

## Civil Rights and Consumer Protection Organizations Oppose the Auto-Lending Congressional Review Act (S.J. Res. 57)

Senator Jerry Moran (Nebraska), with the support of 15 co-sponsors, has introduced a resolution intended to block federal action against discrimination in auto lending, and to do so far into the future. Discrimination in auto lending continues to extract billions of dollars a year in extra loan payments from borrowers of color; Congress should be taking action to end this injustice, not interfering with efforts to enforce fair lending laws.

Senator Moran's measure would specifically undo guidance issued by the Consumer Financial Protection Bureau for auto lenders who decide to continue making backdoor payments to dealers as a reward for getting borrowers to accept high-cost loans. Lenders who do so, the guidance says, must also take care they don't end up overcharging on the basis of race. The powerful auto dealer lobby has accused the bureau of overreaching. In truth, the Bureau under its previous leadership was working to enforce the law, and its guidance reminded lenders of their existing obligations under the federal Equal Credit Opportunity Act of 1974.

Joint enforcement against auto lending discrimination by the Consumer Bureau and the Department of Justice from 2013-2015 resulted in real benefit to wronged consumers, as Ally Financial, Honda, Fifth Third Bank, and Toyota were required to reimburse borrowers restitution totaling \$144 million.

Car buyers who need financing often get it through dealers, who typically receive bonus payments whenever they get someone to accept a loan that is more expensive than their income and credit qualify them for. For more than two decades, there has been clear evidence that these arrangements tend to result in African-Americans, Latinos, and other borrowers of color paying extra -- that is, paying interest and fees higher than are justified by the evidence of their creditworthiness, and higher than those charged to similarly situated white borrowers.

Reinforcing the broad evidence of pervasive discrimination, recent paired testing by the National Fair Housing Alliance showed that more qualified non-white applicants were often offered higher-cost financing options than less qualified white applicants. And the financial impact was large: when nonwhite borrowers paid more, it added up to an average of \$2,662 over the life of the loan.

The Consumer Bureau, with Mick Mulvaney now acting as Director, has already retreated from enforcing fair lending laws. But that apparently is not enough for the members of Congress

supporting this legislation, or for the auto dealers; they are trying to protect systematic racial discrimination and tie the hands of future regulators who might try to address it.

This action is the latest in a series of Congressional and agency attacks on efforts to weed out racial discrimination in financial services. These attacks include watering down years of work at the Department of Education to address financial abuses by for-profit colleges that disproportionately harm students of color; rewriting the mission statement of the Department of Housing and Urban Development to exclude its statutory obligation to end housing discrimination; pushing for the exemption of 85% of financial institutions from Home Mortgage Disclosure Act (HMDA) data, a critical anti-discrimination tool; and proposing to undo the Consumer Bureau's rule addressing unaffordable 300%-interest payday loans, which target communities of color.

Americans for Financial Reform

Allied Progress

Center for Economic Integrity

Center for Popular Democracy

Center for Responsible Lending

Consumer Action

Empire Justice Center

Genesee Co-op Federal Credit Union

The Leadership Conference on Civil and Human Rights

NAACP

National Association of Consumer Advocates

National Consumer Law Center (on behalf of its low income clients)

National Fair Housing Alliance

National Urban League

National Consumers League

NC Justice Center

Public Citizen

Public Justice Center

Public Law Center

Tennessee Citizen Action

UnidosUS

U.S. PIRG

Woodstock Institute