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The Importance of the Consumer Financial Protection Bureau to Working-Class Latinos and Financial Institutions

Presented at

"A New Era for the CFPB: Balancing Power and Reprioritizing Consumer Protections"

Submitted to

Subcommittee on Financial Institutions

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March 26, 2025

UnidosUS is a nonprofit, nonpartisan organization that serves as the nation's largest Hispanic civil rights and advocacy organization. Since 1968, we have challenged the social, economic and political barriers that affect Latinos through our unique combination of expert research, advocacy, programs and an Affiliate Network of more than 300 community-based organizations across the United States and Puerto Rico. We believe in an America where economic, political and social progress is a reality for all Latinos, and we collaborate across communities to achieve it.

UnidosUS publishes reports, provides testimony and advocates for policies that protect consumers, make financial services more inclusive and improve the economic well-being of working-class people and the Latino community. For example, last year, we testified before the Senate's Committee on Banking, Housing, and Urban Affairs in a hearing focused on consumer protections and junk fees that impact working-class consumers and Latinos. Our research and analysis include publications such as *Banking in Color: New Findings on Financial Access for Low- and Moderate-Income Communities (2014)*; *The Future of Banking: Overcoming Barriers to Financial Inclusion for Communities of Color (2019)*; and *Second Edition of our Latino Banking and Financial Health Survey (2024).*

We are pleased to provide a testimony for the record on this important topic. The Consumer Financial Protection Bureau (CFPB) plays an important role in making the banking system more affordable for working-class consumers and Latinos, as well as ensuring a stable and transparent marketplace for financial institutions. However, recent actions by the administration as well as proposals put forward by this committee threaten to weaken the CFPB's ability to protect consumers and maintain a competitive banking system.

The Consumer Financial Protection Bureau helps families make ends meet.

Debilitating the CFPB's effectiveness, whether through reductions in funding or reforms that undermine their supervision authority, would increase the cost of living for working-class families. Today, workers are struggling economically with real wages stagnating. The bottom half of wage earners make almost the same today as in the 1970s (adjusted for inflation). With 60% of Americans living paycheck to paycheck,[1] working-class people are experiencing unprecedented housing affordability stress,[2] total household debts are at an all-time high,[3] and poverty remains almost as high today as it was in the 1970s.[4]

The CFPB's work would continue to provide much-needed relief at a time when wages continue to stagnate and costs continue to rise. For example, the CFPB has dedicated a lot of attention to the two largest bank fees by volume — overdraft fees and credit card late fees. Limiting fees, such as overdraft fees and credit card late fees, disproportionately helps working-class people, Black and Latino consumers, and other underserved communities.[5]

However, the CFPB's recent rules to limit overdraft fees and credit card late fees are now at risk of being blocked or overturned:

- The CFPB capped overdraft fees at $5.
- Nearly one in five consumers incur overdraft fees annually,[6] amounting to $15 billion in charges.[7]
- More than a third of those earning less than $65,000 annually incur overdraft fees each year[8] and almost one-third of Latino[9] and Black consumers incur overdraft fees[10] — twice the rate of higher-income individuals.[11]
- People who overdraft end up paying hundreds of dollars in fees annually and risk losing their bank accounts if they cannot cover these costs.[12]
- The overdraft rule is projected to save consumers $5 billion per year, equating to $225 per household.[13]
- The CFPB capped credit card late fees at $8.
- Credit card debt increased by almost $100 billion in the past year, surpassing $1.2 trillion.[14]
- Working-class families are more likely to carry debt,[15] with those earning $50,000 or less paying twice as many late fees as wealthier consumers.[16]
- A 2024 UnidosUS study found that 25% of Latinos with credit cards paid a late fee in the past year.[17]
- The credit card late fee rule is expected to save consumers $10 billion per year, benefiting 45 million people with an average savings of $220 per year.[18]

The Bureau ensures that financial institutions that engage in other unfair, deceptive or abusive acts provide restitution to consumers when they are found to break the law. Over the past 15 years, the Bureau returned more than $21 billion to consumers while operating with a budget of less than $700 million, or 0.01% of the federal budget.[19]

Consumers across the political spectrum have taken notice of the importance of the CFPB. Polling from March of this year shows that nearly 70% of voters across the political spectrum support the agency's work:[20]

- 60% of Republicans support the CFPB, as well as 68% of independents and 84% of Democrats.
- 79% of Republicans believe financial regulation is important, as well as 83% of independents and 92% of Democrats.
- 71% of Republicans support the CFPB's current funding structure, as well as 69% of independents and 82% of Democrats.

The Bureau is essential for the function of the banking system.

Since January, the Bureau has already experienced severe disruptions to its operations. In February, more than 1,700 workers were sent home and ordered to stop their work. In March, a consent order and short-term agreements reversed many of the administration's efforts to

hobble the agency. However, reporting shows that the Bureau is currently experiencing a backlog of 16,000 complaints and the new Director of the Bureau, Russell Vought, terminated contracts with almost 200 vendors that perform vital services for the agency.[21] The administration appears focused on debilitating the Bureau with new senior leaders at the Bureau quoted as saying that the agency should be reduced to, "five men and a phone."[22]

Debilitating the effectiveness of the CFPB won't just impact the economic well-being of working-class families but will also generate chaos and uncertainty for financial institutions. Without a fully functioning CFPB, banks will find themselves operating under an uneven and confusing regulatory regime while non-bank financial institutions will be subject to fewer regulations, and the entire banking system would suffer from a lack of market stability and consumer trust.

The CFPB is the only federal agency that supervises non-depository institutions such as large independent mortgage banks, auto finance company lenders and money transmitters. These institutions have grown quickly in recent years and are competing with traditional financial institutions. For example, financial technology institutions, led by PayPal and Chime,[23] opened roughly as many new accounts last year as all large and regional banks combined, according to data from Cornerstone Advisors.[24]

Weakening or eliminating the Bureau will also create regulatory uncertainty for financial institutions. Banks continue to be subject to state regulations and some federal regulations such as by the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve and the Office of the Comptroller of the Currency (OCC). Conversely, non-depository institutions are subject to relatively few of these same regulations, both at the state and federal level. This situation could potentially create a competitive advantage for non-depository institutions.

Because the CFPB focuses on large banks with assets greater than $10 billion, weakening the Bureau's capacity would mean that community banks and credit unions could be at an even greater disadvantage. These institutions would continue to be subject to their existing compliance examinations and enforcement actions by their prudential regulators, including the National Credit Union Administration (NCUA) and state regulators, who would continue to have the legal duty to monitor the compliance of institutions within their jurisdiction.

The CFPB's actions bring transparency to bank products and create the same rules of the road for major financial institutions, often superseding a wide range of regulatory approaches at the state level, thus creating compliance certainty and a consistent body of law. Returning abruptly to a patchwork system without clear parameters for ordinary transactions would introduce radical uncertainty, threatening the legality of dozens of exemptions and practices that a wide range of companies rely on every day.[25]

The CFPB's monitoring and rules also increase consumer trust in banks and the financial sector which is critical for economic growth and stability. Randell Leach, CEO of Beneficial State Bank, recently shared that, "public trust in banks is already fragile, so it's hugely important to have a

strong agency protecting consumers."[26] In the aftermath of the 2008 financial crisis, public trust in banks reached a historic low of 22%. After the CFPB was established in 2011, public trust in banks increased almost every year reaching nearly 40% in 2020, the highest level of trust since 2007. However, the trust that was earned over the past 15 years is at risk if the CFPB is weakened. As Randell Leach explains, "any effort to dismantle or weaken the CFPB… undermines public trust in the financial sector."

Ensuring a fully functioning and properly resourced Bureau is necessary for a transparent, safe and stable marketplace, which benefits consumers and financial institutions alike. We urge Congress to support the CFPB by opposing efforts to undermine the CFPB's work or reduce its funding.

Notes

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