CAB Meeting

November 3, 2021

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Good afternoon I'm Tracey Wade from the Bureau events management team. Please be aware this event is being recorded and will capture WebCam images and voices of all speakers. The recording will be shared publicly by the Bureau. Your attendance here is construed as your consent to these terms. The link for closed captioning will be placed in the chat box, which is located near the bottom of the WebEx window. If you are having any issues with your audio, click on the audio but near the bottom of your screen. The audio options are located within the circle button, three dots come near the bottom of the WebEx window. They are, you will receive guidance on switching your audio to the telephone. to adjust the way you are viewing the WebEx, click on the layout box near the top of the screen. There you can toggle between different WebEx views. For technical support during this event, send a message, in the chat box, to the host, and I will provide assistance. Now, I will turn the event over to the Bureau's office of advisory Board and Council.

Thank you, Tracy and good afternoon, good morning, everyone. I would like to officially convene today's CSUB consumer advisory board meeting. I would like to welcome the Bureau's advisory committee members, advisory board, as well as members of the public, that are listening in.

All for taking the time today. Mining is Manny Manon nice over the Staff Director for the Bureau. Today and serving as Designated Federal Officer for this advisory committee meeting. As background, the CFPB established its advisory committees, to provide substantive information, analysis, operational Expo team, and feedback to inform the viewer, the Bureau's work. The communities are comprised of stakeholders, include leaders and experts from organizations and consumer advocacy, financial education, academics, community banks, credit unions, financial technology companies, and more. You can find a full list of the Bureau's advisory committees on her website at consumer finance .gov. The CAB asked establishment section 16 of the Dodd-Frank act and charges and portion issues quote to advise and consult with the Bureau, and exercise of its functions under the federal consumer financial laws. And to provide information on emerging practices and the consumer financial products and services industry. Including regional trends, concerns, and other relevant information. Quote. As a reminder, the views of the advisory committee members are their views. We greatly appreciate it and welcome, yet they do not represent the views of the Bureau. Now, I would like to go over what you can expect during today's engagement. Today's meeting will run from 1:00 and conclude at 5:00 Eastern time. We will start with remarks from the Bureau's Deputy Director. The first agenda item is a discussion of the Bureau's notice of opposed rulemaking on section 1071. The second agenda item is an age friendly banking and the last agenda item is a discussion on appraisal and valuation. Following east session there will be time for Q&A and discussion with advisory committee members and Bureau staff. During this meeting, we will have 215 minute breaks. As a reminder to Bureau staff and CAB members during Q&A sessions if you would like to make a comment, ask a question, or answer a question, please press the raise hand icon and the chair will call on you. Before you speak, please be sure to unmute your line and provide your name, title, and organization. Please be sure to mute your lines when you are not speaking. Please also put the raised hand future down when you have finished making your comments. Everyone should have received an email from my team with the meeting materials, including the agenda and the presentation. Please open those documents now so you may follow along with us. I am pleased to introduce the deputy Director of the Bureau. Deputy Director Martinez joined the Bureau in 2010 to help lead the implementation team and has since served as advisor supervision, enforcement, associate Director of external affairs and assistant Director for the office of community affairs. Previously, she was senior Director of industry and state relations Freddie. , Director at the national housing alliance, legislative staff attorney at the American legal Defense and education fund, housing policy analyst for the national Council of La Raza and Stafford housing community development subcommittee of the banking finance and urban committee and the U.S. House of Representatives. Deputy Director the floors yours.

Afternoon and thank you for the introduction. First let me extend a special thank you to the consumer advisory board's chair, Leigh Phillips. I greatly appreciate your service and willingness to take on this leadership role. When Congress created the CFPB, he entrusted the Bureau with carefully monitoring financial markets to spot risks, ensure compliance with existing laws, educate consumers, and promote fairness and competitiveness. To help meet its statutory requirements, Congress provided for a consumer centric advisory board to ensure the voices and concerns of Americans families remain front and center. Today the consumer advisory board serves as a front-line component for the people we serve, by helping the Bureau spot risks, identify opportunities, and create a fair and competitive market, free from discrimination and bias. Your knowledge of consumer struggles and the reasons for those challenges are important. And in our current environment, they are vital. We need your expertise to enhance our understanding of the critical issues confronting consumers and impacting the American economy. The pandemic laid bare and economic inequities throughout our society. For example, millions of families still face the threat of foreclosure or eviction. Those families are disproportionately black and Hispanic. Pandemic fueled housing insecurity threatens another historic loss of wealth with in underrepresented communities, just as we saw happen over a decade ago with the subprime mortgage crisis and the great recession. The nation has a choice. Repeat the old cycle of building and wealth and progress of historically marginalized communities heartbreak with history and help all consumers in all communities recover and thrive. All of you are here because you, like myself, believe the second option is the better option. Consumers deserve nothing less than the CFPB working with its partners, which include all of you, to tackle the pressing problems families face in their financial lives during this critical moment for our country. Because the U.S. is not just recovering from the devastating financial effects of the pandemic, consumers must also maneuver the unintended consequences, and prepare for the challenges. This our job to anticipate those risks and challenges and figure out how to mitigate or eliminate them so consumers are best positioned to participate in the economy and its markets. We do that through multiple avenues, including through her own research and analysis, as well as by listening to consumers through our complaint system. We know one of the main risks currently emerging is that a big tech entering into consumer markets including consumer reporting. While we all know technology can create innovative products that benefit consumers, we also know the dangers technology can foster. Like black box algorithms perpetuating digital redlining and discrimination in mortgage underwriting. As such we must approach innovation from a consumer centric mindset with cautious optimism. As you begin your discussions today I encourage you to consider how you might better respond to the needs of consumers both today and tomorrow. In order for us to create a more even and equitable recovery from the COVID-19 pandemic it is crucial that we support small businesses and enforce the equal credit opportunity. In an ideal world small business entrepreneurs want to use credit to grow their businesses would easily be able to obtain it. But we know that some entrepreneurs struggle to access fair, affordable loans. Accordingly our first discussion today will be on proposed rulemaking for section 1071 of the Dodd Frank act. The MPR and we issued is an expensive proposal that seeks to establish a comprehensive database Congress intended when it passed the Dodd Frank act and mandated the CFPB to collect small business lending data. The Bureau is committed to ensuring section 1071 data is used to satisfy both the statutory promises led up to Congress and fair lending enforcement and the identification of business and community development needs and opportunities. To broaden our understanding of access to small business loans we propose to cover a broad range of credit types including merchant, cash advances. We also propose a handful of discretionary data points and most importantly among those is a request for pricing information to give us and others a better understanding of the costs to entrepreneurs in obtaining small business credit. We also propose to have financial institutions collect both aggregated and disaggregated race and ethnicity information about small business applicant principal owners. As a voice for families and consumers we welcome your comments. To help us ensure that the final role is best crafted to serve the needs of communities and entrepreneurs particularly women, and those from historically disadvantaged communities. I also encourage you to know what we got rate and what got wrong that lets us balance and calibrate our approach to creating a fair and equitable market the CFPB welcomes your feedback and comments and on this priority. Colon first discussion we will hear from the Bureau's office on age friendly banking and a constantly evolving banking and financial environment we cannot forget that the needs of older adults may differ from those of younger consumers. When older adults or connected with a bank or Credit Union age friendly interventions can help prevent fraud and elder financial exploitation. Older adults, particularly those from underserved ethnic groups and individuals with lower incomes need financial services and products that are accessible, responsive and relevant to their lives. Not only are we focused on the needs of older adults we are also focused on protecting them from financial losses through exploitation because we know the interaction with unfamiliar technology can make victimization by nefarious actors. We must appreciate that the age of digitization has created new opportunities for information among financial institutions and entities to support consumers of all ages. Access to age friendly online and mobile banking services and other types of financial technology is essential. This has been particularly evident during the pandemic, which has been difficult or unsafe to visit branches in person. We will continue to monitor innovations and support banks and credit unions in enhancing their ability to serve older Americans who may be digitally disconnected. As you can see, supporting older consumers is a balancing act between using innovative approaches to meet their banking needs, while not allowing bad actors easy access. During today's discussion I hope you will share your insights on how we strike the right balance between emerging opportunities and emerging risk. Our last session today is on bias in homeownership. Owning a home is a key building block to generating intergenerational wealth. Especially with historically disadvantaged communities that have been shut out for him fair access to the housing market. Ensuring that the appraisals used to make lending decisions are accurate and free from bias is essential. And families of all races and income levels are to prosper and successfully pursue the American dream of homeownership. The Bureau has prioritized resources to evaluate tools to address property valuation bias. We look forward to working with consumer civil rights and advocacy groups and industry in your agency partners including all of you here today to develop solutions that advance fairness and home appraisals. Our ultimate goal is to narrow the wealth gap and reinvest in communities throughout the U.S. that have been historically left behind. All families and consumers face challenges to achieving the American dream. We must be intentionable about crating opportunities that fit the specific needs of communities, families, and individuals. I expect today and in future meetings you can help us develop ways to tear down structural barriers and create markets that are fair and competitive for everyone. Although I will need to leave at 1:30 today, staff will brief me and the Director on the outcome of today's meeting and surprise us of action items or questions that require our response. For now, I leave you in the capable hands of CFPB staff, and again extend gratitude to all of you for taking time from your daily work and your family to provide your insights and your feedback on these critical issues. Thank you.

Thank you so much, deputy Director. With that I will pass the baton now to the CAB chair. Leigh Phillips.

Thank you, thank you deputy Director Martin is. I'm pleased to be here today with all of you I'd like to echo the comments and begin by welcoming all of you to today's meeting. I am very honored to be serving as the chair of the CFPB consumer advisory board or CAB. During today's call with most of the members of the community, several unable to be with us today. In my day job I am to see you of save for and line for nonprofit financial technology and advocacy organization. Our mission is to help households with low incomes to build an emergency savings and long-term financial stability. The issues addressed by the CFPB and the CAB often represent financial difficulties member struggle with every day. Save a life and fish is a fair and inclusive financial system, system in which all people in America have the opportunity to achieve financial stability and opportunity. The Consumer Financial Protection Bureau represents one of our best hopes to make this vision a reality. Since its inception over a decade ago, the CFPB has worked towards building a better financial system, one that is founded on the principle that all consumers to serve financial products and services that are fair, accessible, and affordable. My 13 fellow board members and I are experts in various aspects of consumer finance. Were charged with informing and advising the CFPB on the impact of financial products and practices with representing the perspectives of our industries, and speaking out on behalf of underserved consumers and communities. It is an honor to serve alongside each of my fellow members and I look forward to working together and learning from each of the in the coming year. At any time this would be a great honor and a serious responsibility, but I am acutely aware that this is a time like no other. The economic impact of the global pandemic has left the lives of millions of Americans in ruins. Laying bare deeply entrenched inequalities and left us with an unprecedented imperative to work together towards a truly inclusive economy. As chair, my goal be to center equity in our activities and explore how the CFPB can proactively work to close the and gender wealth gaps that have only worsened since the pandemic began. Over the coming year the CAB will have the opportunity to advise the CFPB on a range of some of which we will begin discussing today. From my perspective these priorities include, alongside many others, illuminating discrimination in small business lending and increasing access to small business capital, minority and women owned businesses. We do this by ensuring transparent election and reporting small business lending data. The unequal distribution of pandemic really funds to small business owners only highlights this as a deep and pressing need. Assisting the CFPB in their efforts to prevent evictions and foreclosures, is a fiction moratoriums come to an end and pandemic really funds remain unspent, millions of Americans are at risk of losing their homes. This is an unnecessary crisis that must be avoided. Understanding the impacts both negative and positive rapidly changing financial technologies and the mass collection and utilization of consumer data, as the CEO of a nonprofit, I believe in and care deeply about the potential technology to increase inclusion but I strongly agree we must ensure fairness and transparency for all consumers. Deepening our understanding and proactively addressing the financial consequences of climate change and low income communities and communities of color. In a recent poll of save a life member's 51%, more than half, agreed with this statement, financial impacts from climate change, global warming, or whether related asked disasters are blocking my path to financial independence. As President Biden said at a climate change conference, this is the challenge of our collective lifetimes. We all have a role to play and responsibility to do so. While the challenges ahead of us are many, so are the opportunities. And the staff at CFPB aren't stellar and dedicated team of public servants have had the honor to work alongside in various capacities over the last ten years, with expiring leadership from a new Director, the Bureau is now fully capable of moving us closer to the truly inclusive and equitable financial system this country deserves. Of the 14 members of the CAB are here to help in any way we can beginning with today's meeting which is a lively and informative discussion I want to thank Manny and his incredible team for executing these meetings and so much more about what happens in between and also to thank the CFPB staff presenting to the CAB today. We know it takes a lot of work to plan for these meetings we hope we will provide you useful feedback and perspectives. I will close by echoing deputy Director Martinez's remarks and thank my fellow CAB members for your willingness to serve in this capacity for bringing your time and talents to this work today and every day so that said I believe we can jump into our first agenda item.

That is correct before we begin this discussion I would like to take a brief moment to acknowledge the life and work of our colleague Ellen Fisher who passed away in September. Allen served for 20 years as the founding Executive Director and California reinvestment coalition. I had the great honor to know Alan and witness his tireless work as an advocate for social and economic justice. I think it is safe to say that we might not be having this important conversation about equity and small business lending today if it were not for Alan and the powerful organization he created. In that spirit, let's dive into her first agenda item on the notice of proposed rulemaking section 1071. So we will first hear from Bureau staff who are giving a presentation on the current status for the next 15 minutes or so we will then turn to CAB members for comments and then open it up for Q&A and discussion. Today we are joined by subject matter experts from the office of regulations and the office of small business mandate. They include Chris Andreasen, office regulations, Grady, office of small visiting markets and Ellison office of small business and lending markets and Elaine about minutes and I believe Chris will be kicking us off with presentations. Over to use but thank you everyone for having us here today. I am senior council in the Bureau of office of regulations team lead for the section 1071 rulemaking. First a quick disclaimer I am making the presentation on behalf of the Bureau but it does not constitute legal interpretation, guidance, or advice of the Bureau. Any opinions or views stated on my own and may not represent the Bureau's views. Moving ahead, section 1071 of the Dodd Frank act amended the equal opportunity act to require financial institutions to collect and report to the Bureau certain data on applications for credit or women-owned minority owned and small businesses. For those of you familiar with the home mortgage disclosure act, as an overall general matter, 1071 is a data collection statute. There are two statutory purposes enumerated in section 10,711th is to facilitate enforcement of fair lending laws and second is enabling communities, governmental entities and creditors to trade and five's and community development needs and opportunities of women owned, minority owned, and small businesses. So I section 1071 important? There are some data available regarding small business lending by banks and credit unions from call reports and community reinvestment act reporting.

Even with those, we do not have comprehensive data, even on small business origination, let alone application. And we have very little information and all about lending by nondepository.

the Bureau has been working on the 1071 rulemaking for a number of years from one item of particular note here is lost through the Bureau completed the process for this rulemaking, a pre-proposal step and rules likely to have a significant economic impact on the substantial number of small entities. Under that process the Bureau is required to consult with representatives of small entities here,'s my financial institutions that are likely to be directly affected by a rule the Bureau is considering. The 20 small entity representatives who participated were from a diverse group of community banks, credit unions, CDFI, syntax and commercial finance companies. We explore the potential impacts, proposals under consideration would have on small entities, entities, along with potential alternatives. They provided great feedback and we are grateful for their participation in that process. We also invited other stakeholders to submit written feedback on our outline of proposals and because of all the feedback we received in consideration of making proposed rulemaking. So on to our and PRN -- NPRM, we released our NPRM September 1st and it addresses a number of aspects related to the scope of the role. Which financial institutions must collect data, when they must collected, from which businesses and about what forms of credit. I will talk to those and get into the specifics of what data must be collected and how it must be maintained by the financial institution and reported to the Bureau. Here, I would like to emphasize that everything I'm going to talk about is with the Bureau composed, the comment period on the proposal is open and fully consider all timely comments before issuing a final rule. Verse the definition of financial institution. The Bureau is proposing providing financial institution consistent with language in section 1071, which is quite broad under the proposed definition the data collection and reporting obligations the role would apply broadly to lenders of small businesses. And that would include depository institutions like banks and credit unions, online platform lenders, CDFIs lenders involved in equipment or vehicle financing, commercial finance companies, governmental lending entities and nonprofits and other nondepository lenders. However, because the rule might apply very broadly the Bureau is concerned financial institutions with the lowest volume of small business lending might reduce lending activity because of the fixed cost of coming into compliance with an eventual 1071 role. Thus, in light of section 1071's statutory purposes the Bureau proposed a financial institution would be covered and not required to collect important tents and when did if it originates 25 or more covered loans to small businesses in each of the two preceding calendar years. The Bureau does not propose an exemption based on asset size for depository institutions, nor did it propose any broad categorical exemptions for particular types of institutions.

Moving on to covered products and the definition of a covered credit transaction. As I said 1071 requires financial institutions to report information regarding any application of credit. Bureau's proposal follows regulation B existing definition of existing credit with certain adjustments. Covered credit would include loans, lines of credit, and credit cards and merchant cash advances. The proposal makes clear that agricultural credit and reportable loans are included. The Bureau also proposed that certain products be excluded from the definition of covered credit transactions otherwise make clear they would not be covered by the 1071 role. Those noncovered products would be trade credit, factoring, leasing, consumer credit use for business purposes, and credit secured by certain investment properties.

Moving on to the definition of covered applications of the proposal, financial institution would not have to collect 1071 dated until they receive a covered application, which the Bureau is proposing to define largely, consistently with regulation B definition of application. Although incomplete and withdrawn applications would be recorded, pre-application inquiries and prequalification requests would not be. Nor would it revaluation, extension, renewal requests about an existing business credit account, unless that request be seek additional credit amount. Moving on one more, the definition of small business covered financial institutions would only have collection and reporting obligations with respect to small business credit. The Bureau is proposing to define small business for these purposes by cross referencing the SBA's general definition of small business concerns, but to adopt a simplified, alternative for the 1071 role -based on revenue. Gross annual revenue. Section 1071 refers to the definition of small business concern in the small business act and in order to define small business, using anything other than the SBA standard based on six digit codes and the agency has to meet a number of specific statutory criteria including approval from the SBA administrator. The Bureau receives feedback of the briefing process and prior to that, expressing a desire for a simpler alternative so the Bureau is proposing for purposes of the 1071 role, business is a small business if gross annual revenue for it preceding fiscal year is $5 million or less. I will also note here that the Bureau is proposing these data collection reporting requirements to apply to an application for credit by a small business, under our proposal financial institutions would not be required to collect and report 1071 data for women-owned and minority owned businesses that are not small. Moving on to the data points that financial institutions would have to collect and report. First, a few general notes here. Once the obligation to collect data arises, financial institutions would have discussion about exactly when and how to collect 1071 data. But must maintain procedures to collect applicant provided data, at a time and in a manner that is reasonably designed to obtain a response from the applicant. Which provides flexibility for alternative lending models. Also, financial institutions would be permitted to rely on what the applicant tells them regarding 1071 data, no obligation to verify that information. However if a financial institution does verify any information it generally must report the verified information. The Bureau also proposing to allow financial institutions to reuse certain previously collected data in certain circumstances.

Consistent with the statute, the financial institutions would be required to collect and report a number of data points from offices and businesses that submit covered applications. The statue list the data points financial institutions must collect and report and permit the Bureau to require financial institutions to collect and report other data so the Bureau determines billing section 1071 statutory purposes. I will walk through propose data point, briefly, grouped into a couple of categories. First, we have data points that are or could be provided by the applicant. These include data related to the credit being applied for, credit type and purpose, amount of credit applied for. There is also data related to the applicant's business, that includes the senses track for the applicant's business, gross Avenel room you and as well as the applicant's six digit NAICS code, number of workers, time and business and principal owner. Also in the first category or data points addressing the demographics of an applicant's ownership.

That is whether the applicant is woman owned or minority owned and the ethnicity, race, sex of the applicant's principal owners. A few notes are similar to HMDA we propose race and ethnicity information be collected using aggregate categories into segregated subcategories and both the recent interpretive rule regarding sex discrimination, we propose to permit principal owners to self describe their sex which they could do instead of in addition to choosing selecting male or female. Also if no ethnicity, race, or sex information is provided for any principal owner of an applicant, and the financial institution meets with any principal owner face-to-face, so that is either in person or over video chat, the financial institution would be required to collect at least one principal owner's race and ethnicity information via visual observation or surname and if the Bureau has proposed a sample form financial institutions could use to collect this information and provide related disclosures. Next we have data points that are generated or supplied solely by the financial institution that includes unique identifier free collect application application the action taken by the financial institution on the institution the date of that action taken. We also have means or method by which the application is submitted by the applicant whether financial institution receives the application directly or whether through a third-party such as as a broker dealer. Next other data points from the financial institution are outcome to attendant for outcome applications that are denied that his denial reason, if we can go one and had on the slides here, actually we are a couple behind one more, please. For applications that are originated or approved but not accepted the financial institution must report the amount originated or approved as well as pricing information based [ Indiscernible ] section 1071 says that where feasible an underwriter or other person involved in making any determination concerning application cannot have access to an applicant's responses to certain inquiries made pursuant to section 1071. We are provisions to implement the statutory requirement. Under our proposal however financial institutions would not have to shield data from particular employees if first the financial institution determines it is not feasible to limit the employee's access to protected data and second the financial institution provides a notice to the applicant about that access, and the proposal includes model language that could be used to provide that notice. Moving on I will touch briefly on some record keeping and reporting related issues first regarding reporting of 1071 data from the Bureau is proposing that financial institutions report 1071 dated to the Bureau on a calendar year basis and that reporting deadline would be June 1st of the following year in order to avoid overlaps with the March 1st HMDA reporting deadline. Next regarding publication of 1071 data, the Bureau is proposing to make available to the public on an annual basis the Bureau's website the reported application level data for each financial institution, however section 1071 permits us to modify or delete data prior to publication if we determined that doing so would advance the privacy interest. To determine what modifications or deletions to make the Bureau is proposing a balancing test the balancing test would generally assess risk to privacy interest of applicants, individuals and financial institutions against the benefits to public disclosure in light of section 1071 statutory purposes. I will also note here that consistent with the statute financial institutions would be required to keep 1071 data for three years after it has been submitted to the Bureau. A few notes on other provisions in the proposal the NPR room addresses administrative sanctions in civil liabilities for violations of the 1071 rule. Several safe harbors and error tolerances and voluntary collection and supporting of 1071 data by certain financial institutions.

the Bureau is proposing that financial institutions collect financial institution collection obligations would commence approximately 18 months after publication of the final role in the Federal Register. The Bureau is also seeking comment on an initial partial year collection depending on where during the calendar year that 18 month period would end. We also sought, and whether a tiered implementation schedule would be appropriate.

The next steps as I mentioned public comment now that comment period ends January 6 and as you will see in the proposal the Bureau is seeking comment on all aspects of what is proposed for anyone interested in learning more about this role making or reviewing the materials or anything else we have compiled them all at the website you see on your screen CFPB .gov/1071-rule. I will just know we flagged a couple discussion questions for CAB members and those include whether there are credit worthy small businesses that have better or worse access to credit and what barriers inhibit access to credit, second is whether the Bureau should consider excluding particular types of financial institutions are credit products from the 1071 rule and how budget exclusions will further the statutory purposes of section 1071. And third, we are seeking how the public disclosure of section 1071 data will benefit small businesses, financial institutions and policy makers and what data points will be the greatest benefit and to any of those data points pose particular privacy risks for small businesses and small business owners or financial institutions. With that, I will turn things back over to Manny and Leigh.

Thank you so much a lot of traffic information. Thank you for preparing them. So, we have several CAB members on deck to make comments and I will start with my colleague David Eric. Please remember to introduce yourself, tell you, tell us who you are and thoughts on the presentation.

Thank you so much Madam Chair woman can you hear me?

I can hear you, David. Excellent. My name is David Ehrich the executive Director for innovative regulation a nonprofit that operated the intersection of technology, innovation, and regulation, and we work with regulators and central banks around the globe to advocate for the use of responsible technology to help consumers and small businesses build their financial health. First, I want to commend the Bureau and office of innovation for being a leader in the use of technology to improve the effectiveness and efficiency of regulation. The Bureau is a Northstar for regulators around the world, I have already received outreach from a number of innovation offices including the reserve Bank of India, financial contact authority in the UK to name just a few. My hope under the tenure of Director Trope or the Bureau can promote its position as one of the technology forward agencies in the world. So there is nothing small about small business, given the importance of small business ownership to drive economic mobility and create jobs, the Bureau has already heard and will continue to hear about the significance of this role. And the importance this will be broad enough to collect all the data necessary to help small businesses in lending ecosystem better serve small businesses. And the collection of these data, particularly pricing data like APR, will be critical to the success of the analytics this data set will provide. Technology developments like cash flow underwriting will help expand safe and affordable credit lending for consumers and small businesses that do not have a history of credit. While the negative impact of bias and AI has been well documented, there are new methods of analysis that can help us address bias in areas like underwriting. The creation of new compliance tools to help check for fairness and the creation of new examination tools that can be used by regulators. The manual tools we use today cannot analyze the sheer volume of transactions required to identify the transgressions to fair lending and to that end, we are exploring how AI can help regulators identify structural bias on a much larger scale. But to this degree the data collected by 1071 will be critical in the effort to impact fair lending and as we have seen with the COVID financial crisis has disproportionally impacted businesses owned by women and people of color. As we build back better, the same inequities will likely slow the resiliency and recovery for these same groups. It is my belief the implementation of 1071 will help enormously. Thank you.

Team, David. Any comments or feedback, or questions from CFPB staff? and it is okay if you don't because we will have Q&A in a little bit. The next commenter Josh Chris, did you want to jump in with something?

I was going to say thank you to David for that.

Thank you. Louis, I will turn into thank you for.

I am the Director of public policy at lending club. Lending club is a bank focused on lowering the cost of credit and consumer, auto, and small business lending helping customers improve their financial health. For this topic I gathered input primarily from groups of responsible lending coalition which is a nonprofit industry coalition of CDFI, advocacy, nonprofit and for-profit they came together several years ago to address the rise of irresponsible small business lending and encourage more responsible, inclusive lending. That responsible business lending coalition has led a wave of new small business protection laws, including small business truth in lending laws, passed in California, New York, expanded protections in California. First, like David, I want to congratulate the Bureau in advancing and prioritizing this rule from the folks are reached out to I heard and also shared enthusiasm that this rule will lead to more and better access to credit, especially minority communities. As someone who grew up in a small business and seeing small business ownership in my family create a certain class nobility this is also part of what everyone deserves the opportunity to how. I want to complement Kris and her team at the outset. While 918 pages is long and talked about, in reading it, really reflects integrating and considering so much valuable stakeholder feedback. Excellent job. I want to highlight one issue in particular I heard and the feedback from folks I reached out to around pricing data which Director Martinez, deputy Director Martin is described as so critical. We applied the inclusion of pricing data, Countrywide another mortgage lenders had reputations for great financial inclusion. The reached a lot of minority communities, so the important question is what is the quality of products people are being included in? In today's small business funding, we are seeing practices that have echoes of pre-2008 subprime mortgage, brokers steering folks in the high cost products designed to be flipped with underwriting based on ability to collect and if pricing were not collected, 1071 could just encourage more of that as a fast way to boost approval rates and the appearance of inclusion, even if that is inclusion in bad products. So to encourage responsible lending, pricing data needs to be collected and also needs to ensure pricing data is collected in a way that can be compared across different types of products. Director Chopra spoke last week in a Congressional hearing about the need for small businesses to compare pricing. I think he said something to the extent of yes, the ability to compare cost is beneficial. The California and New York small business truth in lending laws are headed in the right direction with their requirements that enable comparison through APR. APR is the best way to compare cost of credit products of different types and terms and amounts. In some cases the rule today [ Indiscernible ] in some cases a collection of data that that kind of comparison can be simulated on the back ends, but in some places it doesn't. In particular, I just want to reflect the feedback that I heard, including APR and data collection for a minimum at least collect anticipated term for merchant cash advances and credit for which there is no term collected because without term, the pricing data proposed for collection is not very useful. If you know that an MCA is in an amount of 50,000 has a finance charge of 10,000 come that is all you know you still can't compare it very effectively with the cost of other MCAs or other products small businesses might be considering because you don't know if the expected repayment term. $10,000 for six months financing is just more expensive in real ways than $10,000 for years of financing because that six month advance would likely be flipped six times within three years and actually not cost $10,000 because $60,000. So anticipated term really is needed. That will be discussed and practical ways to do that and the responsible business lending coalition, that will be coming. As a secondary note, to the extent possible, we would really like to encourage the Bureau to consider including factoring several types of products which are not included today. From a small business perspective, it is immaterial what products are legally considered credit or not if they are in financing products. I was thinking last week, an advisor to a small business trying to decide whether that business should take out a factoring product or an SBA loan and was trying to compare the cost between the two. That kind of data collection, including factoring, and certain kinds of leasing, would be very helpful to small businesses. Thank you.

Thank you so much, those are really great comments. Kris and team any questions at this time?

Nothing from me, thank you.

Thank you. Next, Stephanie Carroll will be the next commentator. Please introduce yourself.

Thank you, can you hear me okay? My name is Stephanie Carroll, the Director of the consumer rights and economic justice team at public council in Los Angeles. Public Council is the largest pro bono public interest law firm in the country. In preparing these comments, I reached out to folks within our own community development Department, who work with small businesses, not least in terms of street vendors and childcare providers, but also small businesses that serve communities here in Los Angeles. In addition I reached out to folks at the California investment coalition where I am a board member. So addressing first in the various in terms of the question puts posed, in terms of barriers that inhibit access to credit, obviously there are several, key is language access and that is certainly something small businesses struggle with here in L.A.. Also, access to technology, and the fact that many small businesses are on the banked or unbanked credit worthiness is not apparent. The most huge factor is the underlying system and racism and institutional discrimination which is why we have 1071 in the first place. A related separate matter there are issues related to the size of small businesses in terms of access to credit with small businesses being especially disadvantaged, particularly if they need a bit of handholding or technical assistance from the point of view of financial institutions, the cost of originating a $5000 loan are often the same as a 50,000-dollar loan. I think it can be difficult for banks to see the upside of the effort needed to make that 5000-dollar loan, but that does not mean that the folks applying for that loan are not credit worthy. In terms of financial institutions and whether should be excluded I do not believe the Bureau should exclude any particular types of institutions. I know there was a lot of debate previously around cash advances, but I think it is critical those types of credit are included as they currently aren't just because there is a very high cost of that credit and I think those could be very confusing products to small business owners. Also about factoring again I think there is a lot of confusion around those products, anything that makes it easier to compare products with small business owners is welcome. Also, I think in terms of rural communities, I think smaller lenders tend to have a bigger presence in terms of small business lending in those communities. It is critical to make sure that we gather that information from smaller lenders. Without them we are going to lose some of that small business lending data. In terms of public disclosure, I think the transparency from this data is imperative and it will help make lenders and lending better it will help make policy better and it will provide an opportunity to enforce fair lending laws. The goal of 1071 is really to illuminate which small businesses are not being served and to provide a mechanism or enforcement of fair lending laws. To my mind everything that is collected should be made publicly available because if not we are not going to achieve the goal of 1071. What I have heard particularly when talking to CRCs when only portion business data are made available and people extrapolate from that data, financial institutions, you don't know all the data you can't see all of the day to you can't make those assumptions. And so make the data publicly available. So that academics and community-based organizations and folks like me to litigate on the spaces can use the data to do so and thereby push policy to be better and push lenders to be better. In terms of the kinds of data that are very useful, I've already talked about the small businesses, it's really important to disaggregate the data so we can see what's happening at the smallest levels of business as well as some of the smaller businesses, the feedback I received on the current minority breakdown of data collection is that it is very good and we would sincerely hope that the Bureau hold the line on that disaggregation of data and finally, talking about this privacy issue I was interested to explore that with some folks in the message I got was really that is a red herring. Was all of the HMDA data someone could reverse engineer something but and CRC have declared in all the years of the existence of HMDA data that has not happened. So I do think those concerns are things the Bureau should particularly concern themselves with. Thank you.

Thank you, Stephanie I will echo of also heard the importance of public availability of the data being critical. Important underscore that as well. Again, Kris, team, any comments at this stage?

Nothing from me. Very helpful. Thank you.

Thank you, Stephanie. So, our next speaker or commentator is Beverly Brown, if you would introduce yourself, please.

In the financial justice program Director for New Jersey citizens in action, a state wine nonprofit organization working for social economic and justice in the state. I come to the table in ways through a CRA lens just an accident where I work there is a lot of action where work in the CRA and we have, for years, worked with HMDA data and welcome the implementation of 1071 because we know how effective that data is in the work that we do to make sure that homeowners, but also small businesses we know will be effective in making sure that all credit worthy small business owners have, will have a greater chance of getting the credit they need. I am going to be repeating or underscoring a lot of what has been said already, first of all in terms of barriers I think, or I shouldn't say first of all I think the Bureau has really started right on the right track to implementation and we will be commenting and writing more fully. I will now briefly touch on some of the things that were asked and also underscore a lot of what has already been said. In terms of barriers, we definitely know race and gender play a factor in limiting access to credit. I also just want to echo what Stephanie said about loan size, what we see in our work is an ability for businesses to get small size loans they actually need we work a lot with Main Street, small mom and pop organizations or companies I should say and they not only don't have access but then in general there is just really nothing there for them in terms of small start up loans or small loans for various things they need to run a business a long size something we want to be able to see in terms of what lenders are actually putting out on the street. I agree in terms of exclusion all lenders need to be included. Obviously the expansion of online lending has brought to our attention all the things Louis brought up in terms of unsafe lending products and those lenders are only growing in number and it is critical that we don't exclude any type of lender in reporting so we have the information to monitor what they are doing and certainly to make sure borrowers are not treated unfairly or being charged, have enormous amounts in terms of interest or fees. And try not to repeat so much here. We also believe that transparency a full data is very important. As has been said of the public has only pieces of the data available, we are not able to do accurate analysis of lending records. And can only be effective if we are all working with the same data when we come to the table to examine lending records and talk about how to improve lending performance. I also agree that disaggregation of the information is important. We know this through HMDA data, if we are only look in the aggregate information we are not really seeing what is happening on the ground in terms of who's getting the landing. And I am just going to close very quickly with, I encourage the Bureau to take the recommendation of the National Disability Institute to include collecting data on business owners with disabilities, who represent a great number, a large part of the population in general and the potential for owning small business is limited because they are discriminated against and I think it's critical that we have that information. So I will close there . But underscore much of what has already been said the importance of transparency and scope of looking at all lenders. Thank you.

Thank you so much for those thoughtful comments. I will now open it up to Q&A and discussion for the full CAB. If you would like to make a comment, and I hope many if you will, please use the raised hand feature in the panelist, I will call on you and turn your camera on, remember to unmute yourself and also remember to introduce yourself. Any raised hands for questions? I can start because I have a question. Kris, you mentioned in your presentation, perhaps you can remind me of exactly what you said, around the firewall. A provision that in some cases, workarounds if the fire role was not feasible. as I have been tracking this issue and hearing feedback from different stakeholders on the lending side that would be required to provide this, the view is that some of the tech requirements me be burdensome. Up in this as someone who runs a nonprofit, we have a firewall between demographic data and programmatic data. My understanding it's not particularly complicated. Wondered if you can elaborate a little bit more on what you are hearing around some of the technology issues.

I think some of what we heard actually isn't so much a technology problem as it is more of a personnel problem particularly a very small financial institutions that do a lot of specially in person interaction with their applicants and customers. We have heard that basically having to firewall, having to keep anybody, not just underwriters, anyone involved in making a decision related to an application for credit. Keeping that person separate from the demographic information being collected, someone is working with one loan officer, that person is quite likely making some level of decisions about an application for credit. In order to implement the firewall, were heard from, again very small financial institutions, they would basically have to hire additional staff, so one person could interact with the applicant and all decisions would be made by other people. I will invite my other colleagues here as well, Alan, Grady, anything on the tech front you want to chime in on please do so.

You covered what I wanted to cover which is really we heard a fair amount about it related to the personnel issue as you just described it. I don't know if Grady or Alan, you have insight from perhaps financial institutions that expressed concern, not being able to do a firewall. But otherwise I have nothing to add to what Chris provided.

Alan Ellison, office of markets. One issue that is addressed to the option to provide a disclosure is the number of entities operating on legacy systems. It would be quite difficult for them systemically to create a firewall, but they welcome the option of being able to do full disclosure in lieu of what could be significant system investment.

Thank you. Pete Upton has his hand up. Please introduce yourself .

You need to unmute.

We can't hear you. .

We can come back and check again. Perhaps go to the next one.

Heat, we will go back. I will turn to Louis now and come back to you in a 2nd and get some help on the audio. Louis, back to you.

I wanted to add additional applause to Kris's decision to include Martin cash advance financing. I think Beverly mentioned that has become so important.

Can you hear me now?

We can, Pete. Let's let Louis finish up and we will come back to you in one second.

Merchant cash advance financing and factoring were described in some Federal Reserve research about access to credit from minority businesses which describe both products together as potentially higher cost and less transparent credit products, the Fed's description of researchers of those two categories. I wanted to just check to see whether the Bureau find it helpful for commenters to share ideas about how costs of those kinds of products to be collected comparable with the other kinds of products researchers might want to be comparing cost to see whether fair lending issues or certain communities are being charged higher rates.

One of the things we see comment on is feedback on the proposal for what products to include and what products we propose not to include. For things like factoring, please seeing, other things you might care about be included the pricing aspect of those would be important. Yes, information on that would be useful.

As well as you talked about already just the reasons why perhaps you believe including those products further the purposes of 1071. Which kind of frames a lot of are thinking of course.

Elena, this is Grady. I would add also to the last part of what you said, Louis come you got suggestions on how we could do it, actual methodology for that and any other comment that might lend itself to here is a way to go about that? for example APR was mentioned. That would be very helpful to us, is much as possible in your commentary about that of others, be proscriptive at a technical or process level as well on how to do those things.

Thanks, Grady. One additional comment I wanted to suggest that he heard his, it maybe valuable for the Bureau to reach out to organizations that directly have program serving a lot of [ Indiscernible ] the Black chamber, Hispanic chamber, asking for what they are finding about small business owners' openness to addressing these demographic questions when they are asked and of course CFIs have very extensive data and history over small business owners' willingness to complete those forms and their reaction.

Thanks, Louis. Pete we can hear you now. Back to you.

My name is Pete Upton and I serve as executive Director for data 360 and I'm also the chairman of the [ Indiscernible ] see if I serves all memberships throughout the United States. All of our native CDFIs 71-27 different states currently. The question I have, I know it has been a concern, I know Tonny branch when she was on your panel visited about this with Alan and others that have facilitated, the size native CDFIs assets are not even comparable to the board members of the CB. We are talking David and Goliath situation here. Most of our transactions are relationship transactions. They are not necessarily transactions over the Internet or just taking a simple application. When I say relationship transactions, once a loan is made, we developed a very extensive relationship with that client. It is not we are going to make you the loan today and we are gone and not going to work with you, we provide extensive amounts of technical assistance. Our concern, or my concern with including all native CDFIs on average I would say the average native CDFIs total assets are about 8 million, it maybe 15 million of the most. I would save averages 8 million. We are really talking and very small asset size and we work extensively with small business owners, sub CDFIs do consumer lending some are venturing into housing and I'm talking the numbers here maybe at the most five trying to ten mortgages annually. My question has always been, has there ever been any consideration to including in the 1071 ruling, a section that would specifically apply to native CDFIs so that we can -- it is no different with the treasury. We have the native assistance program, a subset of the regular treasury CDFI fund, but it is because we serve very small, remote communities. I don't know if any of you have been on a reservation lately, but broadband is very poor, that is an issue, and based upon the skills that we serve, the staffing issue of all the reporting requirements. I don't know if anybody has ever considered possibly including a section for native CDFIs because the native CDFIs belong to Native Americans, and that is what we were created for two begin with, just the lack of capital on the communities that we serve specifically, native reservations. The general, the banks, all the other lending institutions, I think it is fair to say, maybe redlined lending on native reservations, just because of complex rules and laws that go with that, but I really have a lot of concern about the volume that we do and the additional cost with it. It is something that I would not want to see the 1071 rules and regulations discourage further development of native CDFIs because I said we are lending practices, you followed the five Cs of credit but on the same token many of the small business owners we work with on Native American reservations, it is based upon a relationship. Also being in small communities like that, making information public about loan turndowns can really devastate small business owners in a local community that maybe struggling already. I hope that makes sense. My concerns about that. I really think that the native CDFIs should have some sort of special section included in the 1071 rule. Hope that makes sense to you.

Thank you, Pete. Questions or comments from staff?

Thank you, Pete. Just to clarify, I just had one question, one thing you mentioned in terms of the volume of lending that native CDFIs do, just a reminder the proposal would require collection and reporting if that CDFI originates 25 or more covered transactions along with lines of credit, whatever they may focus on, and each of the two proceeding years. That is the threshold. I just want to reiterate that. I don't know if some drop off because of that are not. But my question is, when you say include a section for native CDFIs, what exactly do you mean by that? Are you envisioning that if a CDFI were covered by the rule and thus required to collect and report perhaps in order to address the cost of collecting and reporting data, are you suggesting that those CDFIs perhaps have to collect and record less data? What exactly do you mean by a section for the native CDFIs?

I understand the thresholds made for two consecutive periods. In that particular case, the volume, 25 transactions for two consecutive periods in the skills we deal with me be a lot lower total volume wise in loans generated or transactions generated. By an native CDFI is just a meeting with native CDFI leaders coming to a reporting mechanism or reporting criteria. The native CDFI executive directors and native CDFI leaders can feel comfortable. What is happening is the burdensome all the reporting for small business lending now being included with that, is going to be really burdensome on so many native CDFIs because we operate on very low, low budgets. We operate, native CDFIs were created to assist the communities we live in because other financial resources are not serving those areas. Really have a meeting of the minds with native CDFIs so we could come to get their input as well, in creating what they would feel comfortable with. That's the biggest thing I hear from other native CDFI leaders throughout the country, is the data collection and all the extra costs that go along with it. Some of them are struggling now to make ends need the way it is the thing I don't want to have happen is additional cost and burden and trying to set that threshold to maybe when it comes to native CDFIs if you are doing maybe more than 50, annually, or 50 transactions, just to segment I's. It easier for native CDFIs to build those asked the -- those aspects David and Goliath is what we are talking about here we are so small in comparison to how all the other board members, I would hate to compare my assets to everybody else's assets on the call, because we do operate in a very small, small world when it comes to assets.

Thank you, Pete. Additional follow-up questions?

That is helpful. I don't know if Alan or Grady have anything further, or Kris, again I would reiterate we definitely welcome feedback on the origination threshold piece you mentioned 50 understanding why that would be good for native CDFIs and the reasons why very helpful in a comment that submitted and of course we also, if you can specify what particular pieces of the reporting would be difficult, what exactly is burdensome. Is a reporting all of the data that we propose? Is it certain data that perhaps native CDFIs don't currently collect and thus requiring to collect or report it would be additional burden. Any explanation for why it would be costly and concerns you described would be great to hear and comment, so thank you.

If I could add for Pete in your comment back to us maybe you could also reference if there is reporting that you are already doing to the CDFI fund that might be duplicate of, something you might also want to look at .

The other thing, sorry, real quick that I wanted to add, as several members have already mentioned the importance of the statutory purposes, fair lending enforcement and community developments, business opportunities, that at times is intentioned with such as the decision about who to cover and who not to cover and to your points, Pete the volume of lending that native CDFIs currently do would be useful information for the Bureau to know, for example of the threshold were increased and thus that resulted in native CDFIs not having to report, what would that mean in terms of lending that is no longer being collected or reported? the impact have not covering them, understanding that is useful.

Thank you so much program about 5 minutes left in the session. The next, and question will come from Mae.

Hello I'm the founder and CEO of change machine. We are a nonprofit that leverages our financial coaching platform, thin tack and national community of practice to close the gender and wealth gaps. Kris, that was a really well detailed presentation. I feel like I learned a lot. Thank you for taking the time to do that. I had a specific question about the balancing test that you mentioned. I think you said that the Bureau is proposing a balancing test that would assess the risk of privacy interest of applicants, individuals, and financial is to institutions the benefits to public disclosure in light of section 1071 statutory purposes. I'm just curious about how you and the Bureau of the team are, if you could elaborate on the balancing test perhaps a little bit more, particularly curious how the Bureau is thinking about quantifying their goals. If the statutory purpose is fulfilled, statistically what would that might mean for loan rates among women owned minority owned small businesses? What would that mean for the stability and the growth of small businesses that we all know are the crux of the American economy?

I can talk a little, Kris has lost audio so I will jump in quickly here. In terms of the balancing test, at a high level, again, with the Bureau would be doing would be assessing the benefits of the unmodified disclosure, publication of 1071 data fields in light of the two important statutory purposes against the privacy risks of disclosing that unmodified data. In evaluating privacy risks we would consider the risks, for example, re- identification as well as risks of harm or sensitivity, so the proposal, I don't have it, I have it downstairs, I can point you to the pages of the proposal where we talk in some depth about the actual balancing test and the Bureau's approach to that, but that just gives you, at a high level, what we would be doing. Can you say, one more time, your question at the end there which I missed?

Sure. Curious about what success looks like. Talking about the statutory purpose, how do you know when you are there? What are you gaining? What is the Bureau aiming for in quantifying the goals for that statutory purpose? Perhaps loan rates among women owned and minority owned businesses, what would what would it mean for stability and growth of small businesses. Curious.

In full candor I am definitely not the expert to speak on this. I don't have the privacy subject matter experts on the call today. That is something we can get back to you on. Allen, were you trying to jump in?

It is me, actually. I definitely understand the question. Our job is to get the database up and stable and with good, credible information. As a public good expected to inform not only policymakers but entrepreneurs, looking for opportunities, overlook gaps in the marketplace, that they could potentially serve, as well as the small business folks themselves who would finally have the ability to look at how their prices compared to other markets and the advocacy community representing those groups, being able to address local financial services companies as well as some of the national and thin techs where we pay more than this particular area, what is behind that. I think we can't, at this point assess exactly what the impact of these data are going to be over time but I would be [ Event is on a short break, and will resume at 2:45 EST. Captioner standing by. ]

Welcome back, everyone. We hope you enjoy to break and a chance to stretch her legs. The next is age from the banking. I think this will be a great discussion. We have comments giving staff an opportunity to ask questions and follow-up and enter into a more open discussion and Q&A. Deborah and Kate I will hand it over to you.

Thank you very much, chair Phillips, good afternoon, everyone thank you very much for inviting us to join you for today's meaning. My name is Deborah Royster, Assistant Director for the office of older Americans. I joined the Bureau in August of 2020 after spending most of my professional career practicing law in the private and government sectors. I concluded my legal career as general council to the D.C. Department of aging and community living, serving older adults and families in my hometown, Washington D.C. In 2015 I joined see Barry resources region Washington area nonprofit that provides support services for older adults and their families, including affordable housing, case management, transportation, and nutrition services. And see Barry service worth 15,000 annual adults annually. These roles help me understand the diverse range of issues and challenges and opportunities that older adults and their families experience, as we all grow older. This is also where I learned about the important mission and work of the Consumer Financial Protection Bureau and the office for older Americans. It is an honor and privilege for me too be part of the CFPB team and its efforts to serve and enhance families and the lives of Americans of all ages, team and its efforts to serve and enhance families and the lives of Americans of all ages, including older adults and their families. So, I will begin with a disclaimer. This presentation is being made by Consumer Financial Protection Bureau representatives on behalf of the Bureau. It does not constitute legal interpretation, guidance, or advice of the Consumer Financial Protection Bureau. Any opinions or views stated by the presenter or the presenter's own views and may not represent the Bureau's views. Next slide, please. I would like to begin by telling you a little bit about the mission of the office of older Americans. The office for older Americans is part of the consumer education and external affairs division within the CFPB. Our work focuses on educating consumers and intermediaries, working to help protect older consumers from financial harm, and to help older consumers make sound, financial decisions, as they grow older. Many decisions, as they grow older. Many of our resources are targeted towards adults age 62 and older, financial towards adults age 62 and older, financial caregivers, or professionals who interact with older adults. The with older adults. The office for older Americans also have several resources specifically for financial institutions including several resources specifically for financial institutions including reports, advisories, advisories and free consumer educational materials. We are free consumer educational materials. We are very excited today to be able to share information about some offices age friendly thinking work. able to share information about some offices age friendly thinking work. The office strives to provide provide credit units in efforts to engage with older account holders and to prevent elder financial engage with older account holders and to prevent elder financial fraud. We would love to hear from you today about from you today about any new age friendly banking practices that you are aware of and banking practices that you are aware of and any challenges or barriers that you are seeing related to age friendly banking or you are seeing related to age friendly banking or access to banking and Credit Union services for older adults from traditionally underserved communities. Union services for older adults from traditionally underserved communities. We would also be happy to hear any ideas you may have or happy to hear any ideas you may have or how the office for older Americans can better support existing efforts in these areas. Americans can better support existing efforts in these areas.

Why is age friendly banking important? I would like to important? I would like to set the scene for today's discussion by sharing some information about elder financial exploitation and the today's discussion by sharing some information about elder financial exploitation and the impact of financial insecurity on older adults. Over 23 on older adults. Over 23 million Americans age 60 and older or economically insecure. Which means that older or economically insecure. Which means that even a small financial loss can be devastating to their financialbe devastating to their financial well-being. Off and older adults live on fixed incomes and it can be extremely difficult for someone live on fixed incomes and it can be extremely difficult for someone to whether a financial loss when they don't have much flexibility in their budget. they don't have much flexibility in their budget. A true link to study found 37% of older adults were found 37% of older adults were victims of elder financial exploitation in a five-month period. And the average monetary losses in a five-month period. And the average monetary losses were higher among low income older adults. The older adults. The office for older Americans also analyzed suspicious activity reports filed by financial institutions from suspicious activity reports filed by financial institutions from 2013-2017, the involved elder financial exploitation. In this study, we found that financial exploitation. In this study, we found that when ended older adult lost most money to elder financial exploitation, the average financial loss waslost most money to elder financial exploitation, the average financial loss was approximately $34,000 you can just imagine what an impact a loss like just imagine what an impact a loss like this may have on someone's financial well-being, particularly those who have limited financial well-being, particularly those who have limited financial resources to begin with. And the non-financial impact andthe non-financial impact and effects are important as well. Financial losses from elder financial exploitation can negatively impact well. Financial losses from elder financial exploitation can negatively impact the quality of life for older adults in many areas, including access older adults in many areas, including access to healthcare, eligibility for public benefits, housing, food, and credit. And the ability benefits, housing, food, and credit. And the ability to retire. Of the older adults who experience fraud in the true link study, 1.8% who experience fraud in the true link study, 1.8% lost their home or other major asset as a result. 6.7% other major asset as a result. 6.7% skipped medical care, and 4.2% reduced their nutritional intake. They reduced reduced their nutritional intake. They reduced their nutritional intake, for budgetary reasons. The study estimatedreasons. The study estimated that 954,000 seniors are currently skipping meals, as a result of financial abuse. currently skipping meals, as a result of financial abuse. Many individuals suffer depression, anxiety, loss of independence, and other negative factors. loss of independence, and other negative factors. Overall, 41.2% older adults experience financial reviews, reported the experience experience financial reviews, reported the experience nonfinancial impacts like these.

Why is age friendly banking important? A bank or Credit Unionis age friendly banking important? A bank or Credit Union account enables consumers to safely and easily deposit income, pay to safely and easily deposit income, pay bills, and make everyday purchases. When older adults are connected with the bank or Credit Union, ageolder adults are connected with the bank or Credit Union, age affiliated interventions can help prevent financial exploitation. Examples ofhelp prevent financial exploitation. Examples of age from the practices include financial institutions asking consumers to identify a trusted include financial institutions asking consumers to identify a trusted contact where staff can contact in cases of suspected financial contact in cases of suspected financial exploitation, financial institutions placing holes on transactions or delaying disbursements when they holes on transactions or delaying disbursements when they suspect elder financial exploitation, and financial institutions reporting suspected financial institutions reporting suspected financial abuse to authorities such as Adult Protective Services and local law enforcement. Adult Protective Services and local law enforcement. In addition, age friendly innovations can include financial technologies such can include financial technologies such as automatic transfers and bill pay, automatic alerts financial management applications and personalized reminders pay, automatic alerts financial management applications and personalized reminders and alerts. On a personal level, I set a limit on my own daily withdrawals level, I set a limit on my own daily withdrawals and occasionally I have run up against that deadline I sat, and that is a good reminderagainst that deadline I sat, and that is a good reminder and it makes me certainly feel protected that I am taking feel protected that I am taking care of my financial assets, preventing them potentially from being stolen by others. In preventing them potentially from being stolen by others. In addition, age friendly, all of these types of interventions, can help of these types of interventions, can help prevent financial exploitation, and decrease fraud losses sustained by fraud losses sustained by older adults. However, many older adults do not have access to a bank or Credit Union account. adults do not have access to a bank or Credit Union account. These unbanked and under banked individuals typically engage once a banked individuals typically engage once a year in alternative financial services such as check-cashing and payday loans, the often involved high fees. as check-cashing and payday loans, the often involved high fees. Older adults with limited English proficiency, who come from lower income proficiency, who come from lower income households, black households, Hispanic households, and American or Alaska native households, are less likely tohouseholds, and American or Alaska native households, are less likely to have a bank or Credit Union account. Union account. Four households headed by someone age 50-64, 3% of white age 50-64, 3% of white non-Hispanic households had no bank accounts will African-American and black non-Hispanic householdsaccounts will African-American and black non-Hispanic households have unbanked rates more than five and half times as than five and half times as high and Hispanic Latino households four times as high. times as high. Nonbanking rates. These individuals already face significant challenges related to financial well-being. So it is critical to already face significant challenges related to financial well-being. So it is critical to increase access to banking services and age friendly product features thatand age friendly product features that help address existing disparities. Now, I'm going to turn the program over to my Now, I'm going to turn the program over to my colleague, Kate Kramer, so she can share more information about our age she can share more information about our age friendly banking work.

Team, Deborah. I am a policy analyst with the office for older I am a policy analyst with the office for older Americans, and I am the lead for age friendly banking initiative and I work lead for age friendly banking initiative and I work on other projects related to other financial exploitation and financial technology. We find that other financial exploitation and financial technology. We find that older adults need age friendly financial services and products that are accessible,services and products that are accessible, responsive, and relevant to their needs, in a particular their needs, in a particular services that can help prevent elder financial exploitation. Banks and credit unions have led and participated in financial exploitation. Banks and credit unions have led and participated in many different innovations and explorations of age friendly practices over the years. Our office for explorations of age friendly practices over the years. Our office for older Americans works to support credit unions and banks enhancing their ability credit unions and banks enhancing their ability to prevent, recognize, report, and respond to elder financial abuse and respond to elder financial abuse and older consumers. Ultimately, the goal of our age friendly banking work is to reduce the number of older adults our age friendly banking work is to reduce the number of older adults who are unbanked or under banked, and who are digitally disconnected and financially exploited. Banks, creditbanked, and who are digitally disconnected and financially exploited. Banks, credit unions, and other financial professionals are uniquely positioned to detect elder financial exploitation as itprofessionals are uniquely positioned to detect elder financial exploitation as it happens, and to take action on this issue. Our work around elder financial exploitation, on this issue. Our work around elder financial exploitation, which often intersects with age friendly banking work, includes consumer friendly banking work, includes consumer education, working to reduce stigma and shame, educating about red and shame, educating about red flags, encouraging reporting to Adult Protective Services, and law enforcement, and sharing resources for prevention and response. Services, and law enforcement, and sharing resources for prevention and response. It also involves engaging financial institutions and other key stakeholders in the fight against elder financial exploitation. institutions and other key stakeholders in the fight against elder financial exploitation. This includes releasing voluntary recommendations, in 2016 and 2019, to in 2016 and 2019, to identify promising practices to assist credit unions and banks with their efforts to prevent elder financial abuse unions and banks with their efforts to prevent elder financial abuse and to intervene effectively when it occurs. occurs. As one example of past age friendly banking work, in friendly banking work, in 2016 released an advisory recommendation for financial institutions. These resources contain recommendation for financial institutions. These resources contain voluntary promising practices that are designed to enable financial institutions to designed to enable financial institutions to prevent abuse and intervene when they recognize it. Some key recommendations include developing internal protocols when they recognize it. Some key recommendations include developing internal protocols and procedures for protecting account holders of olderof older financial expectation, training personnel, regularly and frequently on other elder and frequently on other elder financial expectation including mornings and things to watch for and action steps for prevention and response. to watch for and action steps for prevention and response. Using technology to monitor for signs of financial abuse, which could signs of financial abuse, which could include reviewing filtering criteria against individual members' patterns, and explore risk factors that maybe associated with members' patterns, and explore risk factors that maybe associated with financial abuse. Filing suspicious activity reports come usingcome using the checkbox for elder financial exploitation, and establishing procedures so account holders financial exploitation, and establishing procedures so account holders can provide advance consent for financial institutions to reach out to a designated financial institutions to reach out to a designated person, as staff believes the account holder maybe at risk of financial abuse. holder maybe at risk of financial abuse. This advisory and reports are available for download online, and also for free print order, if for download online, and also for free print order, if you would like to take a look.

[ Captioners Transitioning ] look.

[ Captioners Transitioning ] in this update, we provided an overview for federal and state legislative changes, including an overstate in terms of state statutes of mended and recording of suspected abuse, as well as transaction holds an rejected funds. For suspected other financial exploitation, and also record sharing for longer investigations. And we encourage credit unions and banks to report all cases of elder financial exploitation to federal, state, and local authorities regardless of if that recording is mandatory or voluntary under state and federal law. This can help institutions assess their policies and procedures to decide whether traditional voluntary measures as they work to prevent elder fraud. So let's talk now about the evolution of our age friendly banking going forward. Next light, please. One recent release from our age-friendly banking group is a new promotional toolkit which is helped designed to spread the word about our bases, including our age-friendly banking accommodations, as well as our consumer education tools. Our money smart for curriculum. And our handouts. The promo toolkit has several pieces of content that can be inserted into a newsletter, a blog, an email blast, or a social media post. To share a few resources with our audiences. Next slide, please. I have shared with you, although many older adults to use the services, an increasing older adults, particularly of those who of ethnic groups of lower incomes -- are either unbanked or under banks. And we seek to improve disparities to older adults access to financial stabilities. One of our two broad goals for our age-friendly banking initiative in the upcoming fiscal year is to identify ways that we can help reduce the number of older adults from historically underrepresented groups who are unbanked or under banked, and digitally disconnected. Our second Chronicle age banking work is to encourage financial institutions to implement more age-friendly cactuses, and to expand the capabilities to prevent and respond to financial abuse, and to protect older account holders access. This is become even more important during the pandemic. Access to online and mobile banking services is a critical when older consumers are finding it risk of to their health divisive branches in person. Although older adults are adopting modern technology, old to moderate adults face unique barriers, such as fear and risk for financial technology. Fearing to challenge, or feeling that they lacked autonomy through these technologies. Older consumers may need to be informed to the potential risks and benefits of financial technology tools. So that they understand how to manage their finances and prevent further financial exploitation. Next slide, please. In line with these goals, we have recently redeemed a new webpage on remote online notarization. Usually someone who needs a document notarized would meet with the notary face to face, and they would sign on paper. But with remote online authorization, notaries can be by was someone on video to verify a signature on an electronic document. The service has become more prominent, and it was adopted by many states during the pandemic while offices were closed for many states have laws that allow the online authorization on a permanent basis, and others have temporary measures in place to allow it during the pandemic. Next slide, please. Also in line with our goal of strengthening our age-friendly banking innovations, the outer office of Americans is designing content for older Americans for our contact person. This project which is among grade by conversations that we had with banks and credit unions who are beginning to implement this, or were thinking about it, and told us that they saw a need for more resources, and for more consumer education on the topic, to encourage consumers to take advantage of this protective account that was offered. This is a way that financial institutions can help consumers protect their financial well-being. The trusted contact person might be an adult child, or a close friend who the staff can reach out to for extra help if they suspect elder financial abuse. Generally the financial institution would only return to a trusted contact in specific situations. For example, they might alert a trusted contact person if the staff can't reach the account holder, or they suspect that the account holder is at risk of financial abuse. As I mentioned, we are currently developing some resources to support banks and credit unions if they decide to voluntarily implement this practice. So I just wanted to give you a heads up about that, and I would love to hear your thoughts as well. Now I will hand it back over to Deborah. Next slide, please.

Thank you very much, Kate. We hope that this overview of our age-friendly banking initiative has been hopeful. For those who are interested in learning more about our age-friendly banking initiative and our other priority areas, we invite you to join our mailing loss to receive occasional alerts and updates from the office for older Americans. Our office is interested in hearing from the members today about recent age-friendly banking innovations, financial technology used by older adults, challenges faced by traditionally underserved groups of older adults with regard to financial services, and challenges and opportunities for financial institutions that are addressing these issues. We have provided some sample questions in this discussion guide to help guide the conversation today, and we look forward to hearing your insights, which will help us shape the projects and priorities for our age friendly banking initiative moving forward. So we think all of you for your time and attention today. We can now close out the PowerPoint, and I will hand it back over to chair Phillips for questions and discussions.

Thank you, Deborah, and thank you, Kate. That was a really wonderful and informative presentation. I will remind everyone before we dive in, that you would have received these presentations by email. You can also find the presentations on consumer finance.gov. And so with that said, I know that there are lots of people who are interested in participating in this particular topic. But you are our first commentor. So over to you.

Good afternoon, everyone. My name is Mei Watson. Again, I am the founder and CEO of change machine. A nonprofit that leverages our financial coaching platform. Finn Tech, and our national immunity of practice to close the gender and racial wealth gaps. My organization was delighted to partner with the AARP foundation to coach over 1000 older adults last year in a virtual financial coaching setting. We published a report earlier this year about the benefits and the challenges of providing those services for the purposes of helping informed discussions like these in a blueprint for future services. Just some quick, high-level observations. Those who we coached had more savings than the average of all of the other adults, or by our community and practice, but they also had more debt. They were slightly more likely to be banked. And they had a wide range of financial goals. They were not as focus on healthcare and retirement as one might have had suspected. That's included employment, family, and quality-of-life goals. Our coaches observed that older adults seeking financial coaching work less shy than their younger counterparts in discussing personal financial matters in a virtual setting. And they also reported that they were technologically proficient. Perhaps marrying a recent sip port from claimant noted that boomers sought the largest jump amongst all age demographics in the last year. So we concluded that there were several opportunities for Finn Tech to commute increase for older adults managing finances. And I will share with you two major reflections. One, from the virtual financial coaching work, we see a clear need for a specially designed and designated accounts that protect account holders from predators. So that their income is not tarnished. Perhaps similar to the basic account parameters afforded in products such as lifeline accounts here in New York State, or the protection afforded in able accounts, which allow people with disabilities to save money without losing their eligibility for federally funded benefits, such as Medicaid and supplemental security income. In addition to our financial coaching work, we also built a recommendation engine for our community of practice that matches practitioners and their customers with Finn Tech private and services that are designed to support financial security. Over the last two years, we have reviewed over 400 products, any of yet really to find a trove of account features that are designed to meet the unique needs of older adults. There is a huge need here. There are plenty of superfluous, like privacy protection companies that I think are like a can to credit monitoring products. And you can count the other examples. There was one, a bank promoting account openings with a Social Security Administration check. Or another product that helped caretakers manage and set spending guardrails, and also counted the account holder special needs trust. But there really wasn't that much more on actually conducting day to day transactions. So we really think that there is a deep need for -- I'll name three different things. Optimizing healthcare costs and maximizing retirement savings and fixed incomes. Longevity financing, right? Leveraging existing assets and skills to finance a longer life, including support for aging in place, and how to generate more income for retirement. And then, finally, lots of need and opportunity for consumer protections protecting their income and assets, combating first scams and frauds just like Deborah and Kate's fantastic presentation illustrated. And we would recommend that, in addition to financial recommendation, the the Bureau get behind perhaps the development of accounts like the best of both able and lifeline accounts that I mentioned earlier. Thank you, very much.

Thanks, May. Such a well-thought common. Deborah, do you have any comments or questions for May? If you don't, there will be more discussion later. If there are any specific questions.

No, I'm a follow-up just to get more information to follow up about those questions and products that she mentioned. Thank you very much, Mei. You have been extremely helpful to us.

Thank you. Next we have Andy Navarrete. He is our next speaker. Andy, over to you.

Thank you. I am kind of in external affairs, and I am glad to be part of this work. And for the work of your staff, making such an incredibly important issue, a priority for the Bureau. I think like many folks on this call, I have aging parents who have been, over the years, very resistant to adoption of a lot of digital technologies. And while I worked for the last two decades for a very tech company, I feel like I had some degree of tolerance and grace that I was willing to show in terms of their own willingness in regards to the kinds of products and services that we offer. The cobra changed a lot of things, and this is one of the things that has certainly changed my mind, in terms of perspective. And so what felt like a luxury, or nice to have the technological innovation now feels very much like an necessity, and something that has considerable access, in fairness, and public health and safety implications. You know, capital one in 2016 launched a program by the bank. It is a set of videos designed to teach older Americans about digital banking, and it sort of serves as a 101, 201, 301 set of coursework that starts with the basics of security and online banking, and some of those you know, sort of structural dynamics could be forming this space, but then also advances in teaching about security and fraud and about how to transact. And those videos have been well received. But one of the things that we have found along the way is that there are a lot of learnings that we think can inform the kinds of programming that the Bureau and others interested in this space can advance. So I thought I would share some of those. The first is bringing marketing and research principles to targeting the videos and the content. So, shockingly, we found that many seniors don't appreciate being lectured to by younger individuals that are not their grandchildren. My daughters certainly were the primary source of tech support for my parents. But certainly this notion of finding seniors who are digitally active and are capable of teaching their peers that access, we have found works considerably better. There is also, you know, I think a need to partner with very trusted organizations and institutions that have credibility with this population. Capital one can certainly bring expertise and skill and technology to the mix, but we have found that we are far more effective when we are working with completely innovative nonprofit like the older adults technology service, the national Council on aging. And even the American libraries Association within which we have launched a partnership to distribute a lot of this content. What is also important to sort of understand that you can create a teachable moment. So we have our associates on the front line, or nutritional tellers to very much reach the possible of digital adoption, because we find that many seniors continue to use branches for even the simplest of transactions, and they could be doing this at home much more conveniently through digital channels. The other piece of that I think is recognizing that while smart phone adoption, which I think are great studies by the Bureau and others around smart phone adoption, and is something that is an unmistakable strength, and has reached deeply into this population, there is still a considerable opportunity to expand rock band axes, because having a smart phone is one thing. Having a smartphone usable at a moments notice at home and in other locations where other older Americans might be double or more comfortable in engaging in these transactions is certainly critical. So we are certainly hopeful that that infrastructure pulls it and is now pending in Congress. We're hoping to advance that cost, but that is another one that we are counting on winning and other institutions where we think that they can play a role in bringing broadband access to the communities in which we reside. The last piece I think is to really recognize that there is a critical intersection between you know, these issues and the Americans with disabilities act. We sort of said earlier in the small business discussion around bringing people with disabilities into the conversation. I think this is a space where A.D.A. compliance, when making sure that all of our products and services websites, facilities are accessible to older Americans, we offer a large credit offering, for example. Well, we are only required to have one accessible ATM at one of our locations. We have set in a policy that we want ATMs accessible. Not all of our meeting spaces and our cafes, so I think what we want to do is help avoid a society where access is limited in some way that would further discourage adoption of these tools. And also a sort of knows these were we can have an aperture in enjoy the conversations to the rest of these. Thank you.

Thanks, Andres. That was super helpful. Anything to follow up? No follow-up, but thank you very much for those insights. Very much. Very helpful.

Things, Andres. So next is Stephanie.

Hi there, I am Stephanie Carol of the economic team of public counsel. Public counsel is a pro bono public interest law firm, the largest in the country. As part of my work in consumer law, a huge proportion I think is close to 40% of the folks that we see in services our elders. I also have the advocates for consumer justice group, which brings together Southern California applicants. Some of you are explicitly focused on elders. So, before I go into my content, I did just want to give a response to one of the slides. I have real concerns about online notarization. Particularly for large transactions or real estate transactions. I have seen numerous, if not countless clients generally elders, who have really suffered because the notaries that they were working with, or that their fosters were working with Mae have been complacent in the transaction, and certainly were not there helping the elders. And I do feel like online notarization makes it -- for my notification simply, makes it much harder to reach those people, when they could be notarizing things all over the country. And I think that there potential for abuse with online notaries is greater. So I just wanted to say that, because I understand the convenience aspect of it, and I think that's -- that makes sense. But I am particularly concerned with online notaries for elderly and non-English-speaking clients. I thought there was lots of really interesting information in the presentation, and thank you so much. The materials about ways to work to protect elders. And to create banking products that can be particularly helpful. Especially I think in my experience, often elders, some of whom are not looking out for the elders, have been gotten default accounts, and I love products where you can have people view transactions, but without the ability to initiate them, and I think that is really critical and important. In terms of the training, and I see that there are toolkits that are developed, I did notice that some of the materials, it was like nine out of 10 banks to train in spotting elder abuse, and generally they do it annually. But I do wonder about the quality of that training. And so the more the Bureau can do to kind of create standardized training videos and products, and the gold standards that banks and financial situations that all elders could use, I think that is a good thing to look into. And not just banks and financial institutions, I think one of the key things to -- for me, in terms of what we can do to help older adults, especially for the minority groups, to access bank credit union accounts is to really get into partnership with community-based organizations. But with community-based organizations that already speaks to those populations and have the trust of those communities. Particularly with under banked people that are very mistrustful of things and the federal government. And I think the way to try to talk to those people is really through those trusted community partners. And I was surprised, I reached out to a couple of consumer groups that focus specifically on elders, and they haven't heard of these age-friendly banking initiatives. So I think that there is a real opportunity there to, you know, reach out through, I think, various organizations to find out with the folks on the ground in those communities that we can reach out to the forge partnerships with them to give education materials to those groups to share with their communities, and to promote those partnerships with banking institutions. Finally, I'll just say I think it would be great for them to encourage complaints about failures to spot the report. We have had enough clients that were very clear that they went into the bank and although there was reporting in California at least, there is no real enforcement that backs that up. So I would encourage the CFPB to bring that up during examinations. Thank you very much.

Thank you, Stephanie. Deborah, do you have any questions to follow up?

I thought it was really helpful and I thought it was really interesting to hear your concern. Particularly about online notarization. We definitely recognize that as a challenge, and we want people I think, to learn online organization and to speak with a local attorney to help them understand the requirements to make sure that if they are engaging in a transaction, that they have a full understanding of what is going on. So we definitely hear those concerns, we will think more closely about that as well knowing that you are seeing that on the ground.

Yes, thank you for that. And also you and Andres mentioned the importance of connecting with trusted partners at the local level. And we do recognize how important that is, and we are constantly trying to expand our networks of local organizations. We can work with these trusted partners. One of our initiatives is the elder, fraud, and there we work with community stakeholders in communities really, across the country trying to build capacity where there is none to identify and address elder financial exploitation. And also to enhance existing networks. So that is an initiative that the Bureau has had for the last several years and we are working to expand and scale that, and one of the ways that will help us to increase the connections we have with local communities and new trusted partners in those communities so that we can get this information out to older adults and their financial caregivers, so thank you for those comments.

Thanks, Stephanie. So next is where a Brown. Come off mute and introduce yourself.

All right, I am here. Thank you. Thank you, Leigh. My name is Laure Brown. It is a statewide legal process program. Our program also has an elder abuse program. I was able to speak with the advocates around this issue. Week command the CFPB's in this Institute to encourage and support banks and credit unions to enhance their ability to prevent and respond to elder financial abuse. We see many of the case scenarios in surrounding materials were the older consumers are preyed upon by transfer and consumers funds. We hope that these best practices will prevent elder financial abuse and allow the banks into the -- to intervene before they harm occurs. It is recognized in the materials that most of this exploitation occurs when the orders consumers funds are stolen through fraud. So therefore, they recommended best practices would address those scenarios. What we want to bring to CFPB's attention, another scenario that we have recently seen -- we are not sure the best practices might affect those. But this is where the consumer is deceived into participating in the fraud in the bank, and the consumer remains liable to the bank. So early this year, a 72-year-old was a victim of a romance scam. This was a woman who lived alone. She found herself in an online relationship. The scammer lived in Florida, and there was a promise of marriage. At some point, as part of the marital plans, the scammer asked her to cash a check for $8000 made out to her. She went to the bank, deposited the check. Even though she only had $13 in her bank account, the bank allowed her to cash that $8000 check on the same day. The consumer sent the $8000 check to the scammer, and of course he subsequently disappeared. Embarrassed by this, she told no one, and did not know what to do. Meanwhile, the fraud was detected by the bank, and the bank placed her account in overdraft by $8000. The consumer's retirement income weren't received were seized by the bank to offset the overdraft amount. So for two months, the consumer cannot pay her bills because the bank seized her only source of income. She was not able to pay her rent, her utilities, and she didn't seek help until she started receiving threats of eviction, threats of utility shut off, threats of repossession of her car. It was at that time she approached our office to stop the eviction. And once the attorney, who worked with her and saw that she was evicted of a romance scam, so we were able to, with alternative resources, resolve it. That the main issues that she remained liable to the bank for that $8000. Despite the obvious red flags that they should not have allowed her to cash that check. So therefore, in developing and identifying best practices to prevent elder abuse. We hope a scenario like this is reflected in those ads practices. I'm aware that some banks do have some withdrawal limits and transaction holds. What it did happen in this case. And as Stephanie mentioned a few minutes ago, this perhaps might have been attributed to a quality of training. So perhaps more emphasis should be made on those front-line training, you know, to the teller. To make sure that they understand and to detect suspicious activity. We could also have stronger emphasis on Mae be placing limits on checks and holding for a longer period of time than the reasonable period of time when it appears that the activity is suspicious as in this case. One review of this consumers account would have reflected that the deposit any withdrawal of $8000 is an unusual activity for this consumer. And also the balance that she had in her account at the time that this happened. But significantly, however, we also want to see if there is some policy or practice that could be identified in a financial institution to ensure that the older consumers, or victims of such a scam, or not been held responsible for the amount that was stolen from the bank. In this particular case, she still was responsible for the $8000, and what the attorney was able to work out with the bank was a long-term reasonable payment plan. She was still paying that back. So there still needs to be some system you know, with the CFPB's recommendation that financial institutions recognize such fraud and such a scam and try to resolve that in favor of the older consumer. Welcome to work with the CFPB on this issue, and if you have any questions, I will welcome them. Thank you.

Thanks, Lorray. Any questions at this time?

I will just start by saying Lorray, you have -- thanks by sharing this story. Thanks for taking the time to talk to your colleagues to gather this information and share this really tragic story with us, because it has so many of the hallmarks of abuse. And from very common scams, including romance scam, and then engaging those involved in romance and victimized by romance scam to infect the money mules. She is going to talk about our work on that, but thank you, and your organization, for the work that you do to help older adults find themselves in this situation. You really deserve this as the safety net to try to protect those consumers and help them to recover when they have been victimized. With regard to romance scams, I just wanted to make -- you probably saw and some the materials that we sent out to you, this is a scam that impacts Americans of all ages, but particularly older adults when they lose more money than other age groups. Close to $10,000 per incident, which can be absolutely devastating. And then, unfortunately, in many cases, they are enticed into serving. As in effect, a money meal. So these are critically big issues for us to educate consumers on. And we spend a lot of time trying to do that, because research shows more that consumers know about specific types of fraud, the more likely they are able to avoid them. So that's certainly -- I just want to make you aware of those resources that have the work that we do in this area. I agree with you, it is a concern in this case, that given that this was clearly an unusual pattern of use by this consumer, it is striking that she was able to make this with this withdrawal, given that she didn't have any resources available, and didn't have the money in her account. I know that this certainly speaks potentially to a training issue in the financial institutions. They have very stringent training on these issues. This certainly sounds like this was the a training opportunity for that situation. But it is a very sad story, and it is one that we work very hard to educate consumers and their family members on so that people can avoid being victimized in this way. We are actually now working with the department of justice on this issue related to them and other means to send money to others. He is going to spend --

We are working with the Department of Justice and other federal agencies on a consumer education effort related to the money meal scams, because we are seeing this as a huge problem that is affecting a lot of older consumers and it just seems to be growing year-by-year. We are planning to relay some new materials on this topic in the coming months. Our outer fraud place mats are a resource that we found being used by all kinds of different stakeholders and all kinds of different ways. And we actually design them originally for use by meal delivery services, but we found that there are all kinds of creative uses for them, and we are planning to release a new place mat on particularly email scams as well as some other resources to help educate consumers about how to avoid these scams, and also to help intermediaries recognize and respond to these scams. And we will certainly keep that in mind as we continue that conversation with other federal agencies on this topic to take a look at what policies or practices might be helpful to encourage financial institutions to implement so that they can ensure that they are recognizing and working these types of situations and addressing them. Particularly in a way that doesn't further harm the consumer. So thank you.

Thanks, everyone. Our next commentator is -- if you have additional questions, please raise your hand in the chat.

Things, Leigh, and thanks Kate, and Deborah, for all the work that you do. I am -- social general counsel based here in Washington D.C. I do want to echo Andres's comments earlier, with banking apps. For my mother during this pandemic, taking advantage of remote deposit capture and banking apps. Now if I can only get her to keep her smart going on so I can actually call her from time to time, that would be great. But I guess you have to start somewhere. And visa, we have developed a series of financial literacy materials to help our bank and clients talk to our outer clients about banking products and personal financial management. So we have updated our money skills to discuss how older Americans should plan for retirement. We have also worked with AARP to involve materials on budgeting and how to manage their debts and protections. But with the debit and credit cards, and what to do in the case with identity theft. We strongly support the bureaus to promote friendly purchases and consumer education materials for older Americans. Just a couple thoughts on kind of areas where it might be good to update your materials, Lorray talked about the scams involving an $8000 checks. I think it is also evolving beyond checks and credit cards and debit cards. Now you've got P2P services and faster payments, so it might be helpful to update the guidance for older Americans to take into account these new payment methods, tips and red flags for pushback, which I realize is not just an issue for older Americans, it is an issue generally for older consumers. It might be helpful to discuss some of the best practices that some apps use, such as confirmation for the consumer to make sure that they intend to go and move forward with the payment. But I think it would also be useful to also maybe discuss with the different protections might be for these different apps. You know, there might be different resolution by spirit might be different rights particularly since you know, faster payment systems tend to be instant and your revocable. So it might even raise more challenges on trying to get compensation back for the defrauded individual. So I will stop there to leave some time for Q&A, but I really appreciate the work that this office does. Thanks.

Thank you. Any follow-ups?

Thank you, very much, for your comments and we are actually focusing on this issue of updating our materials for payment and about payment mechanisms. This world is evolving very quickly, and it's important for consumers to understand some of the differences in terms of the legal protections that are available to them. So thank you, that is very timely, and we are definitely focusing on that area. I'm sorry, Kate. I cut you off. Please proceed.

No, I think you covered it, Deborah. We are excited to hear the Q&A as well.

Thanks so much. So again, a reminder to C.A.P. members. We have about five minutes in this session for Q&A. Does anyone have a question or comment? Please feel free to raise your hand, and we will hold onto you, and if anybody has any questions for us, I will be happy to hear those also. Beverly, it looks like you have one.

Hello, can you hear me? Hello. So I worked for a organization in New Jersey where we have a number of direct services, and we do have a number of older American clients. And so I just sort of wanted to return to the question of security in terms of online banking. We have clients who, for instance, make a mistake and a lot of the companies do not have any kind of customer service. Where the senior can't reach somebody easily by telephone. Many of our clients don't use email. They Mae have a smart phone . Often they are given the smart phones by the children. But they are without a relationship with the institution you know, a face-to-face relationship. They often find themselves very frustrated because they have no means of communicating with the company. They get frustrated, lose their passwords, can't get back on to the app, and there is no recourse for them to reach anyone to get help. And so that is the thing that we are deeply concerned about and just can't assuming that the convenience of a smart phone when the user is able to use it correctly, and when the user, you know, if everything goes well -- which I, you know, it doesn't always go well, but you know, they can. They Mae be able to do it. But even when they have some understanding of how to use a smart phone , they can get in trouble. My mother happens -- she will turn 99 this Friday. And like I think one of the presenters said, his mother can't remember how to answer the phone. My mother can't either. And she gets confused. And she's actually quite lucid. But with these devices, she recently gave someone information that she shouldn't have thinking it was a company that she did have an account with. So I'm deeply concerned and would like to hear a little bit about that kind of security question, and the lack of ability to reach these companies directly. Again, not just for older Americans, but particularly for people who have difficulty working with technology.

Thank you, Beverly. That is something that we are definitely looking at. We have heard a lot of similar complaints and concerns for people who are using especially the P2P apps and who struggle to get any response at all from you know, customer service. And we did issue some tips for consumers on using mobile payment services where we encourage people to use extreme caution when they are sending money to, or receiving money from anyone that they don't know personally and can't confirm. Things like considering having your friend Sarah you a request for a payment first, or double checking before he you pressed send, and understanding how quickly receive your money, or how quickly money comes out of your account when you pay someone. And encouraging folks to set up the apps to require a fingerprint or a pen or a passcode before making the payment. But we know that even with that, and really doesn't stop some of the issues that people have when they do run up against a situation where they are defrauded, or they accidentally sent money. And there is no real ability to get in touch with the company to get this situation resolved. So that is something that is definitely on our radar, and we are definitely going to continue looking at it.

Also just finally verification that the older American wanted the account. We've had instances where a senior has come to us and found out that their child has opened accounts -- you know, in the front aspect of it, but they went on for as long to it actually took to get a mortgage online, without -- in this case, the father, knowing what was going on. And that kind of verification to me seems to be critical in this area.

Absolutely. And thank you for your comments, Beverly. Congratulations to you, and to your mom. You had your mom for 99 years. What a great blessing that is. And one of the things, just to add to what Kate said, and your comment about -- many times the X-Play, the person who exploits the older adult unfortunately is a family member. Or someone who is otherwise close to the older adult. And that makes it even more adult difficult to address these issues. But in many other cases, there is a family -- in most cases there is a family member or some person the older adult can trust. And what we try, one of the things we do in all of our outreach efforts is to try to in encourage older adults who have questions when they don't understand, find a person you trust that you reach out to to validate, to help you work through these issues, so you're not dealing with it alone. And this is especially true during the pandemic. They are more isolated, and so it is really -- I think important to continue to encourage older adults to find a trusted person, whether it is a family member or close friend, and get help when you have a question. Now on the other hand for those of us who have older adult family members and friends, neighbors, who are older, to also try to reach out and be available, and to share information to make sure that older adults are of aware of the kinds of fraudulent schemes that are out there, because there are many, and they are coming at all of us for many different directions. Whether it is a computer, there are many opportunities to be defrauded in today's world.

Thank you. I don't see any additional hands raised, and I do know that we are now at time. I'll just close -- oh, I'm sorry. Margaret? I believe we can go over until 12:50, 3:50. Feel free to jump in, so go ahead.

Thank you, Leigh. I really appreciate it . And in the interest of time, I will keep my comments brief. I think, in a large way, I am underscoring things that other C.A.P. members have shared. But first of all, I would say I am Margaret, the CEO and founder of my path, which is a national San Francisco-based nonprofit that really focuses on the intersection of banking and income for young adults. And we really focus on youth of color for low income communities. So in a sense, it is ironic that I'm, you know, commenting on this friendlier age-appropriate initiative for older Americans, but I think the parallels in terms of what we see happening for younger Americans, I think are just so pronounced in terms of the scams. And I think the example that was shared around, some of the shame in sort of surfacing when that happens, and how things get even more challenging as time passes in terms of the ripple effects of these kinds of scams. So I think the thing that I wanted to put forth is one, it is so exciting to see the thoughtfulness and the care of the presentation and all the ways, creative ways that the staff are thinking about this challenge, and would love to think about this sort of other side of the age continuum and think about this, you know, this set of inking and ideas for folks on the younger age spectrum. But also the second thing I wanted to share was really underscoring what folks have said about the importance of trusted relationships. Especially for the under banked by Paco older adults that are most at risk here. I think the trusted relationships and reaching people through those key kinds of messengers are critical. So I appreciated what was being shared about the quality of training and information that I think, on the flipside of that, the messengers are just critical. And so I think even thinking about some of the -- maybe not so usual subjects, like faith-based organizations, some of the places in social services, agencies that seniors, and in particular Carol BI couple POC seniors are getting into, a great messengers for these tools. So I wanted to share that, and I will close there in the interest of not further reducing the length of our break. Thank you.

Thank you, Margaret. And thank you again, to Deborah and Kate, for our wonderful presentation. I know Kate was resourcing the jet, and I will ask the team to make sure that that gets sent out by email to the C.A.P. members. So again, thank you so much. We will be back at 4:00 PM Eastern time. And after taking a short break, and to dive into the next topic. It will be about 10 minutes.

Are we ready to go?

Yes. Whenever you are ready.

Thank you. Welcome back, everybody, from the last session in the home stretch. Last but not least, it is actually an very important session of appraisal and valuation bias. I will remind you once again that you have received this presentation via email. So we are joined today in this final session by Bureau subject matter experts from the office of -- and office of consumer education. So Tim Lambert is with us today, and Jessica Russell from the markets. And will be leading the discussion, I believe. I am going to hand it over to you.

Great. Well, thank you, so much. I am very happy to be with you all. I know many of you, I think, for one reason or another and -- I look forward to those who I have not met yet. I must say that over the years I have presented a number of times to the C.A.B.. It is one of my most favorite groups to present to because of the level of knowledge and engagement and commitment is so deep in this group. So it is always an rich experience for me. And I hope you benefit from the discussion as well. I have been at the office of fair letting since 2011. So one of the folks who stares at the office. And right now one of the people hoping to lead this particular work stream on appraisal and evaluation. I will walk you through the slides. I think that is supposed to take about 15 minutes. And then we will get to the good part of the discussion, which I think we will have some questions for. So I am hoping somebody can -- great. So I ask you indulgence while I quickly read this disclaimer that this presentation is being made by a CFPB representative, me, on behalf of the Bureau. It is not constitute legal contribution or advice to the Bureau. Any opinions or views stated by me are my own, and Mae not represent the Bureau's views. This document was used in support of a lies presentation, and does not necessarily express the entirety of the discussion. Now with that out of the way, this background I would imagine is very familiar to most all of you. So I'll quickly just tick through some of these points. I think as we are all aware, home ownership is a key building block of wealth. And also that the last few months, the press has highlighted some recent research and news related to appraisal. I think in the pre-reads there was, for example, a press report of a black homeowner who had two appraisals. One for 125,000, another for 100,000 on a house after a white neighbor stood in for a third appraisal. That one came out at 259,000. So there is a lot of interest around this issue. As well talk about more in a moment, it is illegal to discriminate against anyone because of race, and the stage of the mortgage process in regards to a appraisal. There are two potential errors that can be caused. One is the under evaluation error that hurts both the homeowner and the surrounding community. And obviously it helps to drive the racial wealth divide. Particularly, I would say right now because of historically low interest rates. To a degree it serves as an impediment to take advantage of those rates. Obviously, that can be a further drive for equality. Also, over evaluation of homes can put wealth, historically accumulated wealth, at risk, and lead to higher rates of rates of foreclosure. So for all these reasons, it is important to make sure that appraisals are accurate and fair. I'm going to highlight a few things that have been going on in this space in the last few months. One of them, which I will talk more about, is the pave property appraisal and evaluation equity task force that was formed this past summer. And it's the first of its kind. The initiative to address equity in home appraisals acquires the federal system. You see the list of agencies in a moment. Acting director, and fairly hundred director night services the Bureau's senior executive. In addition, back in June, the Bureau held a roundtable on appraisal bias. If you look to our website, we have the video, the entire roundtable discussions and presentations on our website, if you are interested. And so this is a full range of partners and stakeholders across the spectrum. Next slide. So here is some other recent activity. The Bureau is one of the agencies that is currently participating in our agency of rulemaking. For automated evaluation. Not the in person appraisals. And this is a -- amendment that require this rulemaking. And then, in addition, there are some other things that are noted there pick we have a blog post back in July about the priority of the Bureau's giving to this work. And also we have started to partner with the fair housing act authority to do some presentations on this case to the Association of appraisal. That is actually the second presentation that we have, and we are also, in addition to all of this, obviously we are looking to our enforcement supervision, and all of those tools, to see how they can be leveraged in this work. So, we will go to the next slide, which is going to turn over to the legal respective. Equal credit opportunity act. Again, I'm sure familiar to probably all of you, makes it illegal to discriminate in lending. So I'm going to give you just a few dimensions of that. These are the protective characteristics. I think some or all of them are from race, color, national origin, , which includes sexual orientation, gender identity, marital status, age, by the applicant and contract. The fact that are all a part of the advocate income of public assistance program, or if the applicant has a good faith and exercise any right under the consumer credit protection act, which includes Ocala. So this is kind of like an anti-retaliation. And so going to the next slide, just pick up a few of these terms from the statute. The prohibition has again, looking for a creditor from discriminating on a prohibited basis on any axis of credit transaction. You have the definitions therefore credit, creditor, or, in this context, it covers all mortgage lenders, of course. Depositories, not depositories, it covers every aspect of the applicant's dealing with a creditor regarding the application. Put in for an existing credit. If we go to the next slide -- and this is a reminder too, this covers not just consumer credit, it also includes commercial business credit. All credit, basically, is under this prohibition against discrimination. And another reminder that this protects not just applicants, but prospective applicants are -- for credit. And while still on this slide, I will just mention the Bureau operates under three doctorates of liability in regards to what is over discrimination, where they openly discriminate on these bases, prohibited bases. As per treatment, which is when you treat an applicant differently on one of these bases, which does not require a showing of prejudice or conscious intent, but just a difference in treatment, and finally, disparate impact, which is a neutral policy, basically a neutral policy that has an adverse impact on a prohibited basis, unless it meets business need, a legitimate business need, that cannot be achieved by means that are less discriminatory. So going onto the next slide here, is applicability to appraisals. So again, as a reminder, any aspect of the accreditor transactions, includes information, requirements, investigation procedures standards is key here. So, appraisals are an aspect of a credit transaction. And discrimination on a prohibited bases can either be against the applicant, or a neighborhood where the property offered as collateral is located. And so you will see a creditor thus, in certain circumstances, Mae be reliable for relying on discriminatory appraisal. Can you go to the next slide? All right, so just for awareness, the equal credit opportunity act is not the only statute in this area. The fair housing act also prohibits discriminations and appraisals and some citations there. Also to regulations from the potential regulators. Also, I have similar prohibitions as well. Obviously those other agencies will be enforcing and supervising for compliance, but but not the Bureau, but these are more in considerations as well. Next, we will talk a little bit more about -- all right, so this was formed on June 1st, and we had our first principals meeting. Principles of all the member agencies in August. We have here the scope to ensure the government will insight industry act as per their equity, and that in which bias is educating the consumer, and training the practitioner, and ensuring equity and evaluation of high-quality data and comprehensive approach. Our efforts, I can assure you, the Bureau is a very active participant in this group. And certainly a lot of my time currently is spent working with all of the different facets of this task force. So the next slide, just as the leadership of the task force is comprised of, secretary fudge and Ambassador Rice, includes cabinet level leaders from executive departments and additional members from independent agencies. We have 180 days to deliver the final report. Begins at February. Time is moving quickly now towards that goal, and there is a website with some information -- additional information, of the task force. And on the next slide you will see a list of all the agencies, which I will mercifully not read out to you, but it includes all the ones that you would suspect the banking regulators, ourselves, if HFA, along with a number for the federal partners, and then on the bottom, I call your attention to the appraisal subcommittee of the FFI see that has an important as it appears. So in a couple minutes, I think that are remaining for my presentation, I'll just -- we'll take a glance at some of the resources from some of the following slides. What we have is a Bureau. We have the rights brush your for equal credit opportunity act. This is now available in seven different languages. And so obviously, we want to have people have a good use of that to push that out to your different communities. On the next slide, it probably needs no reminder. We have the consumer complaint function on our website. We do receive complaints that relate to appraisal bias. We are currently looking at those to the Bureau on this issue. And then on the last slide, we have a whistleblower. From which we take information. From our supervisory and enforcement purposes. And I think I am coming in right at the 15 minute mark. So that takes us I think, right into our discussion and Q&A.

Thank you so much for that, Tim, and for your excellent time management skills. So, we have several cabinet members that are ready to share. And then we will again open it up.

Can y'all hear me?

Thank you so much, Tim, for that presentation. It also exemplified the thoroughness in all of this I gathered some input on this topic from several community advocacy groups, and it was interesting to hear an agreement on a couple of items that seems like they might be Mae be particularly actionable , and you have touched on a few things that Tim has just described. One of them was raising whether it is possible to make appraisals a topic more clearly selectable within the complaints portal. I went through it last night, and it was not easy to to me to find that information. Some of the advocates a spoke with, they thought there was a diminished chance that consumers would be making complaints without a clear way to do that. And interesting with the syntax that I talked in with mortgage shared that they really seem value without a collection of appraisal complaints, because we might work with an appraisal, but we don't know it generally. It would be interesting to know if there were ever any concerns with selecting an appraiser when working with other financial institutions. And similarly, these folks asked the Bureau to encourage HUD, to also ensure appraisals of the topic on their complaint forms. Their specific recommendations for these housing services in Chicago that I can send to follow-up. The second item was maybe just a general appreciation for work that the CFN B does to educate consumers about the rights in the appraisal process. So maybe ask for more specifically tailored information about that, like the application. To know your rights, document. Specifically the appraisal context, or other ones like that. A third item, also in the vein of helping inform consumers about their rights, in the appraisal process would be to see if through the pay that you described, Tim, that the Bureau could encourage the HFA to command standard appraisal templates to be used, such as the uniform residential appraisal to include in that fine print at the end of what to do if a consumer feels that the appraisal is problematic in some way, and maybe even a link there to the appropriate forms, whether they are at in the Bureau. And lastly, one contact I spoke with called better, suggested that it is very important for the appraisal committee to address training requirements in the appraisal process that represent a barrier to applicants. Ready a doctor was emphasizing you know, how much there was a lack of diversity among appraisers, and I heard a kind of recurring theme that folks felt that there was a little bit of, you know, misaligned incentives where appraisers are able to be gatekeepers for those new appraisers that enter the market, or when they bring new appraisers and, because -- in this sort of apprenticeship structure, they Mae have to share profits with the ones that they are supervising. They are likely to do that to members of their family, or for people that they have a relationship with, and the appraisal industry is vastly white and male. That is going to lead to a continuation. And so an encouragement that they Mae be seen, or to visit those. Thank you.

Thanks, Louis. Tim, any comments or questions on --

Well, first, thank you. That is really valuable feedback. And I'll take back all of those suggestions. I'll note something for your awareness that, with respect to the GSC ease and the 1004 standard appraisal form, and all of the collateral or surrounding and so forth, the if HFA is engaged with the GSC's right now in a multiyear modernization process. Offering the forms for their data collection for everything. I think it was at the end of last year, we put out a request for information, asking for people's comments. On all things appraisal. So I just finished actually reading through them myself. There is a lot of great material there. It is for people familiar with the process, it takes a while for these modernization processes, because it affects an entire industry. And also all the associated data collection. But this is underway. And I think it's one of the things that a lot of people are looking to and obviously the reforms can try for the rest of the market. And so that's certainly one thing that I think we are all watching. And then, I'll just say I think actually this was in a bunch about the comments pick we think a lot of people also focused on this question of the appraisal question in general, question of diversity. What are the impediments right now. You know, how can both industry stakeholders, but also the sole constant Federation agencies have some solutions around that. I will turn to Jessica to jump in here.

Sure. I don't think I have much to add other than to just echo Tim's thanks. It is always very helpful when people come to us with sort of specific proposals or suggestions that are clearly well-research and sort of shopped around with various stakeholders. Because that way it sort of, you know, not just something someone comes up with on the fly, it is something that practitioners who are working with would have seen on a day-to-day basis. It did have one small question, which was sort of referenced. That folks would be interested in if appraisers had prior complaints. And I was curious if you had any insight as to whether there are already sort of existing resources that institutions use, or to what extent they already do that, if any?

The one that I have a conversation with didn't seem to be aware of any resources that was indicated I would be helpful. And they express that they feel like they lack information when they select an appraiser. Whether to base their decision-making on the experience of other institutions individuals of that resource. You know, a related comment about that, they wanted the advocacy groups. This will probably require a little more conversation first, but the suggested that there might be a role for someone like HUD to provide funding to the community organizations. Like never works or the urban league or something like that to either do appraisal DE I work, or to build appraisal teams and services, or to keep lists of appraisers that they have good experiences with. That is something that I think those organizations can consider independently. There might be work for that that might be discussed with interest in those organizations.

That is a really interesting idea.

Sorry, Jessica. Great. So next, we have Andres Navarrete to make a few comments. Andres, over to you.

Thank you, Tim and Jessica , and everybody to detecting and combating instances of discrimination in this field. In many respects, Louis was the perfect set up for my comment, because I really wanted to drill down a bit on this issue of diversity in the appraisal industry. We had partnered with the New York coalition to cause analysis of this work. In their study of appraising a brighter and fairer future, just to put some numbers around the assessment team that was 2018 80. 75% of the field was male, 80% white. And so, in many respects, you know, sort of going back from just the, you know, the analysis of where we are seeing and detecting and reporting instances of discrimination, really trying to get the structural issues that are in the industry that we think could be a focal point for a number of organizations. You know, Louis highlighted some of the findings as to the why of that, which is not only a lack of awareness for communities of color, but and of the appraisal industry, but experience appraisal industry with a special opportunity that you see in any instances that these are small, family-owned businesses. More where the likelihood of having a new entrance breakthrough is greatly diminished. There is also this structure. Again, facially neutral, as quite a bit of disparate impact of the mentoring an apprenticeship programs where you know, folks are asked to partner with experienced appraisers and forging those connections I think, in these communities will be extraordinarily difficult. I do want to highlight the work of the mortgage coalition, because I think they are doing quite a bit in the space to create a BIPOC trace program. So they have now currently 150 to 200 people in a workforce training program, targeted to where this campaign on 40 of those individuals have been selected for scholarships for the appraisal Institute. 20 to 25 of those individuals are a current appraiser, instead of reaching out to those two show the value of wanting to diversify these fields. And so we feel perhaps that highlighting the work of these groups and trying to replicate these models could be you know, a great preventative tool in addition to the tools we discussed.

Thanks, Andres. Tim, any comments or questions for --

Know. First, thanks. Very interesting. Very interesting on both the research, and also the activity in this area. I wasn't making a note of it here. I would just say you know, I think that many of us hear about in our federal agency the past few months, it can be a little skeptical because you know, the larger number of agencies, you feel like the less efficiency potentially that you have. Not to name names here, but I'll just say I'm saying on that, because in this case, I have been very pressed in these paved meetings by not just the level of interest and engagement, but also, there is a lot of creative thinking going on to look at these problems in a multidimensional way. I think the question of diversity with professionals is a great example. I think you will have to wait for the report to see, but you know, certainly when you look down that list of agencies, you see the department of labor, Department of education. There has been lots of engagement with thinking, and the appraisal subcommittee is a role. Also as a funding role as part of their mandate. There has been a lot of interest and collaboration around these ideas. And to think precisely along these lines, let's obviously, as a bureau, we need to kind of detect discrimination and combat it directly. But also you know, there are clauses. So we want to look very careful at how we can think of this problem in a very holistic way to think about trying to meet bigger. They was happening right now, but also thinking much more about how we can address some of the causes.

That is great to hear about this work. Definitely something that I hadn't been aware of, so thank you for sharing. I think it also just -- there is a good interplay I think you're too. When that often you know, appraisers knowledge can be very location specific. In many cases, you know, it is preferred to appraisers that are from those communities and no those communities. And any prison population is not from all communities. It's great to hear.

Thank you. So a bit of a change. We are hoping that cabinet member will be able to join the call. They had sent in a written comment because they weren't sure that she was going to be able to make it today. If she is unable to make a, I will read your comments. But in order to give things a little more time, am just going to switch to the Q&A. And I know that I have already heard from Lori, Lori Goodman, who would like to kick us off with this,. So Lori, I will head over to you, if you could take yourself off mute and introduce yourself.

I am Lori Goodman, I am part of the good director and part of the urban Institute. And I get a couple of remarks in a couple of questions, and a couple of distinctions that I think we absolutely need to make in this discussion. So when you talk about appraisal evaluation bias, there is a number of things that sort of get all jumbled up over the last six months of this discussion. When I think about appraisal bias, I think the difference between where it is appraise, and it selling price. But however the word, the appraisal evaluation bias is also been used to describe the bear difference between what a Homewood so for any white neighborhood, and what Homewood so for in a black neighborhood, or a Hispanic neighborhood. And that is actually a far harder question. So I'm going to have to actually define my remarks to appraisal bias itself defined as the difference between where, you know, between where a home is praised, and where it actually sells for. So probably the most complete study on this was done by Freddie Mac, because there is only a few entities that have the data to do it. And so basically what Freddie Mac did is they looked at 12 million loan applications that came between 2015 and 2020 and looked at the percent of loans that sold -- sorry, that where the appraisal came in less than the sales price. And so basically what they found is that number was 7.54% for white neighborhoods. 12.5% on black neighborhoods, and 15.4% for Latino neighborhoods. They didn't did the same thing looking at applicants, and the percent of homes where the appraisal came in less than the sales price was 6 1/2% for white applicants, 8.6% for black applicants, and 9.5% for Latino applicants. And you know, this was 12 million loans held steady. So you know, there is no question that appraisal bias exists by appraise. I think there's been some work that basically shows that ABMs are pretty much bias. One of my colleagues at urban, Michael Neil did some work on that, and there is no systematic bias in ABMs itself, although the error in black neighborhoods was low, -- the percentage area of black neighborhoods was higher than the percentage error in white neighborhoods, but that error didn't go in one direction or the other. So you know, one thing, one, one conclusion that at least I draw from this is you know, as our ABMs get better, we are supposed to rely -- I mean, I agree with all the comments about that there is a lack of diversity in the appraisal business, but my question to you know, I think is the ABMs get better, and maybe we are supposed to put more emphasis there, but as the ABM models get better, it seems pretty clear that the direction, that the correct direction to go is to rely more heavily on those ABM models. You see that Danny and Freddie are already doing it in terms of their use of appraisal waivers, which, started before COVID and sort of escalated with COVID, but certainly, you know, for the overwhelming majority of properties in this country, the media models give you a fair amount of confidence in terms of what the true selling price of that property is going to be. And when we talk about a direction, I think we have to disentangle the difference between appraisal bias and sort of the more general evaluation differences. And once you do, you know, you sort of see it is the right direction to go in. And I have one more comment, and that is when Freddie did their study, they actually looked at whether there were particular appraisers that seem to be unusually biased. What they found is that the bias was actually pretty pod broad-based and not limited to a few. You can always you know, try to tackle the problem by sort of sending -- by using that data and saying to appraisers him, you know, who were sort of in the bottom 25%, hey, listen, just to let you know, we did a fair number of appraisals in white and black neighborhoods, and here's your appraisal. It sort of seems that there are opportunities to use that data, and appraisal behavior. But it seems like the right answer. And that was really a speech rather than a question, but I would actually love for you guys to react to that.

I will let Jessica go first on that one.

Jessica was already smiling.

Sure. Yeah, thank you, Laurie. I am so glad that you brought up the Freddie Mac study. I completely agree that it is just a phenomenal piece of research. They've done a really nice job, I think, bringing up the questions, and thinking about how to look at and analyze. And as he said, you know, there aren't a lot of entities out there in the world that actually have the data to do that. So I think that was just really powerful. And I noted, I was also excited at the end to see that they sort of committed to building on that research and doing more in the future. So I'm excited to see where else they take it. And so I don't know where they will take it. And so they see more evaluation. And I think also, similarly to you, I think what I took away from that is that there is from that study, clear and convincing evidence that appraisal bias exists, and that it is not the result to serve a few bad appraisers, but rather that there Mae be some broad-based reasons that are leading to that. And I think is the earlier commentary said, maybe while it is there.

So yeah, I think like, I agree with a lot of that. I am not sure if the bureaus are currently in a position to really comment on like, the correct balance of ABMs versus human-based appraisals, but I do think that with studies like that, definitely we are thinking as we look at policies. You know, as you know, we do have an inner agency pool that is in progress about quality control standards specifically. So part of our focus, I think on that, is just really aimed to make good on on that. I was put in 11 years ago, and so I think we are looking forward to that. So I feel like that's a little bit rambling. But definitely --

So is my question. My question. But you know, we sort of talked about improving the appraisal process, and I'm just wondering if we are supposed to have a certain Udo, more widespread use of ABMs, or perhaps certification that the certification process or the ABMs are sort of free bite being able to run a couple of tests which could be done simply and easily until in that direction and said, rather than relying on this kind of human touch that --

Yeah, and my understanding as well on the ABMs, at least with who I have spoken with so far, is that it seems like the coverage, you know, if we were to talk about this, an ago, or even five years ago, the coverage was not nearly as good as it is now. So you are able to get more accurate evaluations under a larger number of properties. I think always, there will be certain pockets where that is difficult. Areas like cruel areas. Were these are difficult. That is true for appraisers and EDM's. But I think there's -- yeah, there is always some need for -- yeah, there is always --

We talked about the racial homeownership.

Yeah, that is fair.

Yeah, so I think at this point, I don't know if we have comments on the right mix, we are definitely I think looking at absolutely at those studies and seeing -- but I guess with that I will kick it over to Tim and see if he has other things to add.

First as a word, thanks, Laurie, for those comments. I can assure you that the Freddie Mac study is of great interest. Not just here to these members. So that research is known in both orbits. I think this is a great question on what they all have as part of the solution here. I will say that setting aside the GSE's, it does from a legal standpoint, present certain obstacles. There are some legal strictures there. Can you elaborate on that a little bit more?

Yeah. As I understand it, and I am no expert, as far as they go, they have more latitude as to the waivers that they get. That's not as true for non-GSE models. So -- and this was all kind of well, this is a legacy of the savings in home prices and prior prices, with which the big problem was that you weren't getting enough appraisals. So what Congress came in to do was to require the support of appraisals and in person appraisals. So we are still working with some of that superstructure today. And I will say also that what we have also seen is that there is a combination of ABMs. So I think there are letters that are starting to run ABMs on the same property. And they had it for appraisal that sets up the opportunity to have a quality check, Mae be that you are suggesting and we can start to take a look at some and quality appraisal and have it across others with what they would say as well.

The other thing I'll also throw out is that the Bureau is very aware of is just the cost difference between the two. You know, they can be run very inexpensively because they skill so nicely and quickly. Whereas appraisals, especially in areas where there are appraisal shortages, can be quite expensive. Have people coming in and telling us anecdotes of appraisal results. So we are definitely also -- the cost, which is --

Thanks so much.

Yeah, and also just, I think as you are aware, the agencies -- raise the oppression -- appraisal threshold -- sort of in consultations.

Thank you so much. And I believe that -- able to join us. So glad that you could join us. If you can hear me, please go ahead and take yourself off mute and introduce yourself. And once you have a moment to respond, we will return it back to the Q&A. So if you don't have a comment, please raise your hand, and we will get to you soon.

Yeah, hi, everyone. I came on a little late today. Just had a conflict. But unfortunately, I can't read my comments that I sent to. So I'm fine if we just read through them. And if there is any discussion, that would be great. You know, I sent them in. If that works for you, that works for me. Shorts from housing finance, I am delighted to be here this year. And a longtime mortgage professional, and also intersection with public policy, and helping kind of keep people in their homes and just have a long history of housing and mortgage finance. But yeah, if you don't mind, those would just be a few helpful things. I can't read in front of me.

Well, no, that's great. I will ready for you, and am glad, because I would not have been able to answer 20 questions about this. We go, and thank you so much for being able to put together all of these comments. And so faith writes that she is engaged with others around -- in the system. Over the past few months, she has discussed with industry, nonprofits, civil rights groups, and some agencies to get their feedback. She is encouraged, but things the information is still unclear to many around. Given the government focus on property appraisal, it is an important issue to continue to have industry players, nonprofits, and government agencies, so that there is no momentum to move the dial. My recommendation is that the housing finance industry adapts as is needed to heighten quality of control and quality changes into action. After the Freddie Mac study went out, it was a stunning reminder that systematic issues with under evaluation in our communities. They are as follows -- the suffering look programs for undervalued defined as greater than 50%, minority and -- this which in a spotlight on under evaluation and quality review of the appraiser evaluation. There should be a systematic approach throughout the industry when they say they have a second program. For example, what data should we analyze public data as well. Announced problematic changes to control trying to spotlight on these areas and it is standard to have these kind of quality assurance. In communities of colors, and any further under evaluations that you are seeing. Monitoring the scorecard on appraisers. To make problematic changes and vendors on this issue. Make sure information is independent, and make sure authentic use of tracking and reporting. Products and other feedback along the way. The next recommendation is unconscious bias training. When an industry is the price of the outcome of a study, at this case, the Freddie Mac study, it suggests that we need more attention unconscious bias training. As is true with most industries, we need professional, and informed conscious by strain. The appraisers, lenders, and realtors in this profession. This is a high priority. The Freddie Mac study concludes that there is a consistent undervaluing. This limits wealth building. As well as generational transfer of funds. It gives us opportunities to refinance, take advantage of these rates, and lenders, realtors -- the next recommendation is tech and data -- many organizations, and is been migrating to evaluation business. An independent scan of adjusting digital footprint regiments of clients information, and abuse from all rooms allows the appended much of the state of need to focus on the ground. The appraiser is not going into the neighborhood. The decision-maker appraiser will receive data and pictures without equipment. This is a responsible way to leverage advanced technology to help make changed influence higher quality outcomes. In the event that they wish to go to have an appraiser onside, it would also help if trainees could go to helping new drivers trainees to get their hours of certification to be an appraiser. That was a great suggestion for an appraisal. Leverage independent source data. No human touch or interaction, so independence could validate such. Tech continues to keep costs low, but improves the information flow for evaluation of her property, and also helps the downstream with 60 degrees scans of each room, in case there is evaluation. This also helps with understanding the information is used it to make a decision, and what information was used for the file. It controls for bias in the system. Data is very important to get right, and independent information and streamlining the process is continuing did help drive productivity and remove subjectivity in the process. Faith goes on to list some concerns. All of this focus on the appraiser, quality assurance, scorecards, et cetera, will potentially be offputting to the appraisal world. And we know not all appraisals are wrong. There will be higher -- there will be initial higher cost of this process from higher level of QA. While the markets are racing today, so there are more bones coming in under value. The systematic objective review is so important to have in place to eradicate any challenges that could lower evaluations. We do not want to risk over evaluation in this process. So it will take an assessment and a second look at the program. Fourth concern, appraisers Mae not want to take the assignments in low income and minority neighborhoods if they are thought to be racist or not doing a good job. We need to have trusted partners to lead the way on this issue in the industry. Offering stronger tools, resources, and education of policy updates will assist in this area. And fifth, we need to avoid putting pressure and distrust into the system. Moving the dial here should be done with grace and intentionality. Making sure we has an industry will be right to eradicate the bias in an evaluation. Stakeholder should engage with the objectives. Data collection and scorecards will help manage this effort, finding a way forward with industry, nonprofits, government and stakeholders, to collectively in roof and focus on this issue will be very important to create an immediate effect. Faith, I hope I did your comments justice, and I will hand it back to you to elaborate on it.

You have a much better delivery than I ever will with that, so thanks so much.

But yeah, I mean I really think shining a spotlight on an issue, we have changed the industry many times with a spotlight. And while I hear the ABM recommendation, I am not sure where Ike fall out on that, because I think having the inside out digital footprint is also important to an ABM. Like, with an ABM, so that you really understand the property. But I guess you know, if you want a shot in quality assurance spotlight on something, and the world knows you were watching, it will improve. He will move the dial. And you know, making that part of a quality controlled, you know, effort, sooner than later is just going to start to keep that spotlight on and keep your thumb on something. And don't move it. And then continue to learn and get feedback and offer feedback and eliminate you know, poor actors and it feels like certainly one opportunity for the in ministry to do better. But that was just my thinking, so --

Tim or Jessica, any thoughts on that?

Waiting for you, Jessica. If you have nothing, I'll jump in with something.

Feel free, feel free.

I just -- you made great points there, and really appreciate the thoughtful comments. I'll just tag on to that to say certainly one thing about the Bureau's work is that this area will be data-driven. So we are very interested in looking at the data sets that we can use to combine them. The maxillary shows that a lot can happen through that. So we are interested in the trends and understanding causes, and then we are also of course interested from the supervision enforcement perspective, looking for understanding, and you know, where is it that we could actually focus our resources under compliance resources to make a difference.

Thank you so much. So any C.A.P. members, we have about four, five minutes left. Left for Q&A and her discussion. Stephanie, I don't want to pick on you, but I did see that you have your hand up. It is not up anymore. Just wanted to check and see if you had a question, or if anyone else had any questions. Okay. Stephanie is good. Thank you. Okay. Well, thank you so much, Tim and Jessica. Any positive quotes from you, or any requests for additional feedback or engagement?

I'll just say, I mean, this work for us is just really at the beginning right now. So we anticipate this to be a priority for the euro. I think that they will be a lot of opportunities for engagement with you and others as we put more flesh on these bones, and as it goes through and makes its recommendations. So I think there is going to be a lot of activity in this area. We look forward to continuing with this engagement.

Thank you. Thank you both very much for your time.

I would actually love to hear more about this as you progress and it progresses. I would love to have another opportunity to engage on this issue further down the road.

Thanks, Laurie.

Absolutely. I was happy to -- yeah, and I would just -- you know, we are definitely in an information gathering stage in many ways. So if -- and I think at this point, we are familiar with a lot of studies and recent reports. But if you, you know, here interesting innovations in ways that institutions you work with are other stakeholders that you work with our thinking about appraisal bias, or testing, or otherwise engaged in this effort, definitely feel free to pass those on. We are always looking for that.

Thank you. Well, with that said, I'll call time on this particular agenda item. I think everyone so much for such a great day for discussion and engagement. I will just -- and by saying you know, I'm just so impressed. I'm thrilled to be part of such a wonderful group of experts. I am particularly struck how many people went out and sought information from colleagues and others that maybe the topics weren't their particular area of expertise, but really took the time to go out and learn and to become educated around these topics that we could all participate and engage in the conversation. One observation I'll just share quickly before we close is really against the pros and cons, positives and negatives of technology that we kind of ran through every discussion that we had today, whether or not it was around the small business lending, age friendly banking, bias and appraisals, and so many more, and just seeing the hearing, or witnessing the back of the board where there is a benefit, and where this would not be of benefit, and just for us to keep in mind justice C.A.P. members as we continue to engage in these conversations and think about, you know, specific populations, and how they might be impacting differently by some of these emerging technologies for better and for worse. I am sure that this will be a topic in the future. So I am going to -- with that, we are on time. And with that, I would like to adjourn today's call. I hope you all go on to enjoy your evening, or your afternoon. And I look forward to connecting in the coming months. So thanks again, to everyone. I also want to say thanks to Manny, and Kim and Kim and Crystal, and all of the other people who played such a great role, as well as the presenters today. Manny, with that said, I will adjourn the meeting and handed back to you for a class comments.

Thank you so much, Leigh, and they do so much for everyone, C.A.P. members, Bureau staff, for joining us today. And with that, we can give back two minutes. Tracy, we Mae disconnect at this time.

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