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, we are going to hear from five economic and legal scholars on a wide range of topics in the consumer financial protection field. Their feedback today, will help the

Taskforce as it works to produce a set of recommendations to the Director early next year.

- Thank you to the members of the Taskforce and our distinguished panel of experts for being with us. We are thrilled to have such an array of viewpoints.

- I'd like to briefly share the format of today's public hearing.

- First, we will hear from Director Kraninger. Then Taskforce Chair, Todd Zywicki, will briefly introduce the members and panelists before beginning their discussion.

- Then the majority of our time will be spent hearing from our panelists. At the beginning of the meeting, each panelist will deliver opening remarks, and then 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, which will provide time for all the panelists to share their thoughts on each topic.

- As a reminder, the views of our panelists are greatly appreciated but they do not represent the views of the CFPB. You can find more information about the Taskforce and this public hearing on our website at consumerfinance.gov.

- 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**

- **DIRECTOR REMARKS TO BE CLEARED SEPERATELY BY COMMS**

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 introduce the members of the Taskforce and 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, and each has a record of public service.

- I will avoid what could easily become a very long introduction by just sharing a few highlights of each of our members commitment to public service. Bill and Howard are former Directors of the Bureau of Consumer Protection at the FTC;

Tom was a senior economist in the Division of Research and Statistics at the Federal Reserve Board; and Jean was both Associate Director of the Bureau of Consumer Protection at the FTC and General Counsel of the Farm Credit Administration, which supervises the nation's agricultural and rural lending cooperatives.

- 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, it is an honor to be asked to serve the American consumer through this initiative.

- We are also joined by a very distinguished panel of experts, and we look forward to hearing their views as their expertise will surely add to the recommendations that the Taskforce will develop.

- It is my honor to introduce Prof. Vernon Smith. Professor Smith was awarded the Nobel Prize in Economic Sciences in 2002 for his groundbreaking work in experimental economics. Dr. Smith has joint appointments with the Argyros School of Business and Economics and the Fowler School of Law, and he is part of a team that has created and will run the new Economic Science Institute at Chapman.

- Joining Prof. Smith is Prof. Mehrsa Baradaran. Prof. Baradaran is associate dean and a professor of law at the

University of California, Irvine. Baradaran is the author of The Color of Money: Black Banks and the Racial Wealth Gap and How the Other Half Banks: Exclusion, Exploitation, and The Threat to Democracy. Her research focuses on financial inclusion, racial inequality, and banking regulation.

- Next Dr. Vicki Bogan. Prof. Bogan is an associate professor of finance in the SC Johnson College of Business at Cornell University. She is founder and director of Cornell's Institute for Behavioral and Household Finance which studies investment decision making behavior with the goal of shedding light on how to better model financial behavior and inform related policies and regulation.

- Finally, Dean Marcus Cole is a leading scholar of the empirical law and economics of commerce. His research has explored questions such as why corporate bankruptcies are increasingly filed in Delaware and what drives the financial structure of firms backed by venture capital. He was appointed as Notre Dame Law School's dean in 2019 after serving for 22 years as a faculty member at Stanford Law School, where he held two endowed chairs and taught courses in the areas of bankruptcy, banking, contracts, and venture capital. Dean Cole's extensive legal and scholarly background includes serving as a national fellow at the Hoover Institution, a fellow at the University of Amsterdam Center for Law and Economics, and a visiting professor at several institutions around the world. He has served in numerous advisory roles for government agencies and nonprofit organizations, including as a member of the U.S. Court of Appeals for the Ninth Circuit's Bankruptcy Judicial

Advisory Committee and as a board member of Businesses United in Investing, Lending and Development (BUILD).

- We extended an invitation to a couple other panelists who were unable to join us. We regret not being able to hear their views but thank you to each of our panelists for agreeing to share your expertise and perspectives with us today.

- So, what is the Taskforce; why does it matter; and what is this panel helping us do today?

- As Director Kraninger mentioned, the Taskforce is in part inspired by the National Commission on Consumer Finance, which 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 cover five key topics regarding financial products and services, that we will discuss with our panelists in a moment. Those topics are a few of the topics are a review of the legal framework of consumer protection; consumer information and education; competition and innovation; regulatory modernization and flexibility; and inclusion and access to financial products and services.

- 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, I would like to begin today's meeting by turn it over to the panelists for opening remarks. Prof. Vernon Smith, would you start us off?

3:30pm – 3:50pm	**Panelist Opening Remarks, 5 Minutes per Panelist** • **Prof. Vernon Smith** • **Prof. Mehrsa Baradaran** • **Prof. Vicki Bogan** • **Dean Marcus Cole**

- *In between each speaker, Todd will thank the panelist and introduce the next one.*

3:50pm–4:55pm	**Taskforce Question and Answer with Panelists**

3:50pm–4:05pm	Taskforce Member, Tom Durkin Speaking

- Thank you, all, for the insightful remarks. Now we'd like to ask a few questions on specific topics. We will have approximately 12 minutes per topic, so we will open by directing questions to specific panelists and then allow others to join in the conversation. Prof. Zywicki will call on panelists to be heard, and 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.

- Dean Cole, 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 4:05PM

4:05pm	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 Bogan, 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 4:19PM

4:19pm	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 Smith, a few of the things we are thinking about are whether 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 4:31PM

4:31pm	Taskforce Chair, Todd Zywicki Speaking

- Okay, it is time to move the discussion to 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 Baradaran, 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 4:43 PM

4:43pm	**Taskforce Member, Jean Noonan Speaking**

- Our final 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.

- I would like each of our panelists to take 3 minutes to share their thoughts on the following questions. 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, or COVID) while providing a stable regulatory framework for consumers?

DISCUSSION UNTIL 4:55PM

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

- I regret that we are running out of time. Thank you to all our panelists for your participation today. This discussion has already made me anxious to get back to work and incorporate many of the great ideas we've discussed.

- 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