WASHINGTON BUREAU · NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE
1156 15TH STREET, NW SUITE 915 · WASHINGTON, DC 20005 · P (202) 463-2940 · F (202) 463-2953
E-MAIL: WASHINGTONBUREAU@NAACPNET.ORG · WEB ADDRESS WWW.NAACP.ORG

Testimony of

Mr. Hilary O. Shelton,

Director, NAACP Washington Bureau and
Senior Vice President for Policy and Advocacy

for the

National Association for the Advancement of Colored People (NAACP)

before the

Committee on Financial Services

of the

U.S. House of Representatives

March 7, 2019

Thank you and good morning Chairwoman Waters, Ranking Member McHenry, and esteemed Members of this committee. It is a real pleasure to be here today to speak on a crucial issue to the NAACP: the Consumer Financial Protection Bureau (CFPB).

My name is Hilary O. Shelton, and I am the Director of the NAACP Washington Bureau and the Senior Vice President for Policy and Advocacy. I have been with the NAACP Washington Bureau for over 21 years.

Founded in 1909, the NAACP is our nation's oldest, largest, and most widely recognized grassroots based civil right organization. We currently have over 2200 membership units in every state in the nation, as well as on American military installations in Asia and Europe. Our mission statement declares that our goal is "…to ensure the political, educational, social and economic equality of rights of all persons and to eliminate racial hatred and racial discrimination."

As I said often prior to 2010, predatory lending is one of the leading civil rights issues of our era. At the time, I was referring primarily to targeted, unsustainable mortgage lending, although predatory lending in fact refers to this problem and so much more.

In 2010, however, Congress passed and the President signed into law the *Dodd-Frank Wall Street Reform and Consumer Protection Act*. Not only did this bill prohibit some of the most outrageous practices we were witnessing by predatory mortgage lenders, but it also created the CFPB.

The goals of the CFPB were multi-faceted. It was to help consumers navigate the often-complicated world of finances; to ensure that unsustainable loans of any kind, whether they be for home mortgages, automobiles, getting a higher education, or just covering a family emergency with a small dollar loan to name but a few were a thing of the past; and that loans were equally and fairly made without regard to a person's gender, age, race, ethnicity, sexual orientation or preference, Veterans or disability status, or station in life.

In short, and from our perspective, it was the job of the CFPB to educate and protect consumers from experiencing again the horrors that lead to the economic collapse of 2008. This was especially important to groups like ours and the people we serve and represent who were targeted by unscrupulous lenders.

In the first five years of its existence, I would argue that the CFPB was on the right track, in terms of informing the American people and protecting consumers.

By December, 2016, the CFPB had obtained approximately $11.8 billion in relief to consumers through its supervisory and enforcement work, including: $3.7 billion in monetary compensation to consumers as a result of enforcement activity; $7.7 billion in principal reductions, cancelled debts, and other consumer relief as a result of enforcement activity; and $371 million in consumer relief as a result of supervisory activity. Furthermore, as a result of CFPB supervisory and enforcement work consumers will receive $29 million. Money ordered to be paid in civil penalties as a result of CFPB enforcement work neared $590 million

As of January 1, 2017, the CFPB had handled more than 1 million complaints, and the CFPB website "Ask CFPB" had over 13 million unique visitors. Almost 4 ½ million mortgages were close on after consumers received the CFPB's Know Before You Owe disclosures. Not only were these programs going strong, but the CFPB had proposed rules to put an end to payday debt traps, which would have helped the more than 12 million American consumers who take out payday loans every year. Furthermore, the CFPB was developing proposed rules to protect consumers from harmful collection practices, which would have helped the estimated 70 million consumers who have debts in collection on their credit record.

Lastly, over 3,200 colleges and universities across the country had voluntarily adopted the CFPB and Department of Education *Financial Aid Shopping Sheet*, and the CFPB Office of Service Member Affairs had visited almost 150 U.S. military installations across our nation to hear from our brave men and women about the financial problems facing them and their families[1].

Today, unfortunately, the CFPB is but a shell of its former, vibrant, self. In just two years, Congress and the current Administration have neutered the CFPB and in doing so, they have dramatically decreased the few protections we were able to gain.

Since 2016 Congress has passed, and the President has signed, no fewer than 16 Congressional Review Act (CRA) resolutions, some of which were aimed at actions taken by the CFPB.

- For example, a regulation finalized by the Consumer Financial Protection Bureau on 7/10/17 which prohibits companies involved in financial services from using forced arbitration was overturned by a CRA that was signed into law on November 1, 2017.
- Furthermore, on May 18, 2018, President Trump signed a CRA which overturned a guidance issued by the CFPB in 2013 which was simply reaffirmed that discriminatory auto lending is illegal. Under this guidance, large banks or "indirect lenders" were

[1] CFPB Factsheeet: "Consumer Financial Protection Bureau: By the numbers," December, 2016. Available at https://files.consumerfinance.gov/f/documents/201701_cfpb_CFPB-By-the-Numbers-Factsheet.pdf

warned that they may be held responsible for discriminatory activities by auto dealers who use their money.

Furthermore, the CFPB's Office of Fair Lending and Equal Opportunity is now being led by an individual, Eric Blankenstein, who has, as reported by the Washington Post and New York Times, questioned whether the use of the "N word" is racist, raised doubts about the motivations of people who use racial slurs, baselessly claimed that the overwhelming majority of hate crimes are "hoaxes," espoused patently incorrect views about hate crime laws, and more recently claimed that "birther" conspiracy theories about President Obama had nothing to do with racism. If the CFPB is serious about eradicating discrimination, which it should be, it must ensure that the Office of Fair Lending actually has the power to do something about it, and that it is led by someone who is capable of looking out for it. Mr. Blankenstein does not inspire confidence, to say the least.

Since the departure of Director Rich Cordray and the appointment of Acting Director Mick Mulvaney, albeit on a part-time basis, the CFPB has gone through drastic changes that take away the emphasis on its mission of protecting all American consumers. Sadly, his legacy appears to be continuing under Director Kraninger.

While she is to be commended for taking a few small steps, such as retaining the name of the CFPB and coming before you this morning to talk about the status of the CFPB, that in no way excuses her actions. Just recently, she issued an updated small dollar loan rule that does nothing to stop the abuses or the targeted destruction of wealth building by whole sectors of people, and most notably by racial and ethnic minorities.

Furthermore, she has not taken any steps to rebuild or strengthen the Office of Fair Lending. In contrast to you, Madame Chair, she does not appear to be concerned about the role of the CFPB in protecting consumers.

The NAACP is the proud supporter of a number of pieces of legislation to rebuild the CFPB, most notably the bill which was introduced by you, Madam Chair, and many of your colleagues, yesterday, the *Consumers First Act*. Put simply, the Consumers First Act pushes the CFPB back to carrying out its statutory purpose of putting consumers first and protecting them from bad actors by taking a number of pro-consumer steps, including reestablishing the full duties of enumerated offices, including the Office of Fair Lending and Equal Opportunity; restoring the supervisory and enforcement powers of the fair lending office; and requiring adequate agency staffing, including for supervision and enforcement, to fully carry out the Consumer Bureau's statutory mandates.

Madame Chair, the income gap between white Americans and Americans of color is growing, and more people of color are on the losing side of that arc. According to the Harvard Joint Center for Housing Studies, the median wealth of white households in 2016 was ten times higher than that of black households and eight times higher than that of Hispanic households. Yet our communities are consistently being targeted by nefarious financial servicers with their unsustainable, wealth-stripping goods

Between 2005 and 2008, almost 240,000 African Americans lost their homes to foreclosure. I have often compared the communities we represent and serve to the proverbial "canary in a coalmine." If nothing else, the devastation, the hopelessness that these foreclosures, too many of which were the result of "unique" financing schemes, caused African American individuals, families, neighborhoods and whole communities was nothing less than calamitous. Yet it took these foreclosures, and too many others like it, for Congress to act.

Not only did Congress pass the *Dodd-Frank Wall Street Reform and Consumer Protection Act* to put an immediate end to many of the more unscrupulous mortgage practices, but it created the CFPB to protect all Americans from future schemes and plans designed to strip wealth from unsuspecting people. I would argue that many of the initiatives undertaken by the CFPB were good starts towards protecting Americans as they tried to build wealth, or in too many cases, just make ends meet. Yet despite good proposals like the *Consumer First Act*, we are seeing fewer and fewer protections against unscrupulous, targeted products.

I must restate my earlier claim. From small dollar loans to auto purchases to who gets a mortgage, at what rate and in which area, targeted, predatory lending is a major civil rights issue for our generation.