitted comments, as this will help guide the Bureau in deliberations as we move forward.

The proposed rule revises the Bureau's regulatory definitions of small creditor, rural and underserved areas. For purposes of certain special provisions and exemptions from various requirements provided to certain small creditors under the Bureau's rules; specifically the Bureau's proposed rule proposes several amendments to the Bureau's 2013 Title XIV final rules to revise regulatory provisions relating to escrow requirements for higher priced mortgage loans, and ability to repay qualified mortgage requirements, and as well as escrow requirements for higher priced mortgage loans. The Bureau's proposal would also affect requirements under the Bureau's 2013 HOEPA final rule.

The Bureau believes that small creditors serve a particularly critical function for consumers in rural and underserved areas. The proposed exclusion from the origination limit of loans held in portfolio by the creditor and its affiliates is recognition that smaller institutions that originate



loans to be funded out of their own assets and held in portfolio have different interests than creditors, including smaller institutions that originate loans to sell them into the secondary market.

## Adjournment

Staff director Delicia Hand thanked CAB members. CAB Chair Bynum adjourned the first meeting on February 18, 2015 at 4:55 p.m. EST

February 19, 2015

## CFPB Consumer Advisory Board public 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 addressed the CAB and members of the public. The Director welcomed the chair, vice chair, and CAB members. Director Cordray provided remarks about the CFPB's role in an information age where many Americans rely on technology, which has implications for the consumer financial marketplace.

Following Director Cordray's remarks, CAB chair, Bill Bynum, and vice chair, Maeve Alise Brown provided brief remarks. Irene Skricki, senior financial education program analyst, and Wei Zhang, credit card program manager, addressed issues surrounding consumer reports and credit score updates. Ken Brevoort, section chief for Credit information & Policy, Deborah Gordon, consumer information program manager, and Darryl Getter, visiting economist, discussed medical Debt and consumer Information. Janneke Ratcliffe, assistant director for Financial Education, and Genevieve Melford, senior research analyst for Financial Education, discussed the Bureau's work on Financial Well-Being. The video of the session is available on [consumerfinance.gov](http://consumerfinance.gov).

## Adjournment

Staff director Delicia Hand thanked CAB members. CAB Chair Bynum adjourned the meeting on February 19, 2015 at 4:30 p.m. EDT

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



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