

At the Expense of Consumer Financial Safety:

How the Financial CHOICE Act Would Leave Consumers in Harm's Way

May 23, 2017



Welcome

Carmen Shorter

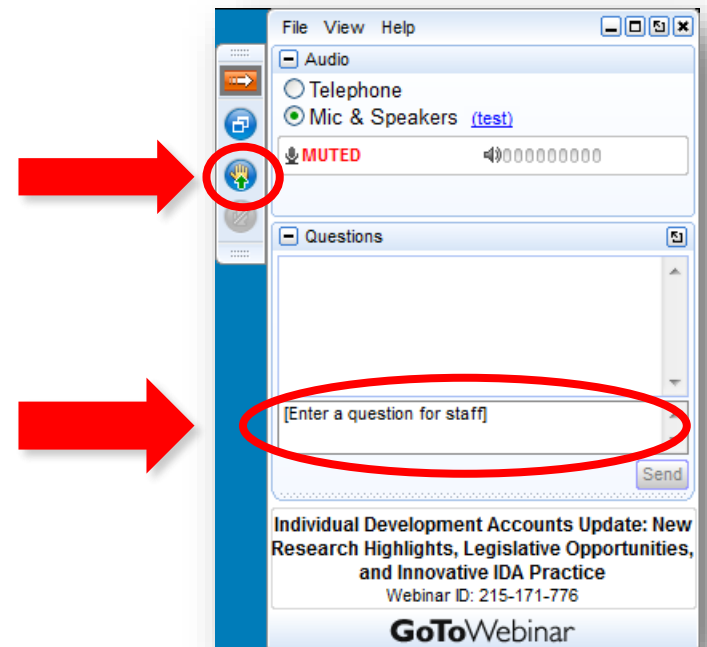
Senior Manager for Learning, Field Engagement
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Housekeeping

- This webinar is being recorded and will be available online within one week.
- All webinar attendees are muted to ensure sound quality.
- **Ask a question any time** by typing the question into the text box of the GoToWebinar Control Panel.
- If you experience any technical issues, email **gotomeeting@cfed.org**.

Trouble dialing in?

Just listen through your computer with speakers or headphones!



Keys to Success on Today's Webinar

- Join from a **quiet space**
- Grab a **coffee** or snack and **settle in**
- **Engage!** Send us your **questions** and **comments** as you listen
- Create a **watch party** with your team to **listen & learn** together





Who We Are

Our mission at CFED is to make it possible for millions of people to achieve financial security and contribute to an opportunity economy.

How Do We Do It



We **push to expand** innovative practical solutions that empower low- and moderate-income people to build wealth.



We **support the efforts of community leaders** across the country to advance economic opportunity for all.



We **drive policy change** at all levels of government.

What's in Store for Today?

- Origin, Importance & Impact of the CFPB
- Financial CHOICE Act's Impact on Latinos and Communities of Color
- What's at Stake for Payday & Predatory Lending Reform
- Implications of the CHOICE Act on the Mortgage Market
- Advocacy Tips
- Discussion and Questions



Presenters



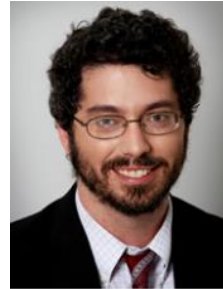
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Diane Standaert
Executive Vice President;
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Center for Responsible Lending



Emanuel Nieves

CFED

Catalyst for Wall Street Reform

- Failure and/or near-failure of a number of financial institutions
- Collapse of the housing market
- Devastating impact of the financial crisis
- Prevent another economic crash
- Recognition that effective oversight of financial markets requires a more streamlined approach

Importance & Impact of the CFPB

- First-ever federal agency solely dedicated to protecting consumers in the financial marketplace
 - Student lending
 - Credit cards
 - Debt collection
 - Mortgages
 - Arbitration
 - Payday loans
 - Credit rating agencies
 - Auto-lending
 - Military protections
- Secured about \$12 billion in financial relief for 29 million consumers—returning \$4 back into communities for every \$1 it spends
- Introduced strong rules to improve a number of consumer financial markets

Importance & Impact of the CFPB

- Given a vehicle to millions of consumers for getting attention and help for problems with financial institutions
- Conducted research and outreach to better help consumers understand their finances and access good financial products
- Ability to respond to the latest threats against consumers in an ever-changing financial marketplace



Marisabel Torres

National Council of La Raza

Financial CHOICE Act's Impact on Latinos and Communities of Color

The Financial CHOICE Act reopens the door to known predatory practices, and returns Americans to a regulatory environment similar to the risky conditions that led to the financial crisis

- Eliminate CFPB's ability to prevent and address financial wrongdoing by ending its supervision authority -
 - ability to monitor the market through research and consumer education activities, as well as populate the consumer complaint database
- Removes CFPB's authority to stop unfair, deceptive, and abusive acts and practices in consumer finance –
 - enable reckless financial actors engaged in unfair, deceptive, or abusive practices, and scale back enforcement powers to exclude cash compensation for victims

Financial CHOICE Act's Impact on Latinos and Communities of Color

Free pass for predatory payday lending & discriminatory auto lending to return to business as usual -

- Halts progress towards ending predatory lending in small dollar loan market
- CFPB has reached settlements with Honda, Toyota, and others for charging higher interest rates on loans to minority car-buyers. In total, auto lenders have paid close to \$200 million for charging discriminatory interest rates, with millions of dollars returned to harmed consumers

Removal of agency director at will of the President & changing funding structure severely jeopardizes effectiveness of an independent agency

Financial CHOICE Act's Impact on Latinos and Communities of Color

Latinos & communities of color stand to lose

- CFPB monitors the market through research and consumer education activities, allows consumers to populate the consumer complaint database
- Communities of color can access financial services without being targeted or profiled -
 - approximately \$30 million has been assessed in civil money penalties and more than \$400 million in restitution has been ordered to approximately 1.4 million affected minority consumers

Financial CHOICE Act's Impact on Latinos and Communities of Color

Latinos & communities of color stand to lose

- Reduced access to safe and affordable products and services, especially for traditionally marginalized consumers:
 - CFPB's remittance regulations heightened transparency in transactions
 - Prohibited credit companies from adding products that consumers never agreed to
 - Required mortgage lenders to ensure applicants can afford the mortgages they're seeking
 - Proposed protections from abusive debt collection practices



Diane Standaert

Center for Responsible Lending

What's at Stake for Payday Lending Reform?

- Financial CHOICE Act gives predatory payday and car-title lenders a free pass, blocking the CFPB's ability to rein in their unfair, abusive, and deceptive practices.
- The CFPB proposed a rule in 2016 requiring payday, car title, and some installment lenders to ensure that loans are affordable in light of a borrower's income and expenses.
- Hundreds of thousands of Americans mobilized in support of strong CFPB rules to #StopTheDebtTrap of these high-cost loans, from all 50 states.
- Despite overwhelming support of the CFPB's ability to issue rules and take enforcement actions to rein in the harms of unaffordable debt trap loans, Congress is trying to make to block the CFPB and clear a path for predatory lenders.

Section 733 of the Financial CHOICE Act:

(t) NO AUTHORITY TO REGULATE SMALL-DOLLAR CREDIT.—The Agency may not exercise any rulemaking, enforcement, or other authority with respect to payday loans, vehicle title loans, or other similar loans.

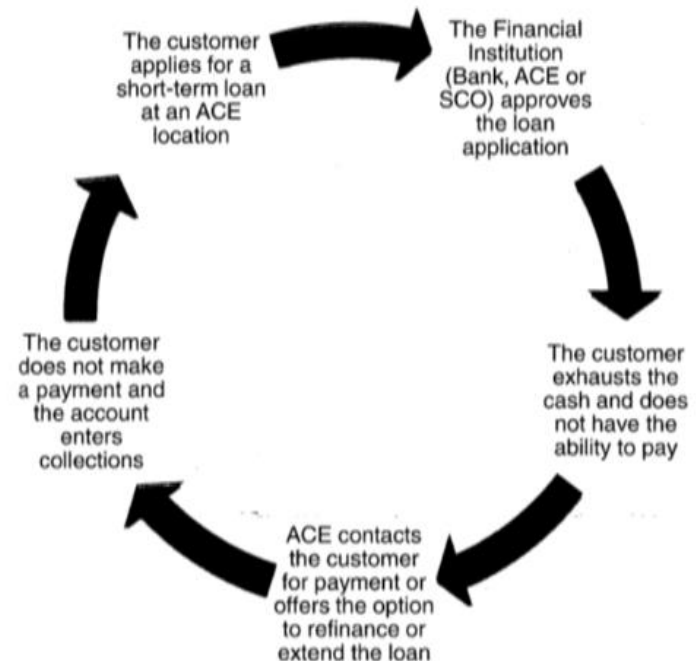
Payday and Car Title Loans are Debt Traps by Design

- The predatory loan business model relies on a borrower's inability to repay their loan.
- The excessive fees combined with a lender's leverage against a borrower's bank account or car title ensure the borrower will have to come back.
- Through these tactics, payday and car title lenders drain an estimated **\$8 billion in fees every year.**
- Payday loans lead to consequences such as bank penalty fees, delinquency on other bills, and bank account closures.

Collections New Hire Training

Participants Guide

The Loan Process, Continued



What's at Stake for State Protections Against Predatory Lending?

- Over **\$5 billion in fees are saved** annually in states without payday or car title lending
 - See *How Much Money Your State Saves*: <http://bit.ly/FeesSaved>
- The CHOICE Act would allow predatory lenders' to ignore state usury caps in order to make loans such as 300% APR loans, even when not allowed by state law.



Doug Ryan

CFED

Implication of the CHOICE Act on the Mortgage Market

- Expanding the exemption from the Qualified Mortgage rule
 - Dangerous to consumers and the mortgage market
 - Provision will likely encourage lenders to market to borrowers loans they can't repay
- Excluding fees paid to bank-affiliated title insurance firms from high-cost loan definition
 - Will encourage deceptive lending practices and higher fees

Implication of the CHOICE Act on the Mortgage Market

- Eliminating the independence of the Federal Housing Finance Agency
 - The White House would have direct control over the conservatorships of Fannie Mae and Freddie Mac
 - This could compromise Affordable Housing Goals, Duty to Serve and the National Housing Trust Fund

Implication of the CHOICE Act on the Mortgage Market

- Eliminates Home Mortgage Disclosure Act (HMDA) data collection requirements for small-volume depository institutions
- Suspends data sharing requirements and ends the requirement that depository institutions publish any data that not required to be published prior to Dodd-Frank

Impact on Affordable Homeownership Opportunities within the Manufactured Housing Market

- Points and fees thresholds for high-cost manufactured home loans
 - Currently: for loans less than \$50K, rates can be 8.5% over current rates and fees must be lesser of \$1,000 or 8% of principle
 - CHOICE Act: for loans less than \$75K, rates could be 10% over current rates and fees can be the greater of \$3,000 or 5% of principle
- Anti-Steering Provisions
 - Currently: rules prohibit retailers from advising borrowers on lender options
 - CHOICE Act: would permit such interactions, potentially limiting borrower choices



José Alcoff

Americans for Financial Reform

Timeline of the CHOICE Act

- **April 26th:** House Financial Services Committee holds hearing on Financial CHOICE Act of 2017; legislation introduced
- **May 3rd:** House Financial Services Committee votes to pass the CHOICE Act out of committee.
 - 23 hours of total debate time within the Committee
 - Every amendment that was proposed was proposed by opponents of the bill, and almost every amendment was voted down on a party line vote
 - The final vote saw all 34 Republicans vote for the bill, and all 26 Democrats vote against it.
- **What's next:** Full House vote on the CHOICE Act could come as soon as the week after the Memorial Day recess

What Actions Can Advocates Take?

- Leverage social media - #WrongCHOICEAct
- Call/Meet with your legislators
- Write Letters to the Editor, op-eds, and press statements, as well as an editorial



Panel Discussion



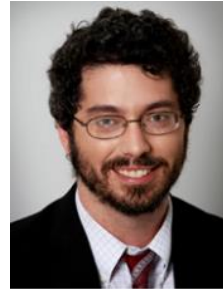
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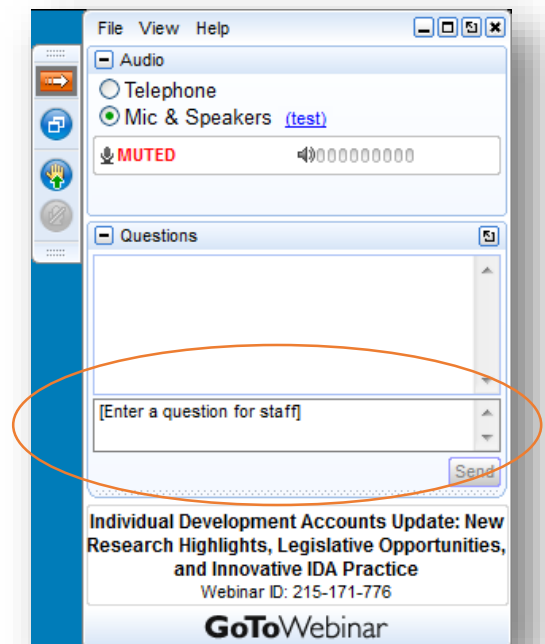
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Q & A

*What questions do you have?
Share them in the Questions box!*



Thank You for Attending Today's Webinar!



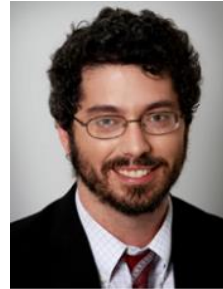
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Thank You
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