

June 11, 2024

The Honorable Rohit Chopra
Director
Consumer Financial Protection Bureau
1700 G St. NW
Washington, DC 20552

Director Chopra:

The undersigned organizations are writing regarding collective concerns about the Consumer Financial Protection Bureau's (CFPB) recent final rule on credit card late fees.

While the Biden administration deserves recognition for its efforts to level the playing field and create opportunities for historically under-resourced communities across the United States, our political leaders need to take a comprehensive look at the financial ecosystem and how Latino, Black and other marginalized communities remain on the outside looking in.

It will take more than reducing credit card late fees to fully affect the financial barriers and exclusions diverse communities face. While well-intentioned, this action by the Consumer Financial Protection Bureau misses the larger picture. This new ruling will constrict the availability of credit for minority consumers and business owners - creating far-reaching negative implications for minority communities. Already marginalized consumers are navigating a path for a healthier financial life, and this new ruling will create an additional barrier and hinder the ability for financial inclusion.

The CFPB has issued a seemingly innocent and even appealing reduction in the limit on credit card late fees, which would drop the current cap from anywhere between \$30 and \$41 down to \$8. Before we can address late fees, we must acknowledge the difficulties already facing Latino and Black consumers and entrepreneurs, as they seek access to credit.

FDIC research shows unbanked and underbanked rates remain higher among these communities. In 2021, 11.3 percent of Black households and 9.3 percent of the Hispanic community remained unbanked, as opposed to 2.1 percentage of White households. An even higher percentage are underbanked, relying on non-bank credit such as rent-to-own, pawn shops and check-cashing locations for their banking needs. A [2021 Report on Firms Owned by People of Color](#) found that Black- and Latino-owned firms that applied for non-emergency financing were less than half as likely as white-owned firms to be fully approved. This was the case even when the Black-owned, Latino-owned, and white-owned firms were all categorized as presenting a low credit risk. Access to credit, and in many cases, traditional banking, are the crux of the problem for marginalized families.

A change in regulation for fees will force banks to make adjustments in fees elsewhere. While this change may help consumers, credit card users could immediately see higher interest rates as banks are forced to cover their losses, putting the burden on them to pay off balances faster or pay more in the long term. For business owners, either option could be catastrophic.

The CFPB itself acknowledged in proposing this rule, restrictions on the ability to charge late fees on credit cards will mean higher charges for the vast majority of consumers who make their payments on time. The CFPB late fee rule will increase the overall cost of credit for everyone by disincentivizing credit providers who take on risk by offering credit that may not be repaid.

Among the reasons found by the FDIC research for why consumers remain unbanked or close their existing accounts, fees that are too high and unpredictable are in the top 5. Low-income consumers simply cannot afford volatility or unintended consequences in the fee structures.

The CFPB and the administration must take a step back to look at the financial ecosystem in a holistic way to secure the financial futures of minority businesses and individuals. The way forward is to invest in community financial and retirement education to reframe the conversation around the benefits and security of traditional banking and access to credit. This will allow diverse consumers to make educated decisions on the access, use and maintenance of credit to avoid overdrafts and other fees to better plan their finances and long-term goals. Tinkering with fees could backfire for those trying to manage their credit and will further validate why many continue to avoid banking.

Unfortunately, the CFPB's rule to reduce the cap on credit card late fees will create dire consequences for the very people it aims to help. It should reverse course on this rule and go back to the drawing board to figure out how to open more doors for all minority communities. We cannot afford to make a mistake that will affect and impede our financial futures.

Sincerely,

MANA, A National Latina Organization
United States Hispanic Chamber of Commerce
The Latino Coalition
American G.I. Forum
National Hispanic Council on Aging
Esperanza United
Partnership for Innovation and Empowerment
The National Puerto Rican Chamber of Commerce
SER, Jobs for Progress National

CC: Senate Banking Committee and Financial Services Committee