Talking Points
Taskforce Public Hearing
July 16, 2020 Meeting via WebEx
Washington, DC
Comprehensive Version

Thursday, July 16, 2020

3pm–5pm	**Taskforce Public Hearing**

3:00pm – 3:30pm	**Welcome** • **Matt Cameron, Assistant Director** • **Director Kraninger** • **Todd Zywicki, Taskforce Chair**

3:00pm–3:05pm	**Taskforce Staff Director and Assistant Director for the Office of Stakeholder Management, Matt Cameron Speaking**

- Good afternoon everyone. Thank you for joining today's public hearing with the CFPB Taskforce on Federal Consumer Financial Law. We wish we could all be together, but we're pleased so many of you have been able to join online and by phone.

- My name is Matt Cameron and I serve as the Staff Director for the Taskforce on Federal Consumer Financial Law and Assistant Director for the Office of Stakeholder Management.

- Today the we are going to hear from five economic and legal scholars on a wide range of topics in the consumer financial protection field.

- Thank you to the members of the Taskforce and our distinguished panel of experts for being with us. We are thrilled to have such a wide range of viewpoints that will help inform the recommendations that the Taskforce will submit to the Director early next year.

- In a moment I'm going to turn the stage over to Director Kraninger, but first I'd like to briefly share the format of today's hearing.

- The Director will share a background on the Taskforce, why it was created, and some of the types of recommendations the group will make. Then Taskforce Chair, Todd Zywicki, will briefly introduce the members and panelists before discussion the status and structure of the groups work.

- Then the majority of our time will be spent hearing from our panelists. The Taskforce members will introduce five topics then direct an opening line of questions to one of our panelists. We have just over 10 minutes per topic to afford time for other panelists to share their thoughts on each topic. At the end of the meeting each panelist will be given five minutes for closing remarks.

- Discussion prompts and questions that will be asked are available on the event webpage, and Todd's remarks will be accompanied by a short PowerPoint that you can view via WebEx.

- With that, I am now pleased to introduce Director Kraninger.

- Director Kraninger became the second confirmed Director of the Consumer Financial Protection Bureau in December, 2018. From her early days as a Peace Corps volunteer, to her role establishing the Department of Homeland Security, to her policy work at the Office of Management and Budget (OMB) to the CFPB, Director Kraninger has dedicated her career to public service and it is my privilege to welcome her to today's meeting.

- Director Kraninger, the floor is yours.

3:05pm–3:10pm	**Director Kraninger Speaking**

- General opening: Thank Matt, the public for joining, those who helped make the event happen, the Taskforce members, the panelists.

- The Taskforce on Federal Consumer Financial Protection is inspired in part by an earlier commission established by the

1968 Consumer Credit Protection Act, which in turn established the National Commission on Consumer Finance (NCCF).

- The NCCF was chartered to conduct original research and provide recommendations relating to the regulation of consumer credit; and the data, findings, and recommendations from the Commission were all made public.

- The report led to significant legislative and regulatory developments in consumer finance. That report remains a landmark in the development of modern consumer credit research and regulation.

- Since the publication of that report nearly 50 years ago a lot has happened. Decades of advancements and innovations have occurred in the financial services industry – and the federal government as well as the states, have worked in piecemeal to try to address the rapidly evolving landscape. Additionally, the Legislative Branch has also modified statues, which has created some overlapping jurisdictions between Federal regulators as well as State entities.

- Given that the Bureau having established itself and the time since the NCCF made its historic recommendation, now is the right time to have a Taskforce conduct a holistic view of the Federal consumer financial protection landscape.

- When I created the Taskforce, I instructed that this report should not be an industry Wishlist of recommended changes. The recommendations in the report should be able to stand the test of time. I have asked the members to project into the future on what the state of consumer finance will look like 10-15 years.

- It is vital to consumer financial protection that the Bureau is looking into questions such as 'how can we anticipate changes to ensure rules are written in a manner than protect consumers over time' or 'what elements of Financial Technology (FinTech) should the Bureau be aware of in our mission to both protect consumers while not inhibiting innovations that can are helpful to consumers'.

- Tactically, their report should propose a series of recommendations. The rrecommendations might take the form of referrals to Congress for legislative action, suggestions for changes to existing regulations, writing of new regulations, ideas for new systems of coordination between federal regulators, promotion of new federal-state working relationships, or identification of subjects in need of further research.

- Each of these recommendations should have strong arguments, supported by research and deliberations of alternative considerations. And since these recommendations are being developed as independent from Bureau stances or influences, I am going to leave this meeting in a moment.

- Thank you all again for attending, and thank you, Todd, for serving as the Taskforce Chair. You and the entire Taskforce have spent your careers to improve markets for consumers. We are thankful for your service. And, thank you, to our guest panelists. Todd, the floor is yours.

3:10pm–3:30pm	Taskforce Chair, Todd Zywicki Speaking

- Thank you, Director Kraninger.

- Good afternoon, everyone. Thank you for joining the CFPB Public Hearing hosted by the Taskforce on Federal Consumer Financial Law.

- My name is Todd Zywicki. As you heard, I serve as the Chair of this Taskforce. I am also Professor of Law at George Mason University (GMU) Antonin Scalia Law School, Senior Fellow of the Cato Institute, and former Executive Director of the GMU Law and Economics Center.

- I am going to keep my comments brief but will provide a short background on what the Taskforce has been up to since the body was formed in January; why this work is important, and then some of our goals for today's hearing before we get started.

- Before that, I would like to thank our members of the Taskforce for their dedication to this helping the American consumer, and to introduce the members of our panel.

- I am joined on the Taskforce by Jean Noonan, Bill MacLeod, Tom Durkin, and Howard Beales.

- Each member of the Taskforce has committed their career to improving the health of America's financial system and consumer protection. As part of our mandate, we are leveraging our combined 150 years of professional experience as well as the extensive expertise that exists within and outside of the Bureau. On behalf of my colleagues on the Taskforce, it is an honor to be asked to serve the American consumer through this initiative.

- PANELIST INTRODUCTIONS

  1. Vernon Smith
  2. Vicki Bogan
  3. Mehrsa Baradaran
  4. Tbd
  5. Tbd

- As Director Kraninger mentioned, the Taskforce is in part inspired by the National Commission on Consumer Finance. The NCCF was established by the Consumer Credit

Protection Act in 1968. It was created to conduct original research and provide Congress with recommendations relating to the regulation of consumer credit.

- The Commission's report contains original empirical data, information, and analyses—all of which undergird the report's final recommendations. The data, findings, and recommendations from the Commission were made public, and the report led to significant legislative and regulatory developments in consumer finance.

- Similarly, this Taskforce will examine the existing legal and regulatory environment facing consumers and financial services providers and will publish a two-volume report of our findings and recommendations.

- The first volume the Taskforce's report will provide a historical overview of consumer financial protection laws, analyze costs and benefits of financial products and services, outline redundancies and gaps in the current regulatory framework, and assess the current state of the laws and their influence on consumers and the marketplace.

- The Taskforce will use the insights gained to develop a second volume that will include a set of recommendations for the Bureau on ways to improve and strengthen the application of financial laws and regulations.

- All of this activity is centered around the underlying principle of strengthening consumer protections in the financial marketplace, in accordance with our statutory mandate.

- We are committed to ensuring the public can inform our work, through transparent and inclusive engagements. To help scope our work, we held a listening session with representatives from various consumer advocacy and trade groups. We also issued a Request for Information (RFI) and reviewed comments from prior information submitted by the public, such as responses to the Call for Evidence RFIs the Bureau issued in 2017. In the future, we plan to engage with our state and Federal regulatory partners as well as the Bureau's Advisory Committees in the Fall.

- The insights from today's public hearing will serve as a guidepost for the recommendations that we will ultimately share with the Director. Our intention is to hear from each panelist, and not to share our viewpoints or thoughts on these topics.

- On that note, we are excited to hear from the range of experts today. We are eager to discuss opportunities that will strengthen our Nation's marketplaces and improve the protection of her consumers. So, again, thank you for coming.

- With no further ado, Tom, would you like to get us started?

3:30pm–4:30pm	**Taskforce Question and Answer with Panelists**

3:30pm–3:42pm	**Taskforce Member, Tom Durkin Speaking**

- Thank you, Todd.

- We will have approximately 12 minutes per topic, so we will open by directing questions to specific panelists and then allow other panelists to join in the conversation. The members of the Taskforce will chime in to request clarifying statements or to transition us to the next topic.

- The first topic is on the legal framework of consumer protection. Consumer financial protection is promoted by a framework of laws, regulations, decisions, directives, regulatory policies, guidelines, recommendations and procedures made by numerous state and federal regulatory organizations.

- Dr. Smith, are there areas in which existing consumer protection laws are inadequate or need to be strengthened to ensure consumers are adequately protected? Likewise, how can the Bureau use its regulatory tools of rulemaking, enforcement, supervision, and education effectively to maximize consumer welfare?

DISCUSSION UNTIL 3:42PM

3:42pm	Taskforce Member, Howard Beales Speaking

- It is time we continue the conversation to discuss consumer information and education. Financial mobility and empowerment are enhanced by increases in formal education, financial education, and consumer choice. This is particularly true with vulnerable and protected populations.

- Professor Baradaran, what actions can the Federal government take to enhance financial mobility? Do you think that providing information for consumers in disclosures are adequate for protecting consumers? How should disclosures be updated for the electronic age?

DISCUSSION UNTIL 3:54PM

3:54pm	Taskforce Chair, Todd Zywicki Speaking

- Let's move on to discuss inclusion and access. Access to credit is a driver for wealth creation, so it is important that all consumers have access to financial products and services.

- Professor Bogan, are there regulatory issues that should be addressed at the federal level to promote greater access to consumer financial products and/or services to underserved or unbanked individuals? What do we know about why consumers are outside the financial system? What do you think are the primary barriers to inclusion, and what public policies would reduce them? And how do potential new entrances (e.g. Fintechs or traditionally non-financial companies) play a role to increase inclusion?

DISCUSSION UNTIL 4:06PM

4:06pm	**Taskforce Member, Bill Macleod Speaking**

- Thank you all for those insights. We want to turn the discussion to competition and innovation. In competitive marketplaces there are typically abundant producers competing to provide consumers with the goods and services needed, and no single producer or consumer can dictate the market. Technology has led to rapid changes throughout the economy, and financial technology (or "FinTech") has led to the development of new financial services and nontraditional financial service providers.

- Professor _____, are there markets where competition is not effective as it could or should be? Are there financial

markets where competition does not create beneficial outcomes for consumers? What conditions are limiting competition among financial institutions responding to consumer needs? Are there restrictions, legal barriers, or any other factors that limit financial service organizations providing services to consumers? And finally, what trends in FinTech are you seeing today? What studies or regulatory reforms are needed to protect consumers while enhancing competition over the next ten to fifteen years?

DISCUSSION UNTIL 4:18PM

4:18pm	**Taskforce Member, Jean Noonan Speaking**

- It looks like they saved the best for last. Our last topic is on regulatory modernization and flexibility. The development of the national economy of consumer finance led to the growth of consumer protections in the 1960s-70s. This was the impetus for the National Commission on Consumer Finance that the Director mentioned earlier. Today consumers shop for and use financial products differently than at that time.

- Professor ___, how do we protect consumers from new threats while enabling providers to develop new and better ways to serve their needs? Also, the pandemic highlights the need to ensure the Federal government can quickly adjust and provide regulatory flexibilities. How do we create a system that is responsive to acute market disruptions (i.e.

9/11, the 2008 financial collapse, COVID) while providing a stable regulatory framework for consumers?

DISCUSSION UNTIL 4:30 PM

4:30pm – 4:55pm	**Panelist Comment Period, 5 Minutes per Panelist**

4:55pm–5:00pm	**Director Taskforce Chair, Todd Zywicki Speaking**

- Thank you (LAST PROFESSOR'S NAME) and thank you to all of our panelists for your participation today. Today's discussion has already made me anxious to get back to work and incorporate many of the great ideas we've discussed today.

- I'd also like to thank everyone who joined us online or by phone. Please be on the lookout for our next public engagement, which will be in the fall.

- This concludes today's public hearing.

END EVENT, 5pm, July 16, 2020