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"Strengthening our Collective Power to Close the Wealth Gap"
Diane Standaert, Keynote
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During the foreclosure crisis, the distress of families across the nation was quite visible. You could drive down streets and see the evidence of whole communities devastated by foreclosure, "for sale" signs in front of home after home after home, or see pictures of these haunted neighborhoods in the news. As families who lost their homes suffered greatly, they knew they were not alone…they could see their neighbors facing the same, we could all see, and we all suffered the spillover effects of plummeting housing values and economic recession. A decade later, the remnants of this crisis driven by reckless lending practices in the wake of inaction by state and federal policymakers still linger today in many ways: lost wealth that families built through homeownership, depressed revenues for state and local governments that remain, the scooping up of foreclosed homes by Wall Street investors, who then foreclosed those people's ability to buy those homes by turning them into permanent rental properties, and the list goes on.

As many communities recover from the previous crisis, we are in the midst of another. This time it is not playing out publicly as we drive down the street, but rather in people's homes, at their kitchen tables with mounting bills piling up, as millions find themselves buried in debt often impossible to overcome. Many of us, in the work that we do, see the impacts and feel the frustrations of supporting families who are shouldering this burden of debt that mounted simply by doing the things we need to do in get by – getting an education, health care, a car to get to work, or suddenly faced with unexpected debt, such as surprise medical bills or fines and fees by the courts. These debts extinguish the hope of eventual financial prosperity for many. We must do the work of making these invisible stories clearly visible.

At HOPE, in Jackson, MS, where I am, and across the Deep South where HOPE is working, we see people struggling to get by even as they work hard every day to do everything right, trusting that they will see the fruits of economic opportunity. Through our work as a credit union and community development organization in low-income communities and communities of color, we see in real time the burdens that people carry: student loan debt, medical debt, payday lending, predatory auto loans. All of these are barriers to people's ability to build assets for the future and undermines the stability of their day-to-day lives. As one example, one of our members applied for a home loan, and in that process we discovered she was trapped in a predatory auto loan. The car loan had a 28% interest rate, and $6,000 in fees for junk add-on products. In addition to her Social Security income, she was working two jobs, simply to keep her head above water. Thankfully, we able to re finance her out of the loan, and with lower car payments, then qualified for a mortgage. For another member, misplaced paperwork by her student loan servicer led to garnishment of her wages, the loss of her car, damaged credit score, and nearly the loss of her home, despite working full time and getting a promotion. For another young woman, just at the start of her public service career and well-positioned to buy her first home, student loan debt stands in her way. These stories we see daily throughout the Deep South, and we know it is the same in many communities across the country, including here in Maine, where a modest unexpected expense can overturn the finances of nearly half of all Mainers.[1]

From the vantage point of any one of us in this room or any one story that we know, we may be able to see only one gear in the machine. But, we must also focus on the big picture, on the complex apparatus that fosters these conditions – a system of policies, deeply-rooted and historical, that are designed and implemented so that the resources of these families at the bottom are extracted and fed into a system with rewards routed to the top. This is in fact how the financial system is working today, and consumer protections are a necessary component to change it.

To put these stories in context of what is happening nationally, I just want to share a few trends that demand urgent attention: (1) the wealth gap is widening, and (2) the debt loads people are carrying threaten to widen this gap for generations.

(1) Over the last 25 years, wealth inequality has grown significantly. During this time, the overall wealth grew, but it also left many people behind. The rising tide did not raise all boats. Families in the top 10% saw the amount of wealth they own grow, and the families in the bottom 50% saw their wealth shrink to now holding just 1% of all the wealth. This is a precarious situation for the health of our country as a whole, and is most painfully felt by communities that have historically been excluded by race or place. The effects of exclusionary and discriminatory policies are still plainly evident: white families own nearly 90% of all the wealth in the U.S., and Black and Latino families each own only a sliver of about 3%.[2]

(2) The debt loads people are carrying threaten to widen this gap: Unlike the plainly visible foreclosure crisis, debt burdens are trapping entire communities under an invisible force field that we simply cannot see. Total household debt is now higher than its previous peak in 2008. People all over the country are struggling to keep up. Last quarter, overall delinquency rates rose and today, 1 in 3 American consumers have a debt in collection. Maine is not immune, as here 1 in 3 Mainers have a debt in collection.

Looking at the different segments, we can see that much of this debt is related to simply getting by:

- Auto loans: More people than ever – 7 million Americans – are at least 90 days behind on their auto loans.[3] This is particularly concerning for places like the Deep South, or rural Maine, where having a good, reliable car to even just get to work or the grocery store.
- Credit card debt: Credit card debt has now reached pre-2008 levels (~$870B), and older Americans in particular are falling behind on their credit card payments.[4]
- Mortgages: Overall delinquency rates are remaining steady,[5] but looming signs of distress on consumer debt are spilling over in the home loan market with cash-out re-fis's. At the end of last year, over 83% of mortgage re-fis on home loans were cash-out re-fi's (highest rate that we have seen in more than a decade) and 40% of these cash-out re-fis were used to pay other bills, a clear sign of distress.[6]

- Student loans: There is $1.5 trillion in student loan debt – more than credit card debt.[7] And, this is simply not sustainable. Over a million people default on their federal student loans every year, and current predictions are that 40% of all student loan borrowers will default on their student loans in the coming years.[8] But, default is actually a conservative measure of distress and even for people repaying their loans, the student debt burden stalls home purchases, small business start-ups, family formation, and retirement.
- Finally, the criminalization of poverty: As local governments seek to replenish their budgets plundered by the 2008 recession, there is an increasing and ineffective reliance on the assessment of fines and fees, causing even the smallest infraction from parking tickets to tolls, to lead to spiraling debt and aggressive collections.[9]

Each one of these trends is troubling on their own, and become even more so given that for many people and communities - each compounds the other. As you know, delinquency on any debt will have long lasting consequences on someone's life: damaged credit score increases the cost of credit in the future, and is a barrier to finding a place to live or place to work. The mounting debt gives rise to a host of other predatory schemes with false promises of debt relief that compound the problem. And, then financial damage from the debt makes people more likely targets of predatory lenders, such as payday lenders or subprime auto lenders, pushing people further into a hole.

This is why strong consumer protection laws are a necessary part of the apparatus - to prevent this downward spiral in people's lives and the resulting widening gap of those who are ahead and those being left behind.

This is even more so true because across all of these sectors, predatory practices fuel these harms, leaving consumers who are diligently trying to meet their obligations unaware that the practices they are subject to are unfair and harmful. Auto lenders charge higher rates to Black and Latino borrowers who are more qualified for good credit than white borrowers, and even negotiating does not mitigate these disparities.[10] For-profit colleges ensnare people into a debt trap that turns the dream of higher education into a nightmare. Or payday lenders charging 300% interest rates on loans that intentionally keep people stuck in a cycle of debt. And, another, are servicers: In a repeat of the aftermath of the foreclosure crisis when mortgage loan servicers failed in their obligations to help keep people in their homes, student loan servicing companies today continually fail to put people into affordable repayment plans or forgive their debt. These failings by mortgage loan servicers exacerbated the foreclosure crisis then, and failings of student loan servicers fuel the crisis we are in now. For example, one student loan servicer, Navient, repeatedly put borrowers into forbearance, collectively adding $4 billion of student loan debt in fees and interest to borrowers' balances.[11] Thankfully, here in Maine, you stood up for Mainers to address both of these unfair practices, in 2009, which the enactment of a law that established an act to prevent unnecessary foreclosures,[12] and again 10 years later, in 2019, with the student loan bill of rights to hold servicers accountable.[13]

These types of protections are critical for not only addressing the wealth gap that exists along economic lines, but that which exists along racial lines as well. The racial disparities we see in the burden of bad debt on communities of color follows the same story lines of our country's long history of racially discriminatory lending practices, such as redlining, and discrimination in other areas such as jobs, wages, education, and others. Let's look at homeownership. Homeownership is an essential way for low-income families to build wealth. But a long history of redlining by the federal government denied people in communities of color of that opportunity, and then, in the lead up to the 2008 crash, lenders practiced reverse redlining -- making the worst loans in communities of color, stripping many families of the wealth they had managed to build in homes they already owned.[14] Now, we are seeing some of the same patterns with student loan debt. A new report by the Federal Reserve of New York shows that Black communities are experiencing the highest and fastest growing student debt burdens, and experiencing default rates twice as high as white communities.[15] Today we are situated in deep chasm of the racial wealth gap. Protections that guard against lending and servicing abuses are a necessary component to address the racial wealth gap.

At the HOPE Policy Institute, we have been looking at what these growing debt burdens mean for places where we are located in the Deep South. The Deep South is a place of resiliency, genius, and strength. It has given birth to cultural icons such as B.B. King, Elvis Presley, Bo Diddley, Tennessee Williams, Jim Henson, Oprah Winfrey, and so many others. The Deep South has shaped our entire country, and given us things that all of us in this room enjoy today. Yet, the Deep South is a place that has been subject to systematic oppression, extraction, and exclusion, particularly along racial lines. As such, it is the home to civil rights heroes like Medgar Evers and Fannie Lou Hamer. It is here in this region of the country, where Dr. Martin Luther King was assassinated when joining sanitation workers in Memphis to fight for fair wages, and where in 1955 two white men lynched 14-year old Emmitt Till. These two acts of racial violence, among others, gave rise to significant advancements in the civil rights movements, resulting in laws to ensure equal protection for everyone. This history, however, also means we are in a part of the country where the political environment is not often conducive to enacting the necessary policies and reforms to ensure people's economic security, and as such today, is home to some of the most economically insecure parts of the country, particularly for communities of color.

Let me take you to Holmes County, Mississippi, on the banks of the Yazoo River. Holmes County is the poorest county in the state, and it has been that way for more than half a century. Its economy today is rooted in a history of slavery and sharecropping, which restricted the available economic choices for Black people, but allowed many white people to benefit. The same system that oppressed Black families is the same thing that allowed white families to gain a sound financial footing. The impact of that history remains evident. In Holmes County, where over 80% of the community is Black,[16] white household income is more than double that of Black households, which is $26,000.[17] But also today, at work is the overhanging oppressive force of debt that threatens to entrench this centuries' old inequality: In Black neighborhoods in Holmes County, over half of the community has a debt in collection, bringing with that all the long-lasting consequences of default.[18] Drilling down further, student loan debt is causing a deep scar on people's credit scores – where over 1 in

10 people in Black Holmes County have a student loan in debt collection.[19] In nearby white communities, only 1 in 50 suffer this same harm.[20]

It's not just Holmes County, where people, are dealing with the collective effect of bad debt. It's in Maine too. In Maine, 1 in 3 Mainers do not have a livable income,[21] and thousands of Mainers are struggling simply to put food on the table or get access to affordable health care. You all also saw the unique impact of student loan debt, where 44% of Mainers know someone who moved out of state to find a job that will enable them to pay their student loan debt.[22] Last year, when HOPE brought Federal Reserve Governor Jerome Powell to the Delta, he noted the connective thread of persistent poverty across rural communities: "*Poverty remains a challenge in many rural communities. Indeed, 70 percent of the 473 "persistent poverty" counties in the United States are rural.2 Unemployment and mortality rates remain high in these communities. Along with lower incomes and wealth, the rate of business start-ups in these areas is lower. And their residents have less access to financial services. Many of these disparities have existed for generations, and in some places have roots in a history of discrimination."* [23]

To be clear: predatory lending exploits and exacerbate the persistent gaps in Holmes County, Maine, and around the country. The urgency of now is that predatory lending and these other debt issues threaten to widen the wealth gap for generations to come. This is why we must come together to strengthen our collective power to do all that we can to stop the bleeding, particularly when actions by the federal government are pouring salt into the wound.

Right now, the federal government is moving in a direction that favors payday lenders, debt collectors, for-profit, and predatory student loan companies. For example, earlier this year, the Trump Administration recently proposed new protections for debt collectors – allowing them to collect debts by use of texts, emails, social media and a whole host of other problematic practices. And, the administration is repeatedly failing to provide teachers and others in public service jobs they student loan relief they were promised after 10 years of hard work. It is also proposing to gut critical provisions under the Fair Housing Act. Just last week, the administration will move to make it easier for payday lenders to partner with banks to enable their high-cost loans, even in states where they currently are prohibited. Our charge today is to do our part to ensure consumer protections are in place to prevent the widening wealth gap. We do that of course, by pushing for strong protections at the federal level, such as the enactment of a 36% rate for payday loans, but also moving forward to enact new protections here at home, in our cities and states. Bad policies got us into this mess, good policies can get us out.

I want to close by talking about what progress here in Maine means for people in the Deep South. Your fight is our fight. To make progress where I am from, we need Maine to keep making progress here.

I want to provide a clear example of where Maine, you have already done that. In 2006, at the peak of the subprime mortgage lending crisis, Maine passed some of the strongest anti-predatory mortgage lending protections in the country,[24] joining about two dozen states that had also done so.[25] Fast forward to 2010, two years into the ensuing foreclosure crisis, when Congress enacted the 2010 Dodd Frank Wall Street Reform and Consumer Protection Act. This act not only created the Consumer Financial Protection Bureau but also established federal mortgage lending protections based on laws such as what Maine and other states had in place at the time. Because of the work Maine had done in 2006, both of your Maine U.S. Senators were key votes in the passage the 2010 laws.[26] People through the country, including the South, now benefit from those mortgage lending protections and the CFPB. Thank you.

Each one of us as a role to play in pushing for policies that allow our neighbors to live and to thrive. The work that you do each day holds the key to showing how Mainers are suffering the harms of unfair lending practices that make it harder to make ends meet. You all are also deeply connected in your own communities and your power lies here as well. You can talk to your neighbors and your churches and others about the reality of what's happening. You can talk to your elected officials – to show that this is happening right here in your own communities. This means you are well-positioned to lift those stories up to inform policy and legislative decisions in Maine and D.C.

Thankfully, here in Maine, you all have accomplished many of these goals, both in response to the mortgage lending crisis and in response to the crisis we now face at this time. It is critical to remain vigilant in defending these protections, and tell the story of how they are working to improve people's lives. As Maine makes progress here, it helps shine a light down a path for progress in other places and for federal reforms. Your work here helps our movement in the Deep South and across the country. We need each other in this fight, and it's going to take each and every one of today.

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