

Latinos Deserve a Strong Consumer Bureau to Protect them from Unfair Financial Practices

Too many Latinos have paid the price for an outdated regulatory system that has left our financial system vulnerable to collapse and our families without adequate protections. In the summer of 2010, Congress passed and President Obama signed the Wall Street Reform and Consumer Protection Act to rein in excessive risk on Wall Street and preserve economic opportunity on Main Street. This comprehensive financial reform, which put in place the strongest consumer financial protections in history, included the creation of a new, dedicated Consumer Financial Protection Bureau (CFPB).

The CFPB has one mission: to make the market for consumer financial products and services work for American consumers, responsible providers, and the economy as a whole. The Bureau seeks to promote transparency and consumer choice while preventing unfair, deceptive, abusive, and discriminatory practices. It uses a wide range of tools—from rule writing and enforcement to financial education and empowerment—to achieve these goals and protect consumers from the harmful practices that contributed to the financial crisis.

Latinos and the Financial Crisis

- **In 2005 and 2006, during the height of the subprime lending boom, more than 46 percent of loans made to Hispanic borrowers to purchase homes and more than 34 percent of refinancing loans made to Latinos were higher priced loans.** [Federal Reserve, "[Higher Priced Lending and the 2005 HMDA Data](#)" (September 2006); Federal Reserve, "[The 2006 HMDA Data](#)" (December 2007)]
- **Latino borrowers were more likely to receive subprime loans than non-Hispanic white borrowers in 2005 and 2006.** Latino borrowers were over 2.5 times more likely to receive higher priced loans to purchase homes and at least 1.5 times more likely to receive higher priced refinancing loans than non-Hispanic whites. [Federal Reserve, "[Higher Priced Lending and the 2005 HMDA Data](#)" (September 2006); Federal Reserve, "[The 2006 HMDA Data](#)" (December 2007)]
- **Borrowers who have subprime loans, including a high proportion of Latinos, have come under severe stress during the recent financial crisis and are at high risk of foreclosure.** Forty-eight percent of outstanding subprime loans made to borrowers in 2005 and 57.2 percent of such loans made to borrowers in 2006 are in foreclosure or have not received payment in 60 days or more. [McDash Online Core Database data (February 2010); Treasury analysis.]
- **Growth in Latino homeownership is reported to have reversed.** According to Census data, the Latino homeownership rate reached 49.7 percent in 2006, compared with 41.2 percent in 1994. The rate remained unchanged in 2007, but fell to 47.5 percent in 2010—still significantly short of the 71 percent homeownership rate for whites in 2010.

Latinos Deserve Clear Rules and Strong Enforcement

Remittances

- **Millions of Latinos in the United States regularly send money to their family members and friends in other countries.** [Rachel T. Cortés and David M. Armstrong, "Monetary Transfers Sent Abroad by Nativity and Region of Birth: An Analysis of the Current Population Survey's 2008 Migration Supplement" (2011); Bendixen & Associates, "[Survey of Latin American Immigrants in the United States](#)" (2008)]

Credit Cards

- **About half (48 percent) of Latino and other minority households carry a credit card balance, with a median balance of approximately \$2,000.** [Federal Reserve, "[Changes in U.S. Family Finances from 2004 to 2007: Evidence from the Survey of Consumer Finances](#)," (February 2009) ("SCF")]

Mortgages

- **Forty percent of Latino and other minority households have mortgages and other debt secured by residential property, such as home equity lines of credit.** The median amount owed is approximately \$113,000. [SCF]
- **The piles of forms needed for a regular mortgage can be overwhelming,** and many brokers have taken advantage of that confusion to give borrowers loans they didn't need or couldn't afford.

Bank Accounts

- **Many Latino households have been automatically enrolled in expensive overdraft programs** that can hit consumers with costly overdraft fees for even the smallest purchases. For example, the FDIC found that the average overdraft charge for a single purchased item—like a \$2 cup of coffee—is \$30 at banks with assets over \$1 billion. [FDIC, "[FDIC Study of Bank Overdraft Programs](#)" (November 2008) at Table IV-3]

Payday Loans

- **Latinos, among other minorities, are more likely to use payday lending services.** Based on analysis of the 2007 Survey of Consumer Finances, the Center for American Progress reported that "thirty-eight percent of families who had borrowed a payday loan within the last year were nonwhite while just 22 percent of families who did not take out such a loan were nonwhite." [Center for American Progress, "[Who Borrows from Payday Lenders](#)," (March 2009)]

Installment Loans

- **Forty-nine percent of Latino and nonwhite households have installment loans, such as student loans.** The median total balance on such loans is approximately \$12,000. Thirty-six percent have student and other education loans. [SCF]

How the Consumer Financial Protection Bureau Benefits Latinos

- **For Latinos who send money to their families and friends abroad:** The CFPB will be able to establish, for the first time, federal oversight over the larger companies that provide money transfer services to consumers, and it will enforce new protections for certain international electronic transfers ("remittances"), including requirements to provide consumers easy-to-understand, pre-transactional pricing disclosures and receipts.
- **Fair markets for Latinos:** One pillar of the CFPB's mission is to ensure that markets for consumer financial products and services operate transparently and efficiently to facilitate access for all families, including Latino families. The CFPB will enforce fair lending laws that protect Latinos from discriminatory lending practices. The CFPB is empowered to focus on improving disclosures and cracking down on abusive practices to make it easier for families to identify and avoid high cost, high risk products that don't meet their needs.
- **For Latinos who want to buy a home:** The CFPB has taken steps to consolidate and simplify with plain language two overlapping and sometimes inconsistent federal mortgage forms, and has co-developed plain language mortgage forms in Spanish. The CFPB will, for the first time, provide ongoing federal oversight of both nonbank companies and banks in the mortgage market, and protect borrowers from unfair, deceptive or other illegal mortgage lending practices.
- **For Latino families using alternative financial services:** The CFPB will establish robust federal supervision and oversight over payday lenders and larger participants in other financial service markets, such as check cashers. The CFPB will combat abusive practices that harm consumers, helping young people avoid hidden fees and keep more money in their wallets.

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- **For Latinos with credit cards:** The CFPB will prevent evasion of the Credit CARD Act of 2009, which bans arbitrary rate hikes on existing balances and other unfair practices. The law will give clarity on the interest rates being charged to Latinos who have used credit cards to get by when times are tight.
- **For Latinos caught by unexpected overdraft fees:** The CFPB will prevent evasion of rules that give consumers a real choice as to whether to join expensive debit overdraft programs so that they are not unknowingly charged unnecessary fees.
- **For Latinos who take out private student loans to cover the cost of higher education:** The CFPB will be able to supervise private student lenders, fight unfair lending practices, and require lenders to follow fair rules of the road that give students the information they need to make smart choices.
- **Empowering Latinos to make smart financial choices by promoting financial literacy and financial capability:** The CFPB promotes consumer financial literacy and capability with a dedicated office focused on ensuring that the CFPB's expertise and research are used to help raise awareness, educate and empower consumers to avoid unfair practices, and make the best financial choices for themselves.

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