ISSUES

Fair Banking for All

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Details

Last year alone, Americans paid $113 billion in interest on credit cards. That's 50 percent more than just five years ago. With a total of more than $1 trillion in outstanding revolving credit card debt and an average balance of more than $6,000, millions of Americans are feeling the squeeze of higher interest rates and excessive fees.

Meanwhile, the banks that needed taxpayer bailouts after tanking the global economy during the financial crisis are reaping the profits. Banks made a record $236.7 billion in profits last year, boosted by nearly $30 billion in giveaways from the Trump tax cuts.

The median APR on a credit card stands at a record 21.36 percent. Department stores and retail companies charge consumers upwards of 27 percent on their store-branded credit card offerings. For some stores, credit card fees make up more than one-third of their total revenue. And for those who don't have access to traditional lines of credit, unscrupulous lenders are waiting to take advantage.

Cap Interest Rates at 15 Percent

In Texas, the average annual interest rate on a payday loan is 661 percent. But in Vermont, the payday loan industry doesn't exist. That's because interest rates on small dollar loans are capped at 18 percent.

State laws prohibiting usury and excessive interest rates are as old as the founding of the country. In many states, reasonable limits on interest rates are still on the books. But a 1978 Supreme Court case, *Marquette National Bank of Minneapolis v. First of Omaha Service Corp*, ruled that national banks chartered in other states didn't have to abide by these laws. Banks can charter in Delaware or South Dakota, where rate caps don't exist, and charge whatever they want on credit cards to the rest of the country.
Congress limited interest rates that credit unions can charge to 15 percent in 1980. When we are in the White House, interest rates on consumer loans and credit cards will be capped at 15 percent across all financial institutions. And states will be empowered to cap rates even lower than 15 percent. We will send a clear message to the modern day loan sharks that we will not allow them to make billions off of keeping working Americans in a state of perpetual debt. We must stop the exploitative lending practices suppressing economically distressed communities. We must ensure every American has the opportunity to grow financially.

Large financial institutions leave millions behind

63 million adults in this country are unbanked or underbanked, meaning they lack access to basic financial services like checking and savings accounts.

Nearly half of African-American households were unbanked or underbanked in 2017, along with more than 40 percent of Latino households. On top of this, people of color often face discrimination in lending— everything from mortgages to credit cards to auto loans.

In 2012, Wells Fargo settled with the Justice Department for over $175 million for mortgage lending discrimination against people of color. That same year, the CEO took home $19.3 million in compensation. In 2017, JPMorgan Chase paid more than $55 million in penalties for discriminatory lending practices, while the bank's CEO made $29.5 million.

Without access to basic banking services or traditional credit options, nearly 12 million people turn to payday loans to make ends meet. Payday loans are short-term, high-interest, high-fee, small dollar loans. The typical payday loan term is two weeks, and the annual percentage rates on them average nearly 400 percent and can reach into the thousands.

Most borrowers resort to payday loans to bridge a gap in income. They use the loans to pay off bills or emergency expenses. But payday lenders don't make their money off of borrowers who pay their loans back on time. Payday and auto title lenders collect their nearly $8 billion in annual fees by trapping consumers in a vicious cycle of debt.

African-Americans are twice as likely to take out a payday loan than other racial and ethnic groups. In 2017, Latinos were four times as likely to use a check casher to access funds than whites. According to the FDIC, "36.0 percent of black households and 31.5 percent of Hispanic households had no mainstream credit, compared with 14.4 percent of white households."

The Consumer Finance Protection Bureau under President Obama found that 75 percent of the industry's revenue came from borrowers who took out *ten loans per year.* More than 60 percent of payday loans result in borrowers paying more than interest and fees than the initial amount that they borrowed. And 80 percent of payday loans end with the borrower unable to pay or needing to take out another loan to pay off the first, kicking off a spiral of debt. That's why the CFPB issued rules in 2017 to protect consumers from exploitative practices.

But President Trump's CFPB rolled these rules back. And President Trump is awfully close with the payday loan industry. Payday lenders contributed more than $1 million to his inaugural committee, which is now under criminal investigation. His former acting CFPB Administrator dropped lawsuits against a payday lender who had donated to his Congressional campaign. And the largest payday lending lobbying group moved their annual meeting to a Trump golf club.

When we are in the White House, we aren't going to invite payday lenders to a country club, we are going to end their predatory lending.

Allow every post office to offer basic and affordable banking services and end lending discrimination

We must ensure all Americans have access to basic financial services and end the exploitative practices of these modern day loan sharks. We will utilize the 31,000 post offices across the country to provide basic banking services. This isn't radical, or even unusual. More than 1.5 billion people across the world have access to some form of banking at their local post offices. In fact, we used to do it here. From 1911 to 1967, you could bank at your local post office in the United States. In the middle of the 20th century, our postal banks serviced 4 million customers.

The Postal Board of Governors and Postmaster General must work with the postal unions to provide banking services. Together, we can create a fair banking system for all. Post offices would offer basic checking and savings accounts, debit cards, direct deposit, online banking services, and low-interest, small dollar loans. It would end the racial disparities in access to banking and access to credit, while also stopping financial institutions from reaping massive fees off the poor and underserved. USPS must act now to use existing authority to implement pilot postal banks.

The post office guarantees to deliver your mail in snow and rain, in heat and in gloom of night. It delivers your mail whether you live in a city skyscraper or down a long country road. It can do the same for banking.