UNIDOSUS
STRONGER COMMUNITIES. STRONGER AMERICA.

CONSUMER PROTECTION IS A CIVIL RIGHTS ISSUE

FACT SHEET

August 2017

During the Great Recession, Latino* families lost an entire generation of wealth.[1] The reckless behavior of financial institutions, including banks, credit card companies, and mortgage lenders helped bring about a financial crisis that cost Americans millions of jobs, billions in tax-payer funded bailouts, and trillions of lost retirement savings. The lack of consumer protections allowed unscrupulous lenders to target communities of color with unfair and abusive financial products. The 2008 financial crisis confirmed the need for an agency that was solely focused on protecting consumers and monitoring financial products and services. The creation of the Consumer Financial Protection Bureau (CFPB) is one of the most important accomplishments of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank). The consumer agency has returned $11.8 billion in relief to more than 29 million consumers in the less than six years since openings its doors.[2] The result of the CFPB's actions has been a more fair and transparent financial marketplace for Latinos, who have been historically excluded from safe and affordable products.[†]

* The terms "Hispanic" and "Latino" are used interchangeably by the U.S. Census Bureau and throughout this document to refer to persons of Mexican, Puerto Rican, Cuban, Central and South American, Dominican, Spanish, and other Hispanic descent; they may be of any race.

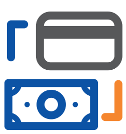
† This report was authored by Renato Rocha, Policy Analyst, Economic Policy Project at UnidosUS (previously known as National Council of La Raza). From UnidosUS's Office of Research, Advocacy, and Legislation, Samantha Vargas Poppe, Associate Director of the Policy Analysis Center, and Lindsay Daniels, Associate Director of Economic Policy, provided substantive and editorial oversight.

Seven Reasons Latinos Need Consumer Protections

1. Home Mortgages

Homeownership remains a cornerstone of the American Dream and is one of the most effective wealth-building tools available to Hispanic families. Due to the falling housing market prices, higher rates of foreclosure, and low property values following the housing crash, Hispanic household wealth fell by 66% from 2005 to 2009.[3] Leading up to the crisis, Latino borrowers were steered toward subprime loans even when they had good credit. Compared with Whites, Latinos were 30% more likely to receive high-cost loans at the height of the housing bubble, even when accounting for income and credit status.[4] Through the **Qualified Mortgage** rulemaking required in Dodd-Frank, the CFPB established protections requiring mortgage lenders to ensure that applicants can afford the home loans they are seeking, helping to prevent lender abuses in the mortgage market.[5] CFPB has continuously stepped in to ensure that borrowers of color are served fairly by the market, as demonstrated by enforcement actions against BancorpSouth and Hudson City Savings Bank, who illegally denied minority consumers fair access to mortgages.[6] The agency also developed national **standards for mortgage servicing** so that troubled borrowers have access to a single point of contact throughout the mortgage modification process, promptly process credit payments, and correct errors on request.[7] The protections put strict rules in place against dual-tracking, a situation that many Latino families found themselves in during the foreclosure crisis.[*]

2. Electronic Fund Transfers

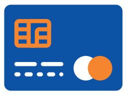


Americans send tens of billions of dollars in remittances every year.[8] Much of this business is done by immigrants, who are prey for hidden fees that drain hard-earned cash from those who can least afford it. Through rulemaking, the CFPB brought transparency to the previously unregulated remittance market so that senders can compare prices ahead of time, and know exactly how much their loved ones will receive in their home country.

3. Auto Loans

Particularly important for communities of color is being able to access auto loans without being targeted or profiled. In an effort to make the auto loan marketplace more equitable, the CFPB has filed actions against Ally and Honda for demonstrating clear evidence of charging minority borrowers more for auto loans. As a result of these actions, approximately $18 million has been assessed in civil money penalties and more than $104 million in restitution has been ordered to hundreds of thousands of affected minority consumers.

* UnidosUS documented the problem in 2012, as featured in our video *Dual Tracking: Pushing California Families into Foreclosure.*



4. Prepaid Accounts

Latino families use prepaid cards for savings, to control spending, and as a means to gain access to online markets. Between 2013 and 2015, prepaid card usage among Latino households increased from 7.8% to 9.6%, which is why these protections are so critical for Hispanics.[9] CFPB rulemaking, widely supported by consumer and industry groups alike,[*] created comprehensive consumer protections for prepaid accounts.[10] In doing so, the agency regulated for the first-time overdraft features in these products, and card fees will now be transparently displayed on the card packaging. The need for regulation is evidenced by CFPB's recent enforcement action against Mastercard and UniRush for breakdowns that left thousands of economically vulnerable consumers without access to their own money.[11]

5. Student Loan Principles

Recent trends—including state disinvestment in higher education and rising tuition costs—have contributed to a rapid increase in student loan debt, which affects the financial stability of Latino families. Twenty-seven percent of Hispanics aged 18-44 report being behind on their education debt payments, compared to 14% of Blacks and 5% of Whites.[12] The CFPB outlined important principles for the student loan market that protects young people who are just starting to build a financial identity, vital safeguards considering that 63% of Latinos graduate with student loan debt.[13]

6. Payday Loans

Payday lenders specifically target communities of color, and their business model creates a vicious cycle of debt that is difficult for most borrowers to escape.[14] In fact, the typical payday loan carries an exorbitant 391% APR, is given to borrowers without consideration of their ability to pay it back, and provides lenders with direct access to their bank account. In June 2016, the agency issued a proposed rule that would halt the predatory business model of payday loans by requiring lenders to ensure that the borrower can repay the loan.[15] Given that race is the leading factor in determining payday lender locations, the proposed regulations would significantly help working-class Hispanics.

7. Debt Collection

In less than six years since the agency has been collecting complaints, the CFPB has received about a quarter of a million complaints regarding debt collection practices, more than any other financial service or product.[16] About two in five (39%) Latino consumers have debt in collection.[17] The agency's proposed protections would strengthen safeguards against debt collection abuses, such as collectors pursuing the wrong person or amount.[18] The regulations would also expand access to information in the collection process for consumers with limited English proficiency, 64% of whom are Hispanic.

* Green Dot – the largest prepaid card company – supports CFPB's rule. For more information, please see http://ir.greendot.com/phoenix.zhtml?c=235286&p=irol-newsArticle&ID=1989830.

What Are Latino Voters Saying?

A new poll by UnidosUS shows clear support among Latino voters—a key demographic in American elections—for tougher consumer protections and trust for an independent agency that can regulate financial institutions.

1. Four in five (81%) Latino voters believe that financial companies would be more likely to take advantage of consumers if the government has fewer rules on banks, credit card companies, payday lenders, and mortgage companies.
2. Four in five (81%) Latino voters agree that financial companies should be held accountable with tougher rules and enforcement.

3. A majority of Latino voters (72%) trust an independent consumer protection agency to oversee banks and make sure that the financial industry is honest with the public. This is a deep contrast to the number of Latino voters that believe that the financial industry can receive adequate oversight from the president (24%), the banks themselves (42%), or Congress (43%).[19]

Endnotes

All sources accessed April and May 2017.

1 Rakesh Kochhar, Richard Terry, and Paul Taylor, “Hispanic Household Wealth Fell by 66% from 2005 to 2009,” (Washington, DC: Pew Research Center, Hispanic Trends, 2011) http://www.pewhispanic.org/2011/07/26/the-toll-of-the-great-recession/.

2 Consumer Financial Protection Bureau, “CFPB By the Numbers” (Washington, DC: CFPB, 2017) http://files.consumerfinance.gov/f/documents/201701_cfpb_CFPB-By-the-Numbers-Factsheet.pdf.

3 Rakesh Kochhar, Richard Terry, and Paul Taylor, “Hispanic Household Wealth Fell by 66% from 2005 to 2009,” (Washington, DC: Pew Research Center, Hispanic Trends, 2011) http://www.pewhispanic.org/2011/07/26/the-toll-of-the-great-recession/.

4 Debbie Gruenstein Bocian et al., “Unfair Lending: The Effect of Race and Ethnicity on the Price of Subprime Mortgages,” (Durham, NC: Center for Responsible Lending, 2006) http://www.responsiblelending.org/mortgage-lending/research-analysis/rr011-Unfair_Lending-0506.pdf.

5 Nancy Wilberg Ricks, “Exciting Changes Coming for Latino Families in the Housing Market,” (Washington, DC: UnidosUS, 2014) http://blog.UnidosUS.org/2014/01/10/exciting-changes-coming-latino-families-housing-market/.

6 Consumer Financial Protection Bureau, “CFPB and DOJ Order Hudson City Savings Bank to Pay $27 Million to Increase Mortgage Credit Access in Communities Illegally Redlined,” (Washington, DC: CFPB, 2015) https://www.consumerfinance.gov/about-us/newsroom/cfpb-and-doj-order-hudson-city-savings-bank-to-pay-27-million-to-increase-mortgage-credit-access-in-communities-illegally-redlined/; and Consumer Financial Protection Bureau, “CFPB and DOJ Action Requires Bancorpsouth to Pay $10.6 Million to Address Discriminatory Mortgage Lending Practices,” (Washington, DC: CFPB, 2016) https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-and-department-justice-action-requires-bancorpsouth-pay-106-million-address-discriminatory-mortgage-lending-practices/.

7 Laura Johnson, “We’ve Updated Our Mortgage Servicing Rules to Provide Greater Protections for Mortgage Borrowers and Other Homeowners,” (Washington, DC: Consumer Financial Protection Bureau, 2016) https://www.consumerfinance.gov/about-us/blog/weve-updated-our-mortgage-servicing-rules-provide-greater-protections-mortgage-borrowers-and-other-homeowners/.

8 Consumer Financial Protection Bureau, “Report on Remittance Transfers,” (Washington, DC: CFPB, 2011) http://files.consumerfinance.gov/f/2011/07/Report_20110720_RemittanceTransfers.pdf.

9 Federal Deposit Insurance Corporation, “Custom Data Table Tool,” (Washington, DC: FDIC, 2015) https://www.fdic.gov/consumers/template/.

10 Consumer Financial Protection Bureau, “Prepaid Accounts under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z),” (Washington, DC: CFPB, 2016) https://www.consumerfinance.gov/policy-compliance/rulemaking/final-rules/prepaid-accounts-under-electronic-fund-transfer-act-regulation-e-and-truth-lending-act-regulation-z/.

11 Consumer Financial Protection Bureau, “CFPB Orders Mastercard and UniRush to Pay $13 Million for RushCard Breakdowns that Cut Off Consumers’ Access to Funds,” (Washington, DC: CFPB, 2017) https://www.consumerfinance.gov/about-us/newsroom/cfpb-orders-mastercard-and-unirush-pay-13-million-rushcard-breakdowns-cut-consumers-access-funds/.

12 Board of Governors of the Federal Reserve System, “Report on the Economic Well-Being of U.S. Households in 2015,” (Washington, DC: Federal Reserve, 2016) https://www.federalreserve.gov/2015-report-economic-well-being-us-households-201605.pdf.

13 Demos, “Latinos, Student Debt, and Financial Security,” (New York, NY: Demos, 2016) http://www.demos.org/sites/default/files/publications/Latinos%20Student%20Debt%20and%20Financial%20Security.pdf.

14 Wei Li et al., “Predatory Profiling: The Role of Race and Ethnicity in the Location of Payday Lenders in California,” (Washington, DC: Center for Responsible Lending, 2009) http://www.responsiblelending.org/california/ca-payday/research-analysis/predatory-profiling.pdf.

15 David Silberman, “We’ve Proposed a Rule to Protect Consumers from Payday Debt Traps,” (Washington, DC: Consumer Financial Protection Bureau, 2016) https://www.consumerfinance.gov/about-us/blog/weve-proposed-rule-protect-consumers-payday-debt-traps/.

16 Consumer Financial Protection Bureau, “Consumer Complaints Database,” (Washington, DC: CFPB) https://www.consumerfinance.gov/data-research/consumer-complaints/.

17 Renato Rocha, “Three Key Findings on Hispanics with Debt in Collection: Results from CFPB’s Recent Survey,” (Washington, DC: UnidosUS, 2017) http://blog.UnidosUS.org/2017/02/08/three-key-findings-hispanics-debt-collection-results-cfpbs-recent-survey/; and Consumer Financial Protection Bureau, “Consumer Experiences with Debt in Collection: Findings from the CFPB’s Survey of Consumer Views on Debt,” (Washington, DC: CFPB, 2017) https://s3.amazonaws.com/files.consumerfinance.gov/f/documents/201701_cfpb_Debt-Collection-Survey-Report.pdf.

18 Consumer Financial Protection Bureau, “Consumer Financial Protection Bureau Considers Proposal to Overhaul Debt Collection Market,” (Washington, DC: CFPB, 2016) https://www.consumerfinance.gov/about-us/newsroom/consumer-financial-protection-bureau-considers-proposal-overhaul-debt-collection-market/.

19 UnidosUS and Latino Decisions, “Consumer Protection Study,” (Washington, DC: UnidosUS, 2017) https://www.UnidosUS.org/issues/economy/articles/poll-consumer-protections-financial-reform-060617.