

CFPB Reports on Banking Access and Consumer Finances in the South

Hope Economic Mobility Forum

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Introduction to the Consumer Financial Protection Bureau

- Federal agency created in 2010
- Protects consumers from unfair, deceptive, or abusive practices and violations of federal consumer protection statutes, and takes action against companies that break the law
- \$19 billion in relief to 195 million eligible people (Oct. 2023).
- Tools
 - ✓ Regulations, supervision, and enforcement
 - ✓ Consumer complaints
 - ✓ Consumer education and empowerment



CFPB reports on banking access & consumer finance in southern states

Two reports highlight gaps and identify opportunities to improve financial outcomes for many Southerners

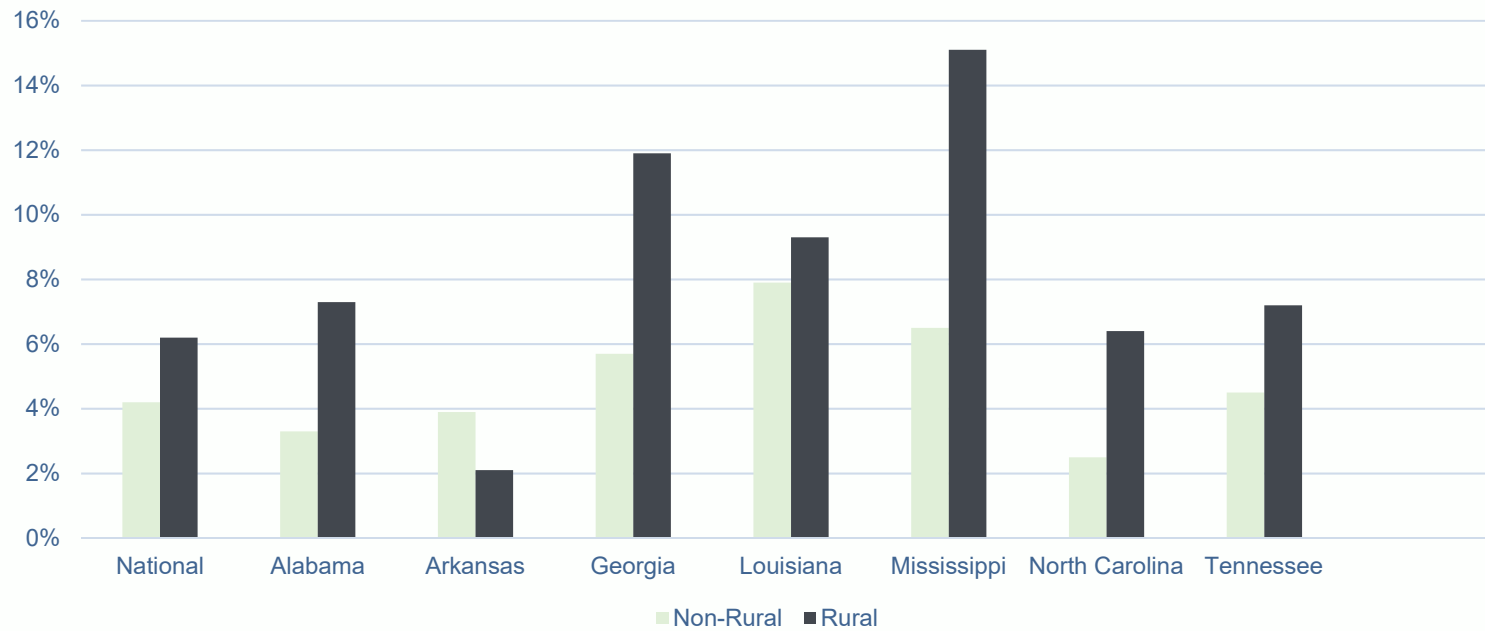
[Banking and Credit Access in the Southern Region of the U.S.](#)

[Consumer Finances in Rural Areas of the Southern Region](#)

Understanding the southern region

- Nearly 48 million people live in the southern region examined in the reports, which includes Alabama, Arkansas, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee.
- This region is rich in its diversity, with a mix of race, age, and incomes, across both rural and non-rural communities.
 - Nearly a quarter of rural southerners are Black, and 70 percent of the nation's rural Black population resides in these eight southern states.
 - Over 3 million immigrants live in the region, and 9% (4.8 million) have limited English Proficiency.
 - While 25% of people in the region's rural areas are age 60 or older, and 21% of rural southerners are between 18 and 34 years old.
 - One in 10 residents in the southern region are Hispanic, comprising 5% of the population in rural areas and 8% in non-rural areas.

Unbanked Rate, Rural v. Non-Rural Households, 2021

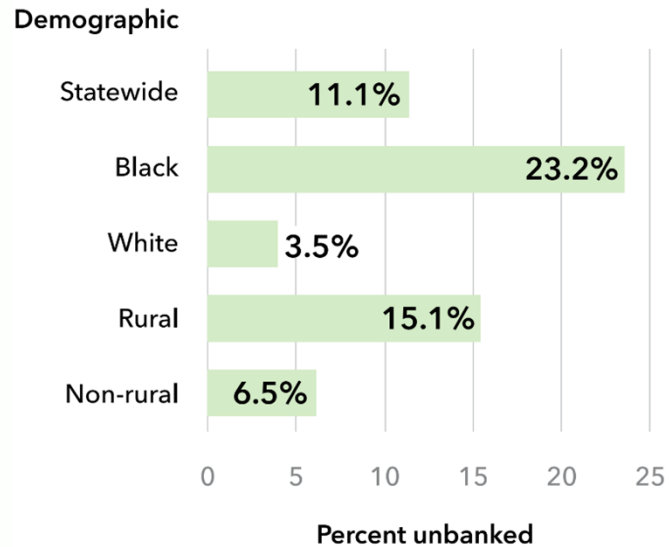


Source: Source: FDIC, Survey of Unbanked and Underbanked Households (2021).
South Carolina, as the FDIC does not report data for rural households in the state.

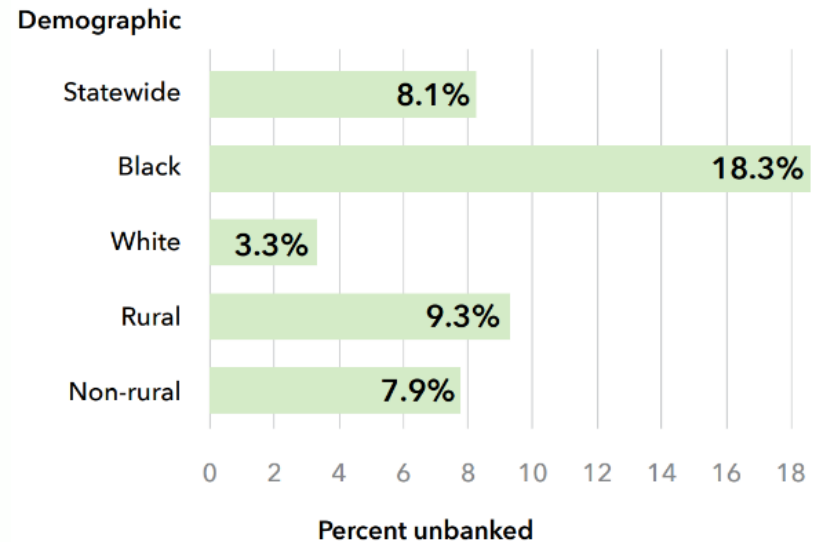
Banking access in Mississippi and Louisiana

Mississippi and Louisiana have the highest percentage of unbanked consumers in the country.

Unbanked rates in Mississippi, 2021



Unbanked rates in Louisiana, 2021



Credit Access: Mortgages

Rural borrowers, minority borrowers, and low- and moderate-income neighborhoods in the southern region have a lower share of home purchase loans than their share of the population.

- Even though 23 percent of the population lives in a rural county, only 14 percent of home purchase loans in 2021 went to those areas.
- Between 2018 and 2021, only 9 percent of home purchase loans went to Black rural borrowers in the region, even though they represent 24 percent of the region's rural population.
- Across all lenders in the southern region, in 2021, 10 percent of home purchase loans in rural areas went to low- and- moderate-income neighborhoods (17 percent in non-rural areas).
- The majority of loans in the southern region (61%) are made by non-depositories, lenders other than banks and credit unions. In rural areas in the southern region, it is 55%.

Home purchase loans in rural Mississippi, by lender type

Loan Type	Small Banks	Large Banks	Credit Unions	Affiliated Mortgage Companies	Non-Depositories	All Lenders
All Loans in Rural Counties	812	5,604	231	326	3,816	10,789
Government-Backed	45%	42%	28%	53%	68%	52%
Low- and Moderate- Income Borrowers	23%	23%	20%	14%	22%	21%
Low- and Moderate-Income Neighborhoods	16%	10%	13%	10%	13%	11%
Minority Borrowers	20%	19%	26%	19%	23%	21%

Source: HMDA Data, 2021, Rural and non-rural breakdowns and state-specific fact sheets are available in CFPB report, Banking and Credit Access in the Southern Region of the U.S. A government-backed loan is one that is insured by the Federal Housing Administration or backed by guarantees from the U.S. Department of Veterans Affairs, the Farm Service Agency, or the Rural Housing Service.

Home purchase loans in rural Louisiana, by lender type

Loan Type	Small Banks	Large Banks	Credit Unions	Affiliated Mortgage Companies	Non-Depositories	All Lenders
All Loans in Rural Counties	695	715	158	107	2,621	4,296
Government-Backed	26%	35%	27%	36%	70%	55%
Low- and Moderate- Income Borrowers	18%	14%	13%	8%	21%	19%
Low- and Moderate-Income Neighborhoods	19%	16%	18%	7%	19%	18%
Minority Borrowers	11%	11%	25%	17%	24%	20%

Source: HMDA Data, 2021, Rural and non-rural breakdowns and state-specific fact sheets are available in CFPB report, Banking and Credit Access in the Southern Region of the U.S. A government-backed loan is one that is insured by the Federal Housing Administration or backed by guarantees from the U.S. Department of Veterans Affairs, the Farm Service Agency, or the Rural Housing Service.

Mortgage Denials by Credit Score

Initial analysis shows credit scores alone do not explain these lower levels of lending

Credit Score	Race/Ethnicity	Rural	Non-Rural
Below 680	White	25%	22%
	Black	36%	31%
	Asian	32%	29%
	Hispanic	25%	23%
	Missing	36%	32%
	Total	29%	27%
680 or Above	White	9%	7%
	Black	17%	14%
	Asian	14%	10%
	Hispanic	12%	10%
	Missing	15%	12%
	Total	10%	9%

Source: HMDA Data, 2018-2021, State-specific tables are available in the report, Banking and Credit Access in the Southern Region.

Home purchase loan application denial rates (2018 to 2021)

In **Mississippi**, among high credit score applicants (above 680)

- Overall, 11% of rural applicants are denied compared to 10% in non-rural areas.
- White applicants experience the same denial rate (8%) in both rural and non-rural areas.
- Black applicants: 17% denial rates in rural areas, compared to 15% non-rural.
- Hispanic applicants: 12% in rural areas, compared to 10% non-rural.

Home purchase loan application denial rates (2018 to 2021)

In **Louisiana**, among high credit score applicants (above 680)

- Overall, 11% of rural applicants are denied compared to 9% in non-rural areas.
- White applicants: 9% denial rate in rural areas, compared to 7% in non-rural.
- Black applicants: 18% denial rate in rural areas, compared to 15% non-rural.
- Hispanic applicants: 15% denial rate in rural areas, compared to 11% non-rural

Credit access: Small business lending

In these eight states, there are more than 4.7 million small businesses, employing nearly half (45.6 percent) of the region's workforce.

- Nearly one-third (27 percent) of small businesses in the region are minority-owned, and 38 percent are owned by women.
- While the data is currently limited, there are indications that not all businesses are getting access to the capital they need.
- The CFPB recently finalized a Small Business Lending Rule, which implements a 2010 law requiring lenders to report information on their small business loan applications. Once the data is collected, it will provide visibility into small business lending, similar to what we have now for mortgage lending.

Consumer finances: Student loan debt

For rural southerners that do have student loan debt, our report shows it may be more of a burden than others in the region and nationally.

As of March 2020:

- 15 percent of rural southerners have an open student loan with a remaining balance of \$18,233 and median scheduled monthly payment of \$157.
- 9% of borrowers were delinquent and 14% in default, both higher than in non-rural areas in the region and nationally.
- 19% of rural southerners were enrolled in income-driven repayment plans, versus 21% nationally.

State facts sheets also include student loan data

Banking access & consumer finance in southern states

The CFPB will continue to monitor these trends in this region and utilize our tools and authorities to ensure fairness and transparency in the financial markets in the region.

We will share these findings with federal and state regulators and policymakers, particularly those supporting mortgage and small business lending.

Lenders and others may want to explore the use of Special Purpose Credit Programs, which enable the development of directed lending programs to reach historically underserved populations.

Other recent CFPB developments

- **Medical debt:** CFPB has begun a rulemaking process to remove medical bills from Americans' credit reports.
- **Installment loans:** CFPB sued installment lending conglomerate Heights Finance for illegally churning loans to harvest hundreds of millions in loan costs and fees.
- **Data privacy and control:**
 - The CFPB has begun rulemaking process to ensure that modern-day digital data brokers are not misusing or abusing our sensitive data.
 - The CFPB proposed the Personal Financial Data Rights rule to accelerate the shift to open banking, giving consumers the power to walk away from bad service, and choose the financial institutions that offer the best products and prices.
- **Junk fees:** The CFPB launched an initiative to save households billions of dollars a year by reducing junk fees charged by banks and financial companies that distort the competitive process.

How to submit a complaint

<https://www.consumerfinance.gov/complaint/>

- Submitting online usually takes less than 10 minutes.
- If consumers can't submit online, they can submit a complaint over the phone. Submitting over the phone usually takes 25-30 minutes.
- (855) 411-2372, TTY/TTD: (855) 729-2372
- 8 a.m. to 8 p.m. ET, Monday through Friday
- 180 languages are available

For More Information



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www.consumerfinance.gov

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