

APRIL 17, 2018

Senator Warren Delivers Floor Speech on Vote to Rescind CFPB Auto Lending Guidance

Washington, DC - In a speech delivered today on the Senate floor, United States Senator Elizabeth Warren (D-Mass.) spoke out against a Congressional Review Act (CRA) resolution to rescind the Consumer Financial Protection Bureau's (CFPB) auto lending guidance. In her remarks, Senator Warren discussed how the CFPB's guidance helps stop discrimination in auto lending by ensuring auto lenders comply with the Equal Credit Opportunity Act. Criticizing the resolution as being part of a broader Republican attack on efforts to fight economic discrimination, Senator Warren urged her colleagues to reject the resolution.

The full text of her remarks is available below.

Remarks by Senator Elizabeth Warren

April 17, 2018

Mr. President, just weeks after voting to make it harder to stop discrimination in mortgage lending, the Senate is now on the verge of voting to make it harder to stop discrimination in auto lending.

About forty years ago, Congress passed an important civil rights law called the Equal Credit Opportunity Act. That law said companies couldn't discriminate when offering

a loan. It was a simple idea: loan terms should be based on creditworthiness, not on the color of someone's skin.

The Consumer Financial Protection Bureau is one of the federal agencies responsible for enforcing that forty year-old law. The CFPB found out that when auto dealers were helping customers get financing for a loan, minority customers were often given worse loans than their white counterparts.

The underlying reason was something called a "dealer reserve" - where the lenders providing the financing for a car loan gave the dealer the discretion to mark up the interest rate on the loan and then the dealer could keep some of the additional profit generated from the mark up.

The problem was that there was growing evidence that dealers marked up loans more often and higher for minorities than for whites with similar credit profiles.

In 2013, the CFPB issued guidance to these lenders about how they could make sure they were complying with the Equal Credit Opportunity Act. They could institute more rigorous oversight of their auto financing process to get rid of these discriminatory practices. Or they could stop using the dealer reserves that facilitated these discriminatory practices, and just pay dealers a flat fee per loan instead.

Now, after issuing the guidance, the CFPB found that a few auto lenders were not following the guidance. It entered into settlements with Fifth Third and the financing arms of both Honda and Toyota. These settlements returned millions of dollars to people who had been charged more for car loans simply based on the color of their skin.

But a lot of auto dealers and auto lenders don't like the CFPB's guidance. Which brings us to today - when the Senate is about to vote on reversing this guidance and prohibiting the CFPB from ever issuing similar guidance again.

This is part of the broader Republican attack on the efforts to fight economic discrimination. House Republicans have passed multiple bills that would make it harder to enforce fair lending laws. And since assuming control of the CFPB, Mick Mulvaney has taken steps to undermine the agency's Office of Fair Lending.

The vote today is also a troubling follow-up to the recent bank deregulation bill that just passed the Senate. That bill reduced data reporting requirements for 85% of the banks in this country, making it harder for federal agencies to monitor mortgage lending, to uncover discrimination, and to enforce the law. Now the Senate is considering rolling back guidance that explains how lenders can avoid discrimination when providing auto loans.

Let's be clear - discrimination in auto lending is alive and well. The National Fair Housing Alliance recently sent two people - one white one non-white - to eight car dealerships in Virginia. Even though the non-white person had better credit than the white person in each instance, the non-white person ended up with a more expensive loan half the time. Think about that: better credit and paid more for the loan. In fact, in those cases, the non-white person would have paid more than \$2500 more over the life of the loan than the white person with worse credit.

The last thing we should be doing is making it harder to crack down on that kind of discrimination. As a wide array of civil rights and consumer groups recently wrote, "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."

A vote in favor of the resolution today is a vote to support the Trump Administration's systematic dismantling of fair lending laws in this country. It's a vote in favor of Mick Mulvaney's efforts to leash up the CFPB's Office of Fair Lending. It is a vote in favor of allowing some auto lenders and dealers to continue charging African-Americans and Latinos hundreds - even thousands - more just because of their race.

I urge all of my colleagues to oppose this resolution.

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