

# CFPB Reports on Banking Access and Consumer Finances in the South

*Arkansas Asset Funders Network*

August 25, 2023



Consumer Financial  
Protection Bureau

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## CFPB Reports on Banking Access & Consumer Finance in Southern States

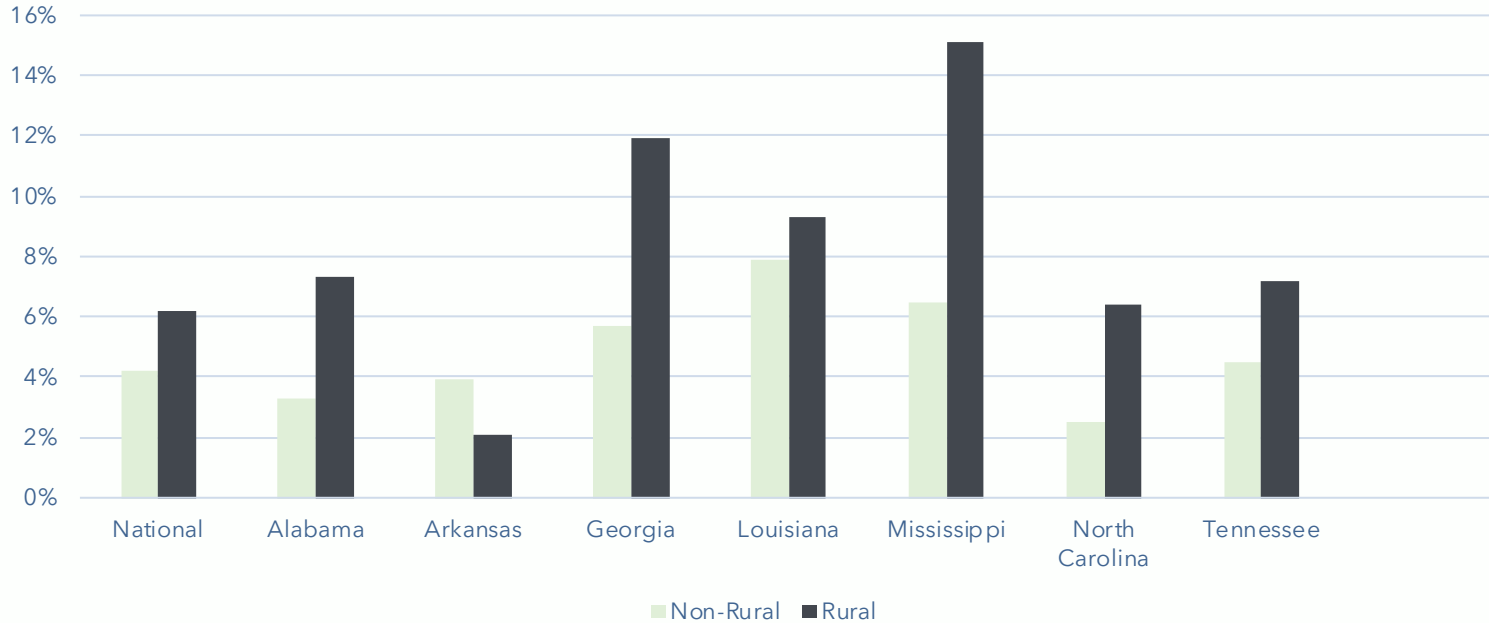
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*Two reports highlight gaps and identify opportunities to improve financial outcomes for many Southerners*

[Banking and Credit Access in the Southern Region of the U.S.](#)

[Consumer Finances in Rural Areas of the Southern Region](#)

## Unbanked Rate, Rural v. Non-Rural Households, 2021



## Credit Access: Mortgages in Arkansas

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*Rural borrowers, minority borrowers, and low- and moderate-income neighborhoods in the southern region have a lower share of home purchase loans than their share of the population.*

- Even though 38% of Arkansans lives in a rural county, only 26% percent of home purchase loans in 2021 went to those areas.
- In 2021, only 17% percent of home purchase loans went to minority borrowers in Arkansas, even though they represent 25% of the state's population.
- Across all lenders in the state, in 2021, 9% of home purchase loans in rural areas went to low- and moderate-income neighborhoods (compared to 12 percent in the state's non-rural areas and 16% for the region as a whole).

## Home purchase loans in rural Arkansas, by lender type

Loan Type	Small Banks	Large Banks	Credit Unions	Affiliated Mortgage Companies	Non-Depositories	All Lenders
<b>All Loans in Rural Arkansas</b>	<b>1,359</b>	<b>3,405</b>	<b>170</b>	<b>220</b>	<b>4,690</b>	<b>9,842</b>
Government-Backed	40%	38%	18%	59%	70%	54%
Low- and Moderate- Income Borrowers	30%	29%	12%	32%	31%	30%
Low- and Moderate-Income Neighborhoods	7%	10%	5%	10%	10%	9%
Minority Borrowers	11%	11%	10%	7%	10%	10%

Source: HMDA Data, 2021, Banking and Credit Access in the Southern Region of the U.S..

## Mortgage Denials by Credit Score

*Initial analysis shows credit scores alone do not explain these lower levels of lending*

Home purchase loan application denial rates, Arkansas, 2018 - 2021.

Credit Score	Race/ethnicity	Rural	Non-rural
Below 680	White	26%	22%
	Black	39%	31%
	Asian	24%	29%
	Hispanic	27%	25%
	Missing	39%	33%
	Total	29%	25%
680 or above	White	9%	7%
	Black	18%	13%
	Asian	11%	9%
	Hispanic	12%	11%
	Missing	17%	12%
	Total	11%	8%



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Source: HMDA Data, 2018-2021, in Banking and Credit Access in the Southern Region.

## Credit Access: Small business lending

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*In these eight states, there are more than 4.7 million small businesses, employing nearly half (45.6 percent) of the region's workforce.*

- Nearly one-third (27 percent) of small businesses in the region are minority-owned, and 38 percent are owned by women.
- While the data is currently limited, there are indications that not all businesses are getting access to the capital they need.
- The CFPB recently finalized a Small Business Lending Rule, which implements a 2010 law requiring lenders to report information on their small business loan applications. When the data is collected, it will provide visibility into small business lending, similar to what we have now for mortgage lending



## Consumer Finances: Medical Debt Collections

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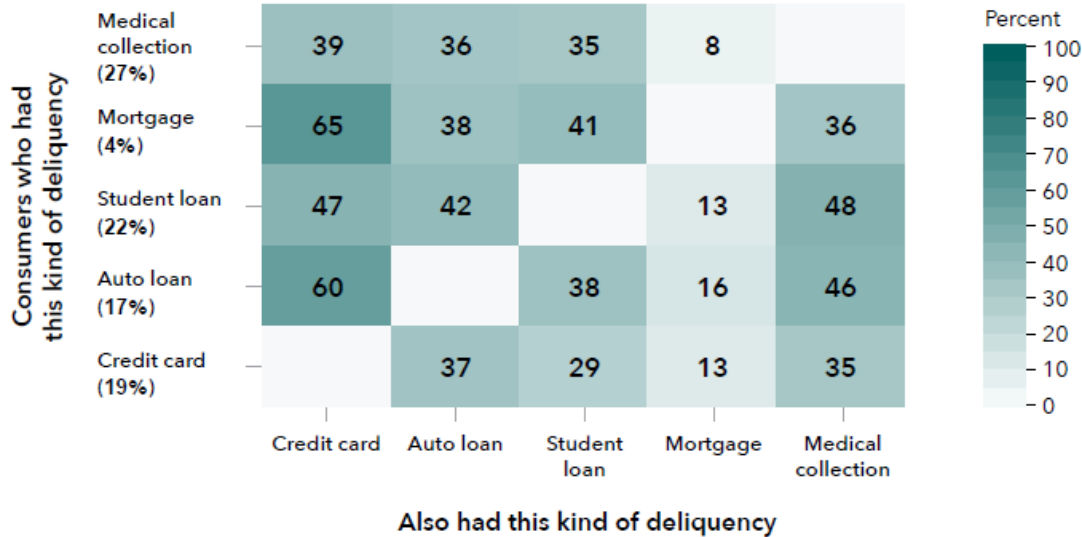
- Nationally, 17% of consumers had a medical collection on their credit report at some point between March 2020 and April 2022
- In the rural south, it was 28 percent of consumers.
- Rural southerners with medical collections are much more likely to be delinquent on other types of debt like mortgages and auto loans.

Percentage of Rural Southerners Consumers that had a Medical Debt Collection, Mar. 2020 to Apr. 2022

State	% of consumers	% of rural consumers
Alabama	22	25
<b>Arkansas</b>	<b>23</b>	<b>27</b>
Georgia	21	27
Louisiana	25	29
Mississippi	22	24
North Carolina	23	29
South Carolina	27	34
Tennessee	23	27

Source: CFPB, Consumer Finances in Rural Areas of the Southern Region, available in state fact sheets.

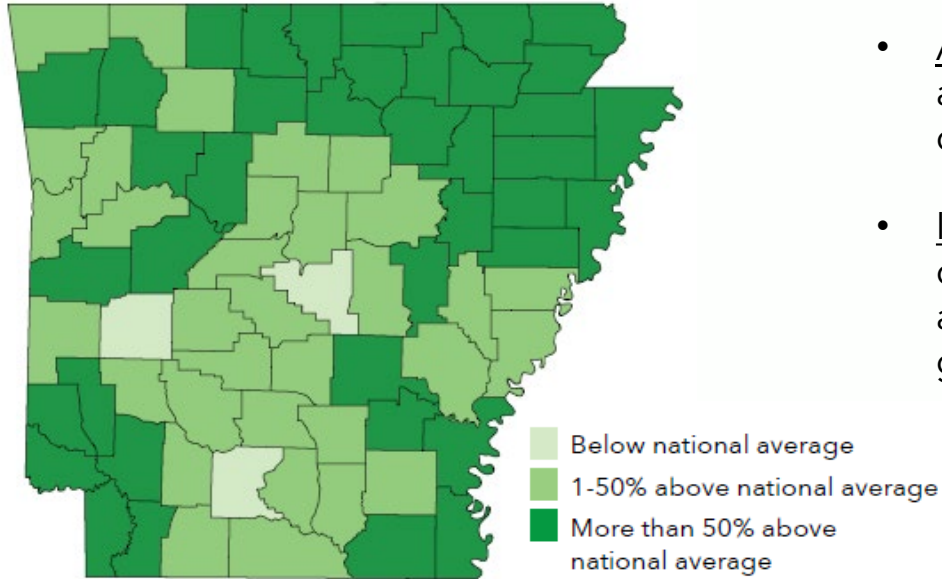
## Rural Arkansas: Medical Debt Delinquencies



- Between Mar. 2020 and Apr. 2022, 27% of rural Arkansans had a medical collection on their credit report.
- Of these consumers, 36% were also delinquent on the auto loan, compared to 17% of rural Arkansas without a medical collection.
- Rural Arkansans with a medical debt collection were twice as likely to be delinquent on their mortgage (8%) than those without (4%).

## Changes to medical debt reporting on credit reports

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- April 2023: Nationwide credit reporting agencies implement changes to medical collection reporting.
- Impact on Arkansas: In 72 of the state's 75 counties, the share of consumers that will have a medical debt collection removed will be greater than the national average.

Source: CFPB, Consumer Finances in Rural Areas of the Southern Region. State-specific fact sheets and maps available in report.

## Consumer Finances: Student Loan Debt

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*For rural southerners that do have student loan debt, our report shows it may be more of a burden than others in the region and nationally.*

As of March 2020:

- 15 percent of rural Arkansans have an open student loan. The median scheduled monthly payment is \$140, and median household income is \$41,794.
- 9% of rural Arkansans were delinquent and 15% in default, both higher than in the state as whole (12%) and nationally (9%).
- 18% of rural Arkansans were enrolled in income-driven repayment plans, versus 21% nationally.

## Consumer Finances: Auto loans

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- The median auto loan balance in Arkansas is \$14,786, compared to \$13,249 nationally.
- 22% of rural Arkansans were delinquent on their auto loan at some point from Mar. 2020 to Apr. 2022, compared with 10% of rural borrowers elsewhere in the country.
- With the exception of those in the Superprime credit group, for all other credit score groups, auto loan applicants from majority-minority census tracts are less likely to have their loans successfully originated than applicants from elsewhere in Arkansas.

## Banking Access & Consumer Finance in Southern States

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The CFPB will continue to monitor these trends in this region and utilize our tools and authorities to ensure fairness and transparency in the financial markets in the region.

We will share these findings with federal and state regulators and policymakers, particularly those supporting mortgage and small business lending.

Lenders and others may want to explore the use of Special Purpose Credit Programs, which enable the development of directed lending programs to reach historically underserved populations.

## Other Recent CFPB Developments

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- **Medical debt:** CFPB and other federal agencies are seeking public input on costly credit cards and loans pushed on patients for health care costs.
- **Auto loans:** CFPB sued auto-loan servicer USASF Servicing for illegally disabling vehicles and for improper double-billing practices.
- **Data privacy:** Next month, CFPB will launch a rulemaking to ensure that modern-day digital data brokers are not misusing or abusing our sensitive data.
- **Junk fees:** CFPB ordered Bank of America to pay \$100 million to harmed consumers, and \$150 million into a civil penalty fund, for illegally charging junk fees, withholding credit card rewards, and opening fake accounts.

# How to submit a complaint

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<https://www.consumerfinance.gov/complaint/>

- Submitting online usually takes less than 10 minutes.
- If consumers can't submit online, they can submit a complaint over the phone. Submitting over the phone usually takes 25-30 minutes.
- (855) 411-2372, TTY/TTD: (855) 729-2372
- 8 a.m. to 8 p.m. ET, Monday through Friday
- Over 180 languages are available



# For More Information

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[www.consumerfinance.gov](http://www.consumerfinance.gov)

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