

SB Opener – December 1, 2022

When work has dignity, every American can fully participate in and receive the benefits of our dynamic economy.

Financial services and products have played a critical role in helping many families build wealth and plan for the future – whether that means saving for college, retirement, or their first home.

Many Americans have been able to do just that.

However, not every community has gotten its share of the prosperity.

That is especially true for Black and brown Americans – who are too often shut out of the financial system because of discrimination.

Let that sink in, in 2022... in the United States of America, you can be turned away at a bank because of the color of your skin.

The wealth and income disparities between white and minority households are a consequence of the unequal access and treatment minorities have faced.

From accepting slaves as collateral for loans, to Jim Crow, to redlining, to the subprime mortgage crisis' predatory practices, to the current crypto crisis, Black and brown Americans have never had equal access to or fair treatment in financial services.

Today's hearing is an opportunity for this Committee to reckon with not only the legacy of discrimination, but the current reality of the pervasive and pernicious discrimination in financial services.

The 2021 FDIC household survey found that roughly eleven percent of Black households and nine percent of Hispanic households were unbanked – compared to two percent of white households.

And for Black Americans with checking accounts, it's not always better. We know that some banks close checking accounts at significantly higher rates in communities with more Black residents.

The fact is that many Black and brown Americans do not have access to, nor do they trust, our financial system.

Think about Dr. Malika Mitchell-Stewart, a doctor from Texas who attempted to open an account and deposit her signing bonus check. The bank tellers raised questions about the check's authenticity and her employment as a doctor. They ultimately accused her of fraud and turned her away.

Consider Clarice Middleton, an African-American woman. As Emily Flitter described in her book *The White Wall*, Ms. Middleton “shook with fear” as she stood on the sidewalk outside a Wells Fargo branch in Atlanta after she was accused of fraud.

Ms. Middleton went to a Wells Fargo branch in a wealthy, mostly white Atlanta neighborhood to cash a security deposit refund check. Three bank employees examined the check and her identification, but refused to look at the additional proof Ms. Middleton offered. They declared the check fraudulent, and one employee called the police.

And then there’s Ryan Coogler, the director of the movie “Black Panther,” who was profiled while trying to withdraw money out of his own account. He gave the bank teller his bank card, PIN, and ID. The teller assumed Mr. Coogler was trying to rob the bank.

Mr. Coogler’s case shows that even wealth and fame can’t stop discrimination.

Black and brown customers are viewed with suspicion for just entering a bank and are questioned over the most basic transactions.

And because access to basic financial services is how families build wealth, discrimination in banking only worsens the racial wealth gap.

Many Black and brown consumers have no place to securely hold their funds. And when consumers are pushed out of financial services, they are forced to rely on check cashers. They have far fewer opportunities to build relationships with financial institutions – relationships that matter when trying to buy a home or start a small business.

The COVID-19 pandemic revealed the detrimental consequences for minority consumers who have been unable to build a relationship with financial institutions.

Not only were minority small business owners left out of important programs like the Paycheck Protection Program, but small business owners without banking relationships who were able to obtain federal aid were sometimes barred from accessing those important funds.

Congress has worked to address this fundamental unfairness with legislation.

Civil rights statutes like the Equal Credit Opportunity Act and the Community Reinvestment Act seek to ensure equal access to credit, and to combat discriminatory practices, such as redlining.

The Civil Rights Act of 1964 outlawed discrimination in certain places of public accommodation, such as hotels and restaurants... but it does not cover banks.

Federal courts have held that the law enumerates specific types of businesses. Those that are not on the list, such as financial institutions, are not covered.

We must do more to ensure that all Americans have equal access and equal treatment in financial services and products.

The lack of clear protections and the loophole within the Civil Rights Act make it difficult to end discrimination and make it hard for victims of racial discrimination to hold these banks accountable.

Minority consumers also have access to less of their own funds.

One report found that Black and Latino consumers are required to maintain a minimum balance of \$821 and \$879, respectively, compared to a minimum balance of \$648 for white consumers. Black and Latino consumers, unlike white consumers, simply don't have access to their own money.

Banks say they are committed to eradicating the legacy of racism in our financial institutions. Yet a week after the CEOs of our largest banks sat before this Committee and promised to fight against discrimination, the American Bankers Association sued the Consumer Financial Protection Bureau for updating its examination manual to scrutinize unfair discrimination.

We know that Wall Street always attacks the CFPB, but their opposition has reached frenzied levels with Rohit Chopra at the helm.

Under Director Rohit Chopra, the CFPB is using all of its authorities to fight discrimination and has repeatedly gone after financial institutions for their treatment of Black consumers.

Earlier this year the CFPB announced that it will examine whether discrimination violates the Dodd-Frank prohibition against unfair, deceptive, and abusive acts and practices.

In 2021, the CFPB required a bank to pay \$5 million to address redlining that harmed Black consumers.

Since its creation, the CFPB has gotten \$637 million from discriminatory banks, tens of millions of which have gone directly to minority consumers who experienced discrimination.

And it's no surprise that when an effective agency like the CFPB actually works on behalf of consumers, Wall Street does everything in its power to stop it. We don't see banks holding true to their commitments to fight discrimination.

To ensure that all Americans have dignity in work, we must work to end discrimination in banking.