

June 2014

Consumer Advisory Board

June 18-19, 2014

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. on June 18, 2014. The CAB met at the Truckee Meadows Community College located at, 7000 Dandini Boulevard, Reno, Nevada 89512.

Board members present

Jose Quinonez, Chair

Bill Bynum, Vice Chair

Gary Acosta

JoAnn Barefoot

Don Baylor

Maeve Brown

Steve Carlson

Laura Castro de Cortes

Prentiss Cox

Patricia Duarte

Adam Levitin

Jennifer Mishory

Bill Nelson

The Honorable Annette Rizzo

Josh Silverman

Robert Stoll

CFPB staff present

CFPB Director, Richard Cordray

CFPB Deputy Director, Steve Antonakes

Abhishek Agarwal

Maggie Anderson

Christopher Banks

Delicia Hand

Je Yon Jung

Brian Kreiswirth

Cathy Mansfield

Zixta Martinez

Hector Ortiz

Patrick Orr

Holly Petraeus

Gary Stein

Will Wade-Gery

Brian Webster

WORKING DRAFT—FOR INTERNAL REVIEW

Donna Tanoue

Jane Thompson

Jonathan Zinman

Tracey Wilkerson

June 18, 2014

CFPB Consumer Advisory Board Public Meeting
Steven Antonakes, CFPB deputy director

Abhishek Agarwal, acting director, mortgage markets

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

Cathy Mansfield, policy analyst, Consumer Education and Engagement

Zixta Q. Martinez, associate director, External Affairs

Brian Webster, program manager, mortgage markets

Jose Quiñonez, CAB chair

Zixta Martinez, associate director of External Affairs, welcomed audience members to the CAB Public meeting and introduced Board members and CFPB staff. Deputy Director Antonakes also welcomed the CAB, panelists, and members of the public. Deputy Director Antonakes provided remarks about the Bureau's recent work on implementing new rules to improve mortgage market functionality. Following Deputy Director Antonakes' remarks, CAB chair Jose Quinonez and CFPB staff led discussions with the CAB about recent mortgage rules. Specifically, the discussions focused on the trends and themes being observed in the mortgage market, how consumers are being engaged given the new rules, and the experience of older Americans in the mortgage market. A video of the session is available on consumerfinance.gov.

June 19, 2014

Welcome

Richard Cordray, CFPB director

Delicia Hand, staff director, Advisory Board and Councils

Jose Quinonez, CAB chair

Chair Jose Quinonez called the meeting of the CAB to order on June 19, 2014 at 8:00am PST. He welcomed CAB members and CFPB staff to the meeting and went over the agenda for the day.

Chair Quinonez reviewed the discussions held during the public session the previous day. Members highlighted the importance of the continuity of credit monitoring to protect vulnerable constituencies. Director Cordray also welcomed CAB members. He briefed members on recent CFPB work such as key issues raised in the Bureau's recent semiannual report such as the Bureau's recent Card Act report, work in student lending, work on developing a national mortgage database, and new work on data privacy and security.

Consumer Lending Committee

Dory Rand, Committee Chair

The CAB's Consumer Lending Committee presented an overview of work that it has done; specifically, five rulemaking guiding principles related to small dollar lending. The committee identified consumer protection concerns in the small-dollar lending market. The committee agreed that the prevalent business model relies on a segment of borrowers who use the products in ways that create substantial risks of falling into financial distress. The five principles outlined by the committee are: establishing an ability to repay standard (a general floor); ensuring broad coverage regulation of small-dollar lending as opposed to targeting specific products; ensuring these loans are secured by collateral; transparency preference in products, marketing, and terms; and encouraging developing low-cost products in the marketplace. CAB members responded to the principles that the committee originated. Members generally agreed with the five principles. Many members expressed special interest in the ability to repay principle. Various members also concurred that there was a lack of transparency in the small dollar lending marketplace. A few members followed up with commentary regarding keeping persons with disabilities in mind when the Bureau is writing regulations and also about adding credit reporting requirements to these guiding principles.

Consumer Lending Committee – Small Dollar Credit and Connection to Traditional Banking and Payment Systems

Gary Stein, program manager, Deposits Markets

CFPB staff began this session by presenting statistics about small dollar credit to the CAB. Staff explained that approximately one third of consumers in a liquidity crunch find themselves in that situation because expenses are due prior to income being deposited into accounts. CAB members then discussed the various reasons people use small dollar loans and possible scenarios of people falling into debt traps versus proper credit management. CAB members also reviewed the different personal and technical financial components needed to take out a payday loan versus using overdraft. The discussion then shifted to a historical review of payday lending. The session ended with members evaluating the needs of people who utilize payday loans as well as the repercussions of their misuse.

Consumer Lending Committee – Office of Servicemember Affairs Update

Holly Petraeus, assistant director, Office of Servicemember Affairs

CFPB staff provided an overview of the responsibilities of the Office of Servicemember Affairs. The Office's three roles were outlined including: ensuring that military personnel and their families receive strong financial education, monitoring complaints about consumer financial products and services, and coordinating the efforts of federal and state agencies to improve consumer protection measures for military families. Staff then reviewed recent milestone accomplishments including a case that was brought by the Bureau to the Department of Justice, which resulted in Sallie Mae returning over \$60 million to 77,000 service men and women due to its illegal practices violating the rights of servicemembers eligible for benefits and protections under the SCRA. Various CAB members asked questions about the Military Lending Act and about other efforts the Office of Servicemember Affairs has engaged in to financially protect active duty and veteran consumers.

Working Lunch: Card and Payments Committee – Discussion on Digital Currencies

Will Wade-Gery, Acting Assistant Director, Office of Card Markets

Bureau staff discussed the functions and technical aspects of digital currencies. Staff focused on Bitcoin—how it works, its origins, as well as its costs and benefits. Similar to physical currency, digital currencies have two functions: to store value and to use as a medium of exchange.

Attractive benefits highlighted are speed and security. For people in other countries that may not have stable currencies to transact in, digital currencies can be especially beneficial to store value. Staff noted that most states are in the process of analyzing areas of harm and ways in which to regulate this emergent and growing sector of the US financial system. Various members inquired about technical aspects of digital currencies and inquired about current regulations in place for this market.

Card and Payments Committee – Equal Credit Opportunity Act Obligations and Unfair, Deceptive or Abusive Acts and Practices. Considerations for Card Issuers

Brian Kreiswirth, deputy fair lending director, Office of Fair Lending and Equal Opportunity

Je Yon Jung, senior counsel, Office of Fair Lending and Equal Opportunity

Bureau staff led a conversation regarding a recent enforcement action against Synchrony Bank (formally known as GE Capital Retail Bank). The financial institution settled a case jointly with the CFPB and the Department of Justice in which it was found to be in violation of the Equal Credit Opportunity Act (ECOA), among other things. Staff discussed the enforcement action's findings related to discrimination against consumers with a Spanish language preference and consumers with a mailing address in Puerto Rico in violation of the ECOA. The violation resulted in approximately \$201 million in redress to approximately 133,463 eligible consumers. Staff explained the origins of the ECOA and a discussion ensued about possible scenarios under the ECOA related to disparate treatment or policies or procedures that may have a disparate impact on a prohibited basis. Various members remarked that there was a general industry concern regarding the intersections of the ECOA and other consumer protection statutes.

Mortgages Committee – Owning a Home Tool

Committee Chair, Gary Acosta

Maggie Anderson, product manager, Consumer Engagement

CFPB staff presented to the CAB on the development of the "owning a home tool." The purpose of the tool is to help consumers shop for a mortgage by providing tailored information to each consumer given their financial situation. Staff explained that the creation of this tool was part of the Bureau's effort to improve consumer's mortgage experience and financial outcome—the initiative is formally known as "know before you owe." Staff briefly reviewed other ongoing Bureau projects related to know before you owe. Staff then walked CAB members through the

process the Bureau took in creating the owning a home tool. The process included canvassing a diverse group of American consumers, seeking public input on mortgage issues, and engaging with professionals in the mortgage industry. Staff reviewed the key issues identified in the process and that influenced the tool's blueprint. Staff then showed the tool to the CAB and highlighted the built-in educational features and announced that they welcomed any feedback. CAB members made suggestions on how the tool could be improved. Following the feedback, CAB members and staff discussed common misconceptions regarding the mortgage market. The meeting concluded with CAB members reflecting on key points from the day's various sessions.

Adjournment

Chair Quinonez adjourned the 6th meeting of the CFPB Consumer Advisory Board on June 19, 2014 at 4:55pm.

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