

FFIEC CONSUMER  
COMPLIANCE  
CONFERENCE:  
THE CONSUMER ADVOCATE'S  
PERSPECTIVE

DORY RAND, PRESIDENT  
SEPTEMBER 21, 2016



*Advancing Economic Security  
and Community Prosperity*

# WOODSTOCK THEORY OF CHANGE



**WOODSTOCK INSTITUTE**  
*Advancing Economic Security and Community Prosperity*

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

## THEORY OF CHANGE

Follow the Woodstock Path to Change...

**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

**POLICY ADVOCACY**

Advance evidence-based solutions via campaigns, comments, and meetings with policymakers and financial institutions

**SYSTEMS CHANGE**

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

# WOODSTOCK INSTITUTE MISSION & HISTORY

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- RICHARD V. REEVES, ELIZABETH KNEEBONE, EDWARD RODRIGUE  
BROOKINGS INSTITUTION APRIL 14, 2016

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%)

- 47% OF THE ADULT POPULATION FACES AT LEAST ONE DISADVANTAGE (AM. COMM. SURVEY 2014)
- 23% FACE AT LEAST TWO DISADVANTAGES
- MOST BLACKS AND HISPANICS DISADVANTAGED ON 1, ALSO DISADVANTAGED ON AT LEAST 1 MORE



# EXAMPLES OF OUR WORK

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- 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

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- 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

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- **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

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- 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

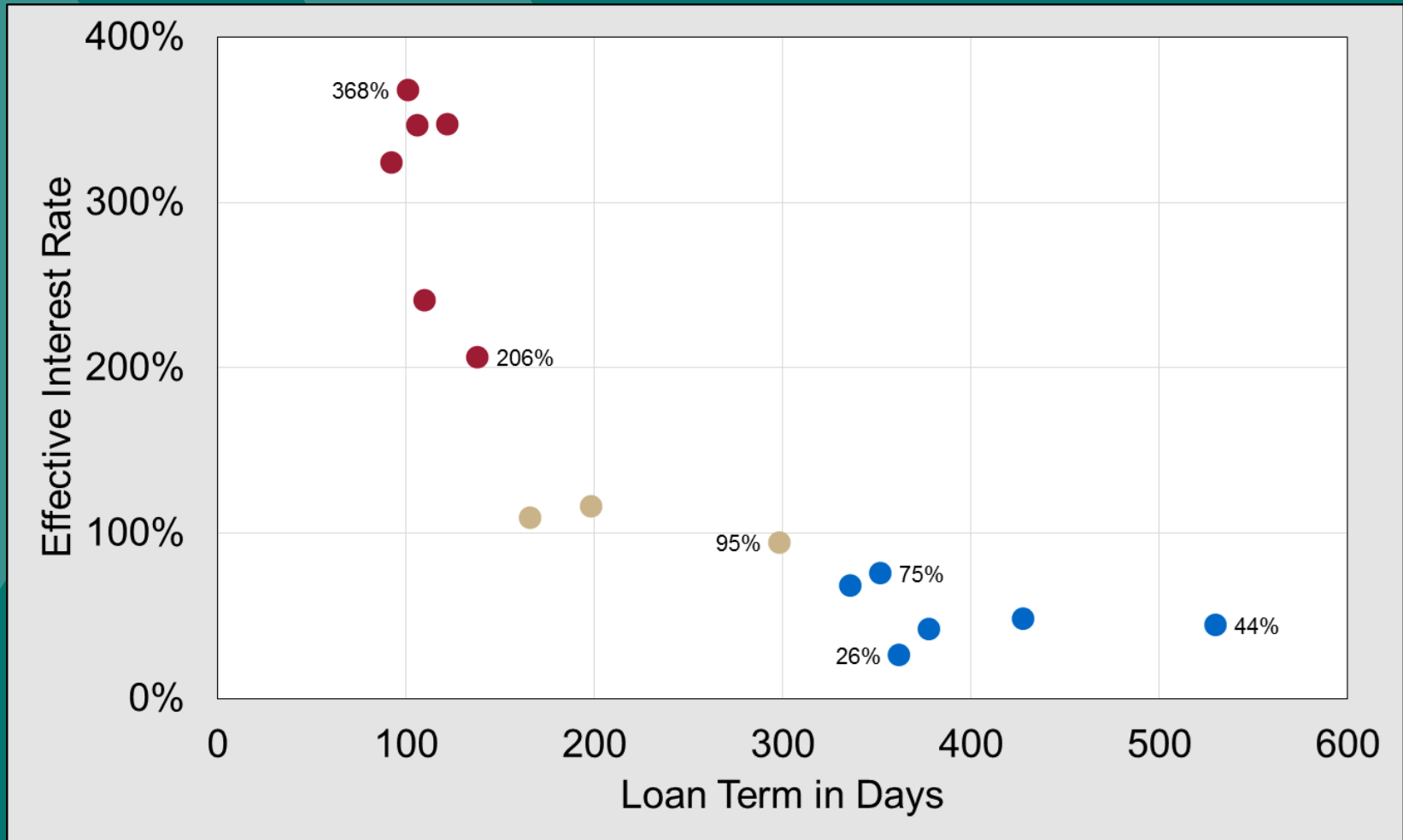
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- WI ANALYSIS OF 15 LOANS FROM 14 LENDERS
  - VARIOUS BUSINESS MODELS AND PRODUCTS
- COMMON ELEMENTS
  - 14 UNDER \$100,000, 12 UNDER \$40,000
  - AUTOMATIC ACH PAYMENT EVERY BUSINESS DAY (EXCEPT ONE PAID WEEKLY)
  - NEITHER INTEREST RATE NOR APR DISCLOSED
  - 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

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- 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

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- 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

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- 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

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- 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

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- 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 :

[WWW.WOODSTOCKINST.ORG](http://WWW.WOODSTOCKINST.ORG)

[FACEBOOK.COM/WOODSTOCKINSTITUTE](https://FACEBOOK.COM/WOODSTOCKINSTITUTE)

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