FFIEC CONSUMER COMPLIANCE CONFERENCE: THE CONSUMER ADVOCATE’S PERSPECTIVE

DORY RAND, PRESIDENT
SEPTEMBER 21, 2016
WOODSTOCK THEORY OF CHANGE

Woodstock Institute, a leading nonprofit research and policy organization, works locally and nationally to create a just financial system in which lower wealth persons and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity.

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CREATE A JUST FINANCIAL SYSTEM
- Equitable Lending and Investments
- Wealth Creation and Preservation
- Safe and Affordable Financial Products and Services

APPLIED RESEARCH
- Use reports, data portal, and technical assistance for outreach and policy advocacy

COALITION BUILDING AND OUTREACH
- Engage with local, multi-state, and national partners to raise public awareness and build political will for change

SYSTEMS CHANGE
- Reach scale and impact through incremental wins at local, state, and national levels

POLICY ADVOCACY
- Advance evidence-based solutions via campaigns, comments, and meetings with policymakers and financial institutions
1. LOW INCOME: LIVING IN A HOUSEHOLD BELOW 150% OF THE FEDERAL POVERTY LINE (21%)
2. POOR LOCALE: LIVING IN AN AREA WHERE MORE THAN ONE IN FIVE ARE POOR (19%)
3. LIMITED EDUCATION: LACKING — AT MINIMUM — A HIGH SCHOOL DIPLOMA (15%)
4. UNEMPLOYMENT: LIVING IN A HOUSEHOLD WHERE NOBODY IS EMPLOYED (11%)
5. NO HEALTH INSURANCE: LACKING HEALTH INSURANCE COVERAGE (PUBLIC OR PRIVATE) (16%)

- 23% FACE AT LEAST TWO DISADVANTAGES
- MOST BLACKS AND HISPANICS DISADVANTAGED ON 1, ALSO DISADVANTAGED ON AT LEAST 1 MORE
EXAMPLES OF OUR WORK

• CRA PLANS AND BRANCHES, CONDITIONAL APPROVALS OF M&As

• MORTGAGE LENDING, FORECLOSURES, AND VACANT PROPERTY

• CONSUMER PROTECTION

• SMALL BUSINESS LENDING AND DATA COLLECTION

• RETIREMENT SECURITY

• DATA PORTAL AND TECHNICAL ASSISTANCE
CRA PLANS, BRANCHES, M&As

- HUNTINGTON BANK/1ST MERIT M&A/NCRC CRA AGREEMENT FOR $16 B

- 5/3 BANK CRA DOWNGRADE/NCRC CRA PLAN IN DEVELOPMENT

- MB FINANCIAL/AM CHARTERED M&A/CONDITIONAL APPROVAL BY OCC AFTER BANK REFUSED VOLUNTARY CRA PLAN AND WI SUBMITTED COMMENTS
  - REQUIRES CRA PLAN WITH COMMUNITY INPUT AND MEASURABLE OUTCOMES
  - REQUIRES APPROVAL RE BRANCH CHANGES

- SERIOUS CONCERNS REGARDING BRANCH CLOSINGS IN LMI AREAS AND COMMUNITIES OF COLOR, AND LIKELY DECLINES IN SMALL BUSINESS LENDING (SEE NY FED: BANKING DESERTS, BRANCH CLOSINGS, AND SOFT INFORMATION, MARCH 2016)
MORTGAGES, FORECLOSURES, AND VACANT PROPERTY

• WI RESEARCH REPORTS
  • *THERE GOES THE NEIGHBORHOOD* (2005) IMPACT OF FORECLOSURE FILINGS ON NEARBY PROPERTY VALUES
  • *LEFT BEHIND* (2011) FORECLOSED VACANT PROPERTY IN THE CHICAGO REGION
  • *HER LONGER ROAD HOME* (2015) WOMEN’S ACCESS TO MORTGAGE CREDIT

• POLICY IMPLICATIONS
  • DODD-FRANK ACT, CFPB ABILITY TO REPAY RULES FOR MORTGAGE LENDING
  • CHICAGO AND COOK COUNTY VACANT PROPERTY ORDINANCES (2011, 2012)
  • CREDIT SCORING AND REPORTING, NEW MODELS, POSSIBLE CFPB RULES
CONSUMER PROTECTION

• WI AND PARTNER RESEARCH
  • THE CASE FOR BANNING PAYDAY LOANS (2013) WITH CRC, RP, & NEP
  • NO RIGHT TURN (2015) AUTO TITLE LOANS, WITH IABG/HEARTLAND ALLIANCE
  • HOW BANKS SELL OVERDRAFT (2014) WITH CRC, RP, AND NEP

• POLICY AND PRODUCT IMPLICATIONS
  • CFPB RULES PENDING ON PAYDAY, INSTALLMENT, AND AUTO TITLE LOANS
  • SOME STATES BAN OR RESTRICT PAYDAY AND AUTO TITLE LOANS
  • CFPB HAS OVERDRAFT (OD) RULEMAKING ON ITS AGENDA
  • SOME BANKS OFFER NO-OD ACCOUNTS AND ARE IMPROVING OD PRODUCTS
FINTECH SMALL BUSINESS LOAN TERMS

• **WI ANALYSIS OF 15 LOANS FROM 14 LENDERS**
  - Various business models and products

• **COMMON ELEMENTS**
  - 14 UNDER $100,000, 12 UNDER $40,000
  - Automatic ACH payment every business day (except one paid weekly)
  - Neither interest rate nor APR disclosed
  - Effective interest rates of between 109% and 367% for loans under 200 days
  - High prepayment penalty
FINTECH SB APRs AND LOAN TERMS
FINTECH SMALL BUSINESS JUNK FEES

• RANGE FROM 0 TO 14.1% OF STATED GROSS LOAN AMOUNT

• AVERAGE $756 PER LOAN
  • ABOUT 2.1% OF THE AVERAGE LOAN DISBURSED

• FEES INCLUDE:
  • ORIGINATION FEE
  • ACH FEE
  • RISK ASSESSMENT FEE
  • UCC TERMINATION FEE
SMALL BUSINESS RESEARCH AND POLICY

• WI RESEARCH REPORT *DIS-CREDITED: DISPARATE ACCESS TO CREDIT FOR BUSINESSES IN THE CHICAGO SIX COUNTY REGION (2014)*
  • UPDATING IN 2016 FOR CHICAGO AND REPLICATING FOR LA, BUFFALO, AND NEW BRUNSWICK, NJ
  • REPLICATING IN 2017 FOR DETROIT, MINNEAPOLIS, FRESNO COUNTY, AND RICHMOND, VA

• CRA CONCERNS RE DECLINES IN BANK SB LENDING, ESPECIALLY RELATED TO BRANCH CLOSINGS

• FINTECH SB POLICY IMPLICATIONS
  • VOLUNTARY STANDARDS SUCH AS BBOR ARE NICE, BUT INSUFFICIENT; REGULATION IS NEEDED
  • STANDARDIZED DISCLOSURES OF KEY LOAN TERMS, INCLUDING ALL-IN APRS, SHOULD BE REQUIRED SO BORROWERS CAN UNDERSTAND & COMPARISON SHOP (FED RESEARCH: BORROWERS DON’T UNDERSTAND, LOW SATISFACTION)
  • ABILITY TO REPAY STANDARDS SHOULD APPLY TO ALL LENDERS/BORROWERS
  • CFPB HAS DFA SECTION 1071 SB DATA COLLECTION RULEMAKING ON ITS AGENDA
  • OCC IS CONSIDERING GRANTING LIMITED PURPOSE CHARTERS TO FINTECHS, WITH CRA OBLIGATIONS
  • FAIR LENDING CONCERNS RE PROPRIETARY UNDERWRITING
  • CONCERNS RE BANK/3D PARTY RELATIONSHIPS: SAFETY & SOUNDNESS, REPUTATION RISK
RETIREMENT SECURITY

• WI RESEARCH REPORT *COMING UP SHORT (2012)* FOUND OVER HALF OF ALL PRIVATE SECTOR WORKERS IN IL LACKED ACCESS TO AN EMPLOYMENT-BASED RETIREMENT SAVINGS PLAN. WI WORKED W/ IABG TO PASS A STATE PROGRAM.

• IL WAS THE FIRST STATE TO ADOPT A SECURE CHOICE SAVINGS PLAN IN 2015, WHICH WILL REQUIRE PRIVATE EMPLOYERS WITH 25 OR MORE YEAR-ROUND WORKERS TO AUTOMATICALLY ENROLL THEM IN THE PLAN AND DEDUCT 3% OF PAY INTO A ROTH IRA TARGET-DATE INVESTMENT ACCOUNT ADMINISTERED BY AN INVESTMENT FIRM THROUGH THE IL TREASURER’S OFFICE (LIKE A 529 COLLEGE SAVINGS PLAN). WORKERS MAY OPT OUT, CHANGE THE %, OR CHANGE THE INVESTMENT TYPE. SCHEDULED TO ROLL OUT IN 2017
DATA PORTAL AND TECHNICAL ASSISTANCE

• WI HAS AN ONLINE DATA PORTAL WITH FREE ACCESS TO INFORMATION AND MAPPING ON FORECLOSURE FILINGS, MORTGAGE LENDING, HOUSING UNITS AND OCCUPANCY, INCOME, AND EMPLOYMENT BY COUNTY, MUNICIPALITY, AND COMMUNITY AREA.

• WI PROVIDES HUNDREDS OF HOURS PER YEAR OF TECHNICAL ASSISTANCE TO COMMUNITY-BASED ORGANIZATIONS SERVING LMI PEOPLE AND COMMUNITIES, POLICYMAKERS, AND OTHERS

• CBOs USE OUR DATA TO UNDERSTAND LOCAL CONDITIONS, WRITE GRANT PROPOSALS, AND ALLOCATE RESOURCES
OPPORTUNITIES TO ENGAGE WITH WOODSTOCK

• COMMUNITY INVESTMENT AWARDS RECEPTION IN CHICAGO (EVERY SPRING)
• NCRC ANNUAL CONFERENCE IN DC (WI STAFF USUALLY ON PANELS)
• MEETINGS WITH REGULATORS IN WASHINGTON, DC
• TESTIMONY AT PUBLIC HEARINGS (E.G., CRA, EGRPRA, MERGERS, FIELD HEARINGS)
• CONFERENCE CALLS WITH DC-BASED REGULATORS
• CHICAGO ROUNDTABLES WITH CBO’S AND REGULATORS (E.G., w/ FDIC AND CFPB)
• JOINT WEBINARS WITH REGULATORS (E.G., w/CFPB ON ARBITRATION AND COMPLAINTS)
• TRAININGS BY WI FOR REGIONAL STAFF OF REGULATORS (FDIC, OCC, CHICAGO FED)
• INFORMAL MEETINGS AND CALLS WITH DC AND REGIONAL STAFF OF REGULATORS
Questions, comments, or concerns?
FOR MORE INFORMATION, FIND US AT:

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