

Ten years after the Great Recession, the current economic contraction is again hitting Black and Brown communities and lower-wage workers the hardest – many of whom have never recovered. This crisis is worsening long-standing and growing racial and economic inequities at the very moment of national reckoning with the historic need for their redress. Too often, predatory financial services and products prevent families and small businesses from accessing opportunities and instead impede their ability to reduce poverty and close the racial wealth gap. **Bold action to curb predatory lending and ensure access to safe, affordable credit will give more Americans access to the American Dream.**

Expand fair, inclusive, and sustainable homeownership.

Homeownership is the primary way that most middle-class families build wealth and achieve economic stability. Wide access to credit is critical for building family wealth, closing the racial wealth gap rooted in federal discriminatory policies, and for the housing market overall, which contributes significantly to our overall economy.

Administrative Actions Needed

- Create a targeted restorative justice homeownership program that directs down payment grants to low-wealth firsttime Black and Brown homebuyers and families disadvantaged by federal homeownership policies that denied them opportunity to build wealth parity with whites.
- Increase the supply of quality, affordable housing (including rental) for low to-moderate income (LMI) borrowers.
- Strengthen and fully enforce fair housing and lending laws to prevent and remedy discrimination.
- Require financial institutions to fulfill their Community Reinvestment Act mission and more robustly serve LMI borrowers and borrowers of color.
- Reform our existing housing finance system to provide more affordable products for underserved borrowers.
- Eliminate excessive risk-based pricing and reliance on credit-scoring systems that bake in historic discrimination.

Fix the broken higher education financing system.

Now more than ever, higher education is a public good with the potential to lift people out of poverty and provide access to the middle class. However, state support of public institutions has never recovered from deep cuts after the 2008 recession and predatory institutions have not been held accountable. These twin disasters have led to astronomical levels of student debt, further entrenching the racial wealth gap and perpetuating the cycle of poverty. For too many students, the cost of college has become a burden preventing them from building wealth and investing in their communities.

Administrative Actions Needed

- Cancel student debt to allow overly burdened student loan borrowers to fully participate in the economy.
- Minimize COVID-19's negative impact on student borrowers by providing oversight to ensure borrowers receive a quality education, as well as recoup any loan dollars spent to attend programs that closed during the pandemic.
- Make repayment simple and affordable so that borrowers can successfully repay their loans, instead of being burdened with debt for the rest of their lives.
- Hold predatory institutions accountable for their deceptive acts and practices, the quality of the credentials they provide, and how they spend federal dollars.

Legislative Actions Needed

- Enable current and future students to achieve their dreams without taking on unaffordable debt loads.

End predatory high-cost lending that undermines economic stability.

High-cost payday and installment lending traps families in a cycle of debt. Payday lenders market their products as quick, easy, and short-term, but the research overwhelmingly shows that payday loans trap people in debt under the guise of providing “access to credit” and “consumer choice.” Payday lenders target communities of color, exacerbating the persistent and growing racial wealth gap. In a time of crisis, these loans are even more harmful.

Administrative Actions Needed

- Reserve banking privileges, including preemption of state interest rate limits, for fully regulated banks engaged in traditional banking activities.
- Strengthen federal protections against predatory lending, including supporting and reinforcing state usury law.

- Ensure that “innovation” doesn’t equate to “predatory” for borrowers who need access to safe, affordable credit.
- Encourage banks to use ECOA’s Special Purpose Credit Programs to design more affordable products.

Legislative Actions Needed

- Implement a federal interest rate cap for all loans to protect consumers from the harms of high-cost lending.

Curb widespread abusive debt collection practices.

Even before the onset of the COVID-19 pandemic, US household debt was on the rise, reaching over \$14 trillion as 40 percent of Americans have not recovered from the Great Recession. While much of this debt stems from mortgages, a growing amount stems from non-mortgage consumer debt, including student loans, medical debt, credit cards, installment loans and auto loans. In recent quarters, delinquency and default rates were already on the rise. With the growing number of Americans facing unemployment, lost wages, and depleted savings due to the COVID-19 crisis, we can expect that household debt as well as defaults and delinquencies will climb rapidly as well without relief. We must provide families a fair chance to recover from unaffordable debt.

Administrative Actions Needed

- Act to stop the immediate and long-term public health and economic consequences of abusive debt collection, including use of courts to collect stale, time-barred debts.

Legislative Actions Needed

- Ban garnishment of stimulus checks and garnishment of any COVID-related medical debt.
- Institute stronger federal policies to increase the amount of wages protected from wage garnishment and to protect borrower bank accounts from unaffordable collections.

End abusive bank overdraft fees.

Even during the best economic times, overdraft fees are a tremendous drain on working families and often cause irreparable harm, stripping \$15 billion each year from their accounts. The fees compound into hundreds per year for banks’ most financially distressed account holders, with some spending more than a thousand dollars in overdraft fees each year. They drive people out of the mainstream banking system altogether, which disproportionately harms people of color, who are already far more likely to be unbanked than white people. During this period of sustained un- and under-employment, overdraft fees can be especially devastating, siphoning off consumers’ stimulus funds and creating an unintended windfall for banks. For the good of families and the broader economy, we must limit these fees immediately.

Administrative Actions Needed

- Halt all bank overdraft fees for the duration of the COVID-19 crisis and until the economy has recovered.
- Protect consumers by treating overdraft fees as a form of credit under federal law, including an ability-to-repay assessment and repayment through installments.
- Require that overdraft fees be reasonable and proportional to cost and limit the number of fees that can be charged monthly and annually.
- Prohibit overdraft fees on debit card and ATM transactions

More equitably support small businesses owned by people of color.

Preserving businesses owned by people of color is paramount to an equitable recovery. Employer businesses owned by people color are a substantial source of income and employment—accounting for more than 8.9 million jobs at total annual payroll of \$295 billion, and \$1.4 trillion in revenue. Yet many of these businesses as well as non-employer or self-employed businesses likely did not receive timely access to the \$660 billion Paycheck Protection Program. Further, there has been a substantial decline in the number of active Black- and Brown-owned businesses. Business ownership is a proven mechanism for wealth-building and creates jobs. We must ensure that all business owners have access to the credit and relief they need and deserve.

Administrative Actions Needed

- Create robust data collection systems for small business lending so that the public can easily see which businesses are being served by lenders.
- Incentivize the private sector to provide technical assistance and capital support to the smallest businesses and businesses owned by people of color, including through small business incubators.

Legislative Actions Needed

- Ensure that federal emergency funding reaches all communities and Black and Brown small businesses.
- Create a direct grant program specifically for the smallest businesses and businesses owned by people of color.
- Increase support and capacity of community development financial institutions (CDFIs) and minority depository institutions (MDIs) with established track records of serving LMI communities and Black and Brown people.