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CFPB Inquiry Could Mean Big Changes For Data Aggregators

Digital records are giving consumers **tremendous new opportunities**, Richard Cordray, director of the Consumer Financial Protection Bureau (CFPB) told participants attending a field hearing in Salt Lake City on Thursday, but there are also a lot of questions about their access to those records and their safety.

Cordray told his audience that CFPB is launching an inquiry into the digital records issue, opening a **90-day period of public comment**. The results will be used to assist, "market participants and policymakers to develop practices and procedures that enable consumers to realize the benefits associated with safe access to their financial records, assess necessary consumer protections and safeguards, and spur innovation."

The digital records CFPB is concerned about are financial ones. Whenever consumers make deposits, withdraw funds, or make payments using their various financial accounts, they leave a digital trail that becomes part of their financial record. Cordray said this data can provide **enormous insight**, empowering consumers to make decisions and improve their financial lives as well as enabling great efficiencies. He said that where once a consumer might have lugged a shoebox of information to a loan officer or financial advisor, today they can just provide those individuals with access to relevant digital records.

FinTech **companies are responding** to this by providing a growing number of websites and mobile applications that, for example, help consumers monitor relationships with multiple financial institutions in one place, allow them to make spending decisions and manage their money while on-the-go, or spot spending patterns and possibly make beneficial changes.

Cordray says access to digital financial records can be **especially important** to consumers who lack the credit history or a score that accurately reflects their creditworthiness. Creditors with access to their records may be able to extend credit at a fair price.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.51%	+0.08	0.00
15 Yr. Fixed	6.90%	+0.05	0.00
30 Yr. FHA	6.99%	+0.07	0.00
30 Yr. Jumbo	7.67%	+0.04	0.00
5/1 ARM	7.55%	+0.05	0.00

Freddie Mac			
30 Yr. Fixed	7.17%	-0.27	0.00
15 Yr. Fixed	6.44%	-0.32	0.00

Mortgage Bankers Assoc.			
30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 4/30

Recent Housing Data

		Value	Change
Mortgage Apps	Apr 24	196.7	-2.67%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

These benefits often depend on the access consumers can authorize and Cordray said there are **data aggregators** or account aggregators who collect information from other providers and consumers who often have no idea how this works. Congress provided the right in the Dodd-Frank Act for consumers to have access to their digital account information including transactional information including "costs, charges and usage data" made available in an "electronic form. Rulemaking authority over this issue lies with the Consumer Financial Protection Bureau.,

As the technology develops there are many **unanswered questions** about how digital information is being shared, by and to whom, and how safely and, as with any emerging industry, Cordray said, CFPB is hearing about some bumps in the road. FinTech companies, financial institutions, and consumer groups, are reporting on the various challenges, risks, and technological obstacles to further progress in this area.

CFPB's inquiry will address **three specific issues**. **First**, what is happening right now, especially the extent to which consumers are authorizing access to their financial records? **Second**, the Bureau wants more insight into the process for sharing; whether it is or can be made safe, and what assurance consumers and providers will have that it is. The **third** issue is transparency and how much control consumers have over their own financial records. "Our main goals are to encourage innovation that promotes opportunity and to protect consumers as these new and promising technologies continue to develop," he said.

If financial institutions that house digital financial records make it difficult or impossible for consumers to authorize access or share their information, that blocks opportunities for consumers to benefit from this information. It could thwart new entrants from entering the market with consumer-friendly products and services, even those not currently being offered by the financial institutions themselves. And without the pressure of competition, it could also **reduce incentives** for financial institutions to innovate on behalf of their own customers. Blocking access to a customer's records makes it more difficult for that customer to shop for an alternative provider with more favorable pricing. No company should be able to hoard customer information in order to deprive consumers the benefits of fair market competition.

Cordray said the Bureau wants to **hear more about the operational concerns of banks**, credit unions, and others that house this information. Does the sharing of financial records impose burdens on staff time or other resources? Are there legitimate concerns that the number and frequency of these requests could overwhelm the servers at financial institutions?

The Bureau is also seeking more information about competition between established financial institutions and prospective entrants to offer new financial products and services. Are there technological or other obstacles that may be hindering access and use of digital records?

The second area of concern is that access and use must be **safe**. Customers should know that their financial records are secure and that they will not fall into the wrong hands. Financial institutions should be confident that they will not be exposed to unauthorized or fraudulent transactions because of their efforts to provide access to customer information.

Some financial institutions have suggested that providing such third-party access can create significant operational risks and could undermine account security. There may also be complexities around privacy protection and the assumption of liability for breaches that can occur whenever data is being shared.

Cordray noted that not all third-party service providers that access records are created equally. Some have more robust safeguard in place than others and the differences may create difficult challenges. Scammers and fraudsters pose problems here too, as they do in virtually every market.

	Value	Change
Builder Confidence	31	+6.25%
Mar		

CFPB's inquiry seeks more information about **how financial records are obtained, stored, and used** by third parties and it wants to hear from all relevant stakeholders - including consumers, financial institutions, information users, data aggregators, and technology providers - about options to ensure that consumers can safely access, use, and share digital financial records. "One thing we know for sure", Cordray said, "is that the technologies are developing rapidly, and it seems likely that workable solutions will emerge (if they do not already exist) to enable information transfers to occur smoothly and safely. Through our inquiry, we are aiming to understand this process better and to prod it along as we can."

Third, the Bureau wants to make sure that the access and use of financial records is **transparent** and that consumers can direct the sharing and use of their personal financial data. Safe access is not enough; the Director said, consumers must be able to control how each company that accesses their records will use that information to benefit them.

Consumers should be able to dictate exactly what access to their accounts means; what information can be shared, how frequent can the access be, and how long it will last. They should be able to terminate access on their own terms.

Cordray said CFPB wants to better understand what is happening here and now, but its sights are set firmly on the future and will not sit passively by watching technologies develop. It will keep an eye out to protect consumers while encouraging providers to innovate and open more opportunities for them. While the natural reaction may be to shore up fortresses around consumer information, he concluded, there could be significant business opportunities from sharing information more readily with new financial innovators.

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Jeffrey Chalmers

