

September 2018

Consumer Advisory Board Meeting

September 27, 2018



Meeting of the Consumer Advisory Board

The Bureau’s Advisory Board and Councils of the Bureau of Consumer Financial Protection (BCFP). The Consumer Advisory Board (CAB) of met in person at 9:30 a.m., Eastern on September 27, 2018. After the morning sessions, the CAB, Community Bank Advisory Council (CBAC) and Credit Union Advisory Council (CUAC) convened for a combined roundtable meeting.

| Board members present | BCFP staff present |
|------------------------------|--------------------------------------|
| Chair, Dr. Ronald Johnson | Acting Director Mulvaney |
| Liz Coyle | Acting Deputy Director Brian Johnson |
| Sameh Elamawy | Julian Alcazar |
| Manning Field | Kenneth Brevoort |
| Jason B. Gross | Mary Kate Binecki |
| Clinton B. Gwin | Matt Cameron |
| Brent A. Neiser | Stacy Canan |
| Sophie Raseman | Albert Chang |
| Luz Urrutia | Bobby Conner |
| | Wei Ding |
| | Daniel Dodd-Ramirez |
| | Crystal Dully |
| | Naomi Karp |
| | Manny Mañón |
| | Zixta Martinez |
| | Anthony Welcher |

September 27, 2018

Welcome

Matt Cameron, Acting Staff Director, Advisory Board and Councils Office
Dr. Ronald Johnson, Chair, Consumer Advisory Board

Acting Staff Director Matt Cameron convened the CAB meeting and welcomed CAB members and the listening public. He provided a brief overview of the meeting's agenda and introduced the CAB Chair, Ronald Johnson. Chair Johnson expressed his pleasure at chairing the CAB and welcomed meeting attendees. He advised them of the Board's mandated responsibilities: to provide feedback on the Bureau's work and to provide information on emerging practices in the consumer financial products or services industry. He informed attendees of the meeting topics. Next committee members and staff introduced themselves.

Innovation and the use of Bureau Tools

Gary Stein, Deputy Assistant Director, Office of Card, Payment, and Deposit Markets
Wei Ding, Product Team Lead, Office of Innovation

Staff from the Office of Card, Payment, and Deposit Markets and the Office of Innovation led a discussion on several topics related to innovation and the use of the Bureau's tools. Staff provided a brief explanation of the structure and responsibilities of some of the offices within the division of Research, Markets, and Regulations as well as information on the new Office of Innovation. The Office of Innovation will focus on creating policies to facilitate innovation, engaging with entrepreneurs and regulators, and reviewing outdated or unnecessary regulations.

Staff highlighted the Bureau's efforts to help make credit more accessible for credit-invisible consumers by issuing a No-Action Letter to a financial technology company. Staff asked for committee feedback on how Bureau tools could play a role in fostering innovation and improving access to credit. Next, staff provided a description of other Bureau efforts to update or create policies to promote customer-friendly innovation, including the trial disclosure program policy.

Committee members exchanged ideas about credit invisibles and alternative data. Some members highlighted that credit invisible consumers lack access to financial institutions and struggle with major expenses. Members discussed how companies use alternative data sources and technology for scoring consumers with little to no credit history. They encouraged the Bureau to support such efforts. Members also discussed the potential benefits and disadvantages of using machine learning to help

expand access. Some members noted that machine learning has the potential to bring new people into the system, improve underwriting accuracy, and lower underwriting costs, which could lower the cost of credit to consumers. Additionally, members discussed how the human touch could be interwoven with technology into the underwriting process. Some members also highlighted other related factors that lead to being credit invisible, such as lack of trust with financial institutions and establishing credit at later ages.

Members shared topics for consideration about the credit-decision process including: how consumers turn required information over to the lender for evaluation, type of data used, and statistical methods used to analyze information to create a score or assessment. Additionally, members recommended that the Bureau think about how to establish standards for ability to repay and also how to support the modernization of a permission-based data exchange infrastructure. Members then discussed how technology can directly help consumers and how the Bureau can address any barriers. Members encouraged the Bureau to set up guardrails around what responsible credit products should look like. Members also mentioned Section 1033 and Section 1071 and the impact each could have on consumers' ability to access their own data and to build wealth. Moreover, members discussed the lack of consumer choice in loan servicing and the role the Bureau can play in promoting competition.

Members discussed ways the Bureau could improve the No-Action Letter program. Members agreed that this program ultimately assesses the merit of an initiative and questioned why others could not join the initiative rather than each applying individually. Members discussed barriers to innovation and how those barriers might be removed. Suggestions included: roundtables to highlight new programs, better relationships between banks and regulators, and new offerings that are in consumers' best interests.

Innovation and Regulatory Coordination

Gary Stein, Deputy Assistant Director, Office of Card, Payment, and Deposit Markets

Wei Ding, Product Team Lead, Office of Innovation

Staff from the Office of Card, Payment, and Deposit Markets and the Office of Innovation discussed the Bureau's efforts to coordinate with other US and international prudential regulators to help facilitate consumer-friendly innovation. Staff provided background information on the Global Financial and Innovation Network (GFIN). On August 07, 2018, the Bureau announced this initiative, a collaboration between 11 financial regulators and related organizations around the world. The network's goal is to provide a more efficient way for innovative firms to interact with loan builders and to help them as they

look to scale new ideas. It will also create a new framework for cooperation between financial services regulators on innovation topics. The Bureau is collecting feedback in areas related to the GFIN.

Committee members discussed prudential regulators and company involvement in the GFIN. Several welcome the initiative. Some members stated that more companies need to be involved and others said that there is a lack of representation from companies that work with the United States' credit invisible population. Members highlighted benefits in international cooperation and highlighted learning as well as more coordination among domestic prudential regulators. Members agreed with the need for greater transparency.

Members discussed areas of concern in the financial global space: standards not being exactly the same, scams that originate overseas, an uneven playing field where the United States might be at a disadvantage when competing at home. Therefore, some noted, there may be a need for standardization across the nation at the federal level. Members also discussed the idea of a global sandbox. Additionally, there was discussion about what the Bureau should consider when coordinating with domestic regulators including: long-term consideration of risks and benefits, changes in legislation; which agencies should be involved; and key drivers of privacy, security, and technology.

There was also a conversation on disclosures and transparency. Some members noted that updating disclosure forms takes a lot of resources and does not necessarily have a positive impact for consumers. Members also stated that machine-readable disclosures will have a positive impact on the market. Additionally, members stated that disclosures should be optimized for consumer understanding.

Combined Advisory Committee Roundtable

In the afternoon CAB, CBAC, and CUAC members met with Bureau leadership for a combined roundtable discussion on credit invisibles and alternative data and a discussion on utilizing technology to prevent and respond to elder financial abuse. Zixta Martinez, Associate Director of the Division of External Affairs, welcomed audience members to the public meeting and introduced advisory committee members. Anthony Welcher, Policy Associate Director, provided welcoming remarks and introduced Acting Deputy Director Brian Johnson. Acting Deputy Director Johnson provided welcoming remarks on behalf of Acting Director Mulvaney and welcomed the committee chairs, committee members, and members of the public.

Following Acting Deputy Director Johnson's remarks, Kenneth Brevoort, Section Chief, Credit Information & Policy, Office of Research, Albert Chang, Counsel, Office of Innovation, Bobby Conner, Senior Policy Counsel, Office of Fair Lending, and Daniel Dodd-Ramirez, Assistant Director, Office of Community Affairs provided an overview of the Bureau's work to improve credit visibility, including the Bureau's day-long symposium, *Building a Bridge to Credit Visibility*, organized by the Office of Fair Lending and held in September 2018. After the credit invisibles session, Acting Director Mulvaney provided remarks and thanked members for their service. Following Acting Director Mulvaney's remarks, Stacy Canan, Assistant Director for the Office for Older Americans, and Naomi Karp, Senior Policy Analyst for the Office for Older Americans, led a discussion on how innovation and technology can help identify and address elder financial abuse. The video of the roundtable is available on consumerfinance.gov.

Adjournment

Consumer Advisory Board Chair Johnson adjourned the meeting of the BCFP advisory committees on September 27, 2018 at 4:30 p.m. Eastern.

Certification

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



Matt Cameron
Acting Staff Director, Advisory Board and Councils Office
Bureau of Consumer Financial Protection



Dr. Ronald Johnson
Chair, Consumer Advisory Board