**Testimony of the Reverend Willie Gable, Jr., D. Min.**

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Before the U.S. House Committee on Financial Services

**Continuation of the Hearing entitled "A Legislative Proposal to Create Hope and Opportunity for Investors, Consumers, and Entrepreneurs"**

April 28, 2017

Good morning to the Members of the House Committee on Financial Services. Thank you for inviting me to testify today.

I am the Reverend Willie Gable, Jr. I serve as Pastor of Progressive Baptist Church in New Orleans. My congregation is a member of the National Baptist Convention USA, Inc. the nation's largest predominantly African-American religious denomination. I also serve as Chair of the Housing and Economic Development Commission of the National Baptist Convention USA, Inc. This Commission's mission is to develop affordable housing for low and moderate-income persons, particularly for senior citizens and the disabled, allowing them to live with pride in a place they can proudly call home. Over twenty years, the Commission has developed over a thousand homes at 30 housing sites across 14 states.

The National Baptist Convention USA, Inc. is a member of two faith coalitions that work to end predatory payday lending. One is the Faith & Credit Roundtable, and interfaith coalition of which I am Co-Chair. The other is the Faith for Just Lending Coalition, a Christian Coalition where we are one of the founders and sponsoring organizations. These two coalitions worked tirelessly to submit comments to the Consumer Financial Protection Bureau (CFPB) to encourage them to issue a strong payday and car title rule. Our worked gleaned comments from national religious denominations, traditions, and ministries representing more than 118 million people of faith that believe the CFPB should issue a strong payday and car title loan rule with the ability-to-repay standard as a component. We will not have our efforts be in vein.

I am here today to discuss the devastating impact that predatory financial practices have wrought on my community and on communities across this nation. While I applaud the regulatory reforms in recent years that have made the market safer, there is much more work that needs to be done to rein in repugnant predatory financial practices and wealth stripping toxic products that do not benefit the consumer or the economy. I look forward to our discussion of the need to ensure that all financial institutions are subjected to responsible, reasonable regulatory oversight that maintains sensible consumer protections.

## I. In our discussion of Chairman Hensarling's CHOICE Act, we should not forget the lessons of the recent past. By abandoning consumer protections, we may be doomed to repeat the mistakes that lead to the Great Recession of 2008.

It is impossible to overstate the damage done to the families and communities most impacted by the worst financial crisis since the Great Depression. Over 12 million homes lost, representing families displaced, lives turned upside down, life savings washed away. Over $2.2 trillion in lost property value for communities surrounding foreclosed properties, with over half of that lost value sapped from communities of color. An entire generation of wealth building for all Americans, but particularly communities of color, is now tragically lost. The wealth gap, already a chasm, made even wider still.

In our discussion of the CHOICE Act, it is of the most upmost importance that we be reminded that this crisis was caused by unrestrained predatory mortgage lending practices and a failure to stop them. These predatory lending practices were permitted because the existing regulators, with whom consumer protection authority had been vested, failed to prohibit them. Congress gave the Federal Reserve Board rulemaking authority in 1994 to prohibit unfair and deceptive practices in the high-cost mortgage market. The Board failed to use this authority until 2008; by then, the damage had been done. The national bank and thrift regulators, the OCC and the OTS, had enforcement authority against unfair practices. But they treated their supervisee banks like clients, competing for their charters by being most willing to ignore the abusive practices that the agencies' own supervisory guidance advised against. The existing federal regulators failed, and the whole nation suffered. Some suffered far more profoundly than others.

Many continue to suffer. Full recovery will take decades, or significantly longer if we return to the days of an unregulated and unrestrained financial system that this bill would result in.

## II. The Consumer Financial Protection Bureau has brought positive change and stability to the market and should not be weakened.

Luckily, post 2008 recession legislation, including the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank),[1] become law to protect consumers, tax payers, and the economy at large. Out of Dodd-Frank, the Consumer Financial Protection Bureau (CFPB), a watchdog with the unique and sole purpose of protecting consumers from predatory financial actors, was created.

Under the stellar leadership of Director Cordray, the CFPB has issued and proposed rules that make the market safer for consumers and the general economy. The CFPB has issued rules and created standards, such as Qualified Mortgage (QM) rule and the ability-to-repay standard, to make the mortgage market safer. In addition to the mortgage rules, the CFPB has issued a rule to make prepaid cards safer and fairer for consumers who rely on them. The Consumer Bureau has also undertaken enforcement actions that benefit consumers by either shielding them from harm or compensating them for wrong done by illegal financial practices.

The Consumer Bureau has also simplified bank disclosures borrowers receive when taking out a loan, protected military families against illegal foreclosures and abusive student and payday loans, and has guarded seniors from predatory scams. Further, the Bureau has obtained more than a billion dollars in compensation to consumers harmed by misleading credit card add-on products from big banks, and to consumers harmed by the recently uncovered egregious fraudulent acts of Wells Fargo in opening checking accounts without customers' approval. Finally, the CFPB has also provided $160 million in settlements to consumers harmed by

[1] Public Law 111-203 (2010).

discriminatory auto interest rate mark ups where borrowers ended up with higher-cost auto loans when they qualified for more affordable loans. The Consumer Bureau hears directly from Americans harmed by illegal financial practices through its searchable public complaints database, which has helped people resolve disputes and allowed the Bureau to identify patterns in predatory industry practices. The system has recorded more than one million consumer complaints.[2]

All responsible players, including lenders and investors, stand to benefit from the environment the CFPB has and continues to create - ensuring the safety and soundness of institutions, protecting community financial institutions from unfair competition, and defending the nation's financial market from systemic risk. All stand to benefit from a stable economy marked by growth and wealth protection/building. The CHOICE Act seeks to undo much of the Dodd-Frank Act and to significantly weaken the CFPB, leaving a gaping wide window for the unrestrained predatory practices of the past to return and send us into another massive spiral of economic decline.

## III. While the CFPB has made the market safer, it must be allowed to continue to work in areas, such as payday and car-title lending, that are in dire need of regulation. The CHOICE Act is dangerous to turn an intentionally blind eye to predatory lending.

Even though the economy is on a stable path to recovery and much has been done with the robust work of the Consumer Bureau, there remain areas of critical concern that must be addressed. The CFPB must be allowed to continue to do its work on behalf of consumers.

For instance, The CHOICE Act would prohibit the CFPB from regulating Payday loans and their close cousins, car title loans, which are an abomination in plain sight. These unaffordable

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[2] Consumer Financial Protection Bureau, CFPB Complaint Snapshot Spotlights Money Transfer Complaints: Bureau Marks Over One Million Consumer Complaints Handled (2016), *available at* https://www.consumerfinance.gov/about-us/newsroom/cfpb-complaint-snapshot-spotlights-money-transfer-complaints/.

loans, which are often directly marketed to financially struggling lower wealth families, servicemembers, and communities of color, typically carry annual percentage rates (APR) of at least 300 percent. These lenders weave themselves into the fabric of our neighborhoods and purport to lend a helping hand.  But they are wolves in sheep's clothing. They claim to be for a once-in-a-blue moon emergency, but three-fourths of their loan volume comes from borrowers with more than 10 loans a year. This debt trap is extremely hard to escape, typically leading to a cascade of other financial consequences, such as increased overdraft fees, delinquency on other bills, involuntary loss of bank accounts, and even bankruptcy. For unaffordable car title loans, the result is too often the repossession of a borrower's car, a critical asset for working families. Nationwide, payday and car title loans drain $8 billion in fees every year. [3] Many of these predatory payday and car title lenders use their massive profits on poverty to pad the pockets of legislators to prevent enactment of any reasonable restrictions. In my home state of Louisiana, this strategy has been sadly successful, despite widespread opposition from churches and other organizations who work directly with families these loans hurt.

In addition to the fee drains, there are wider economic consequences to unchecked and unregulated payday and car title loan products. We know that these lenders have a devastating impact on our local economies. Payday loans and lenders are an extraction industry - siphoning away our resources and leaving financial devastation to local economies in its wake. This industry must absolutely be regulated, and I oppose any legislation, including the CHOICE Act, that would allow these practices to continue unchecked.

Finally, The CHOICE Act eviscerates the CFPB's ability to fulfill its mission to protect consumers from predatory financial products and practices. The bill eliminates the CFPB's

[3] Diane Standaert and Delvin Davis, Payday and Car Title Lenders Drain $8 Billion in Fees Every Year (updated 2017), *available at* http://www.responsiblelending.org/sites/default/files/nodes/files/research-publication/crl_statebystate_fee_drain_may2016_0.pdf.

ability to supervise and conduct examinations on most financial institutions, eliminates all market monitoring authority, and puts enormous constraints on the CFPB's rulemaking and enforcement. The Consumer agency must be equipped with the proper jurisdiction and enforcement powers in order to further rein in toxic loan products that harm many communities and local economies. The CFPB must also be able to maintain its independence from political influences and remain an independent agency with research, education, supervisory, and enforcement arms to keep consumers and the market safe. The CFPB director should remain removeable for cause (versus "at-will") to also shield its independent work from political whims. The CFPB structure and funding should remain as Congress enacted so that the Bureau may continue its work on behalf of America's consumers without gridlock and special interest pressure.

**Conclusion**

The CHOICE Act will lead this nation into the wrong economic direction. The CFPB has recovered nearly $12 billion for 29 million consumers who have been harmed by illegal practices of credit card companies, banks, debt collectors, mortgage companies, and others. This relief includes monetary compensation to harmed consumers, principal reductions, canceled debts, and other remedies to address these practices. However, relative to the funds predatory practices strip, this amount is quite modest. This means that the Consumer Bureau has far more work to do, and should be allowed to do so.

It is clear that a strong, well-funded, independent agency whose job it is to wake up in the morning thinking about protecting the most vulnerable among us is necessary to ensure that financial services practices do not drain hard-earned income and savings from my constituents, and from the millions of other Americans who are affected by predatory lending every day. I implore you to let the CFPB be the consumer watchdog this body mandated that it be in the wake of the financial crisis. We have seen what happened when there was none, and the CHOICE Act would take us back to that place. We all deserve far better. Thank you again for the opportunity to testify today. I look forward to your questions.