NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS

Statement for the Record on Behalf of NALCAB, the National Association for Latino Community Asset Builders
"Consumer Financial Protection Bureau: Ripe for Reform".

U.S. House Committee on Financial Services, Subcommittee on Financial Institutions and Monetary Policy.

March 9, 2023

The Honorable Subcommittee Chair Barr
Committee on Financial Services
U.S. House of Representatives

The Honorable Subcommittee Ranking Member Foster
Committee on Financial Services
U.S. House of Representatives

Chair Barr, Ranking Member Foster, and distinguished Members of the Subcommittee, NALCAB, the National Association for Latino Community Asset Builders appreciates the opportunity to submit a statement for the record for the hearing entitled, "Consumer Financial Protection Bureau: Ripe for Reform."

NALCAB is a U.S. Treasury-certified Community Development Financial Institution (CDFI) that represents and serves over 200 diverse nonprofit community development and asset-building organizations across the country. Over half of our members are lenders, more than 50 of which are certified CDFIs. These organizations uplift Latino communities by strengthening access to quality affordable housing, safe financial products and services and the ability to start and grow successful businesses. Many of the people served by the NALCAB Network are low- to moderate-income individuals who are first- or second-generation immigrants. We applaud efforts by the Subcommittee to examine safeguards for consumers and submit these comments in strong support of the Consumer Financial Protection Bureau (CFPB).

Since the CFPB was established in 2010 by the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) it has been key to promoting the financial inclusion and the safe participation of Latinos in the U.S. financial services marketplace. The law increases accountability in government and by consolidating consumer protection authorities to a single entity it helps ensure consumer financial markets work for all people. The CFPB does this by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

Latinos are disproportionately targeted with predatory financial products such as payday loans which are utilized amongst Latinos at almost double the rate than that of the White population.[i] Payday loans are small dollar loans that are dependent on a consumer's inability to replay the loan. The CFPB's own research has found that most of this industry's revenue came from consumers who could not afford to repay their loans, with most short-term loans in reborrowing chains of 10 or more. One-in-five payday loans ended in default, even including periods of reborrowing.[ii] Predatory practices like this keep consumers in a cycle of debt they are unable to free themselves of. The CFPB has been critical to reigning in such practices and strengthening asset building opportunities for Latinos. Since its creation, the CFPB's enforcement and supervisory efforts have resulted in over $14 billion in relief to consumers with millions going directly to minority consumers. [iii]

Additionally, according to the 2017 American Community Survey, approximately 25.9 million individuals in U.S. are considered Limited English Proficient (LEP) – meaning that they do not speak English as their primary language and have limited ability to read, write and speak in English. Approximately 64% of the LEP population speaks Spanish. Families of color, including LEP individuals, face barriers to access in the mortgage and credit markets, as well as a lack of adequate oversight and enforcement to protect their rights in the financial marketplace. Practices such as redlining has prevented many Latino households from purchasing a home in the last century. Redlining is a discriminatory practice in which services are withheld from potential customers who reside in neighborhoods classified as "hazardous" to investment; these neighborhoods have large populations of racial and ethnic minorities, and low-income residents. Redlining continues today - Latino households are denied mortgages at a rate much higher than white Americans.[iv] Through limited access to credit, many Latino households and other LEP applicants, have been unable to gain access to homeownership and the wealth-building opportunity it provides. Even when credit is available, many homeowners in these same communities end up paying more for their mortgage loans. The CFPB has implemented reforms that protect borrowers from avoidable foreclosure and prevents lenders from trapping borrowers in unaffordable mortgages.

Efforts to dismantle or weaken the CFPB, if successful, open the financial markets to potential instability and will have devasting consequences for Latinos, a key economic engine in our country. Legislation such as the *Taking Account of Bureaucrats' Spending Act*, (*TABS Act*) would replace the CFPB's independent funding mechanism, which other banking regulators also have, with annual appropriations by Congress. Under the 2010 law that Congress enacted, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB draws its funding from the Federal Reserve. It receives a maximum of 12% of the Federal Reserve's 2009, inflation-adjusted operating budget. Federal Reserve expenses, in turn, are covered by money collected from the regional reserve banks in the Federal Reserve system. Congress made the decision to give the CFPB the same funding mechanism as the Federal Reserve in order to enable it to have funding stability and to perform these functions without interruption and with certainty. This is not unique, the Federal Reserve, the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration (NCUA), all have dedicated funding mechanisms outside the appropriations process. It is critical that the statutory intent of the Act is honored, and we maintain a strong CFPB that is independent from political influence.

Access to responsible financial services and products is key to helping consumers build assets and plan for the future. Unsafe practices and predatory financial products keep Latinos and other minorities from being able to build wealth and only worsens the racial wealth gap. Eliminating racial inequities in the U.S. could add $5 trillion of growth in our GDP over the next five years. [v] The CFPB must be able to use its authority to promote fairness and transparency in all consumer finance markets, including credit, servicing, collections, consumer reporting, payments, remittances, and deposits.

Lastly, the efforts of the CFPB have overwhelming support by the American people. According to a poll released by Americans for Financial Reform, voters are overwhelmingly supportive across party lines of the CFPB. Two-thirds of independents (64%), three quarters of Republicans (75%), and over eight in ten Democrats (86%) support the CFPB. [vi] Our public policies must support the Bureau and strengthen its ability to protect consumers not weaken it.

Thank you again for the opportunity to submit these remarks. NALCAB looks forward to opportunities to work together on behalf of this nation's Latinos.

Sincerely,

Clarinda Landeros

Director of Public Policy

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[i] Money Transfers (2022, September 21). *15+ Key Payday Loan Statistics You Need to Know About*. https://moneytransfers.com/news/content/payday-loan-statistics#:~:text=Payday%20Loan%20Statistics%202022%20%E2%80%93%20FAQ&text=According%20to%20the%20most%20recent,%24520%20in%20interest%20per%20year

[ii]Consumer Financial Protection Bureau (March 2021), Our commitment to protecting vulnerable borrowers | Consumer Financial Protection Bureau (consumerfinance.gov)

[iii] Dave Uejio, "Celebrating 10 Years of Consumer Protection," Consumer Financial Protection Bureau, July 21, 2021, https://www.consumerfinance.gov/about-us/blog/celebrating-10-years-consumer-protection/.

[iv] Agatha So and Jason Richardson, "Hispanic Mortgage Lending 2019 Analysis "," NCRC, November 2, 2022, https://ncrc.org/hispanic-mortgage-lending-2019-analysis/.

[v] Dana M Peterson and Catherine L Mann, Closing the Racial Inequality Gaps: The Economic Cost of Black Inequality in the U.S., Citi Global Perspectives and Solutions (September 2020), https://www.citivelocity.com/citigps/closing-the-racial-inequalitygaps/.

[vi] Celinda Lake, David Mermin, Emily Garner, Lake Research Partners, & Robert Carpenter, New Bipartisan Polling Shows Support for Financial Regulation. Chesapeake Beach Consulting, December 2022. afr-crl-memo-nov2022.pdf (ourfinancialsecurity.org)