

# Pathways To Closing The Wealth Gap In The South



June 22nd 1pm-2pm EDT

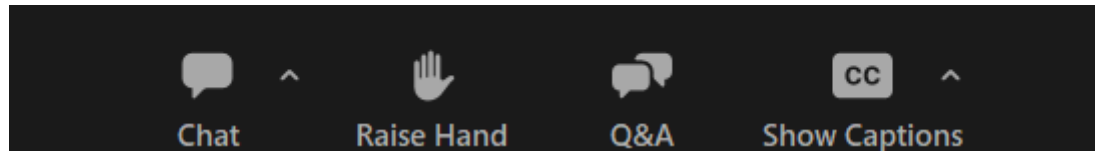
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# Consumer Financial Protection Bureau



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

*Presentation for Asset Funders Network, "Pathways to Closing the Wealth Gap in the South"*

June 22, 2023



## Disclaimer

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## CFPB Mission

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- Make financial markets work for consumers, responsible providers, and the economy as a whole
- Protect consumers from unfair, deceptive, or abusive acts or practices
  - Take action against companies that break the law
- Equip people with the information, steps, and tools that they need to make smart financial decisions



## 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](#)

## Understanding the southern region

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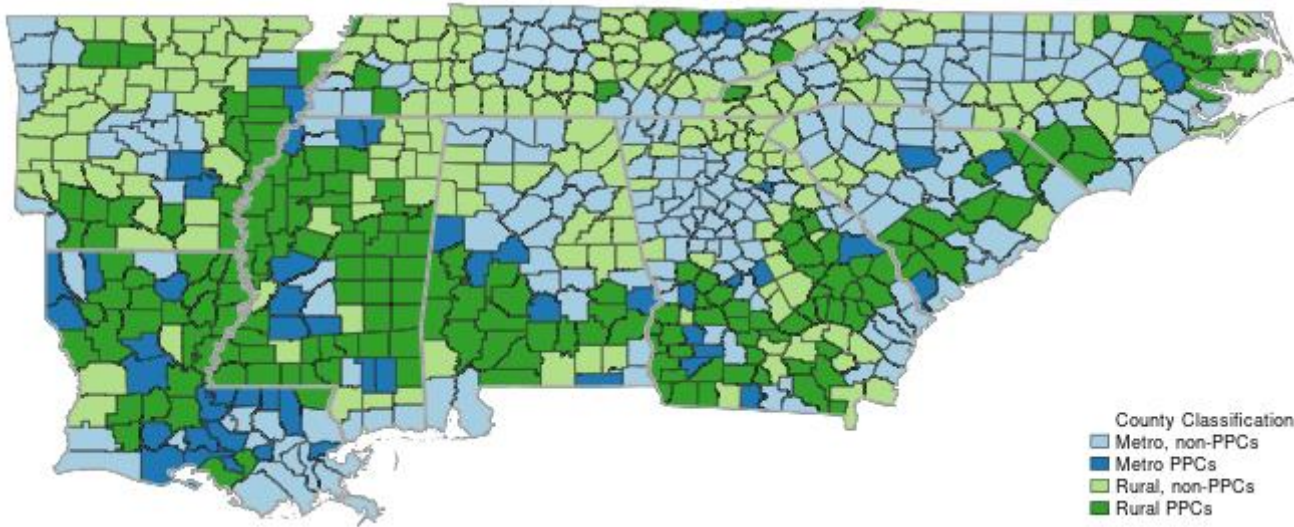
- Nearly 48 million people live in the southern region examined in the reports, which includes Alabama, Arkansas, Georgia, Louisiana, Mississippi, North Carolina, South Carolina, and Tennessee.
- This region is rich in its diversity, with a mix of race, age, and incomes, across both rural and non-rural communities.
- Nearly a quarter of rural southerners are Black, and 70 percent of the nation's rural Black population resides in these eight southern states.
- Over 3 million immigrants live in the region, and 9% (4.8 million) have limited English Proficiency.
- While 25% of the region's rural areas are age 60 or older, and 21% of rural southerners are between 18 and 34 years old.



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## Persistent Poverty Counties

Nearly half (48 percent) of the nation's Persistent Poverty Counties, in which poverty rates have been 20 percent or more for at least 30 years, are in the southern region. These counties are home to 7 million people and disproportionately rural.



## Banking Access: Unbanked rates remain high despite gains

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- 3.6 branches per 10,000 people in this region, compared to 5.0 nationally.
- 69 percent of households in rural parts of the southern region have access to broadband, compared to 83 percent of households nationally.
- Though the rates have declined in recent years, the southern region has higher unbanked rate (5.6 percent) than nationally (4.5 percent).
  - Mississippi and Louisiana, have the highest unbanked rates in the country, at 11.1 percent and 8.1 percent.
  - The highest unbanked rates in the region are in rural communities and communities of color;
  - Top barriers to bank account access included minimum balance requirements, lack of trust in banks, and high bank account fees, with variations of the priority of these concerns among different population groups.



## Credit Access: Mortgages

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*Southern consumers often have more difficulties accessing credit and face higher interest rates.*

- While Southern rural consumers apply for mortgages at the same rate as consumers nationwide (19 per 1,000 residents), they are much more likely to have their applications denied.
- In the rural south, 27 percent of mortgage applications are denied compared to 11 percent nationally.
- Consumers in rural southern persistent poverty counties are nearly four times more likely to have their application denied than consumers nationally.
- In 2021, the average interest rate on a mortgage in rural areas of the southern region was 3.51 percent, compared to 3.13 percent nationally. In rural southern persistent poverty counties, it was 3.94%



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## Credit Access: Mortgages

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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 23 percent of the population lives in a rural county, only 14 percent of home purchase loans in 2021 went to those areas.
- Between 2018 and 2021, only 9 percent of home purchase loans went to Black rural borrowers in the region, even though they represent 24 percent of the region's rural population.
- Across all lenders in the southern region, in 2021, 10 percent of home purchase loans in rural areas went to low- and- moderate-income neighborhoods (17 percent in non-rural areas).



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## Mortgage Denials by Credit Score

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

Credit Score	Race/Ethnicity	Rural	Non-Rural
Below 680	White	25%	22%
	Black	36%	31%
	Asian	32%	29%
	Hispanic	25%	23%
	Missing	36%	32%
	Total	29%	27%
680 or Above	White	9%	7%
	Black	17%	14%
	Asian	14%	10%
	Hispanic	12%	10%
	Missing	15%	12%
	Total	10%	9%

Source: HMDA Data, 2018-2021, State-specific tables are available in the report, Banking and Credit Access in the Southern Region.



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## Home purchase loans in the southern region, by lender type

Loan Type	Small Banks	Large Banks	Credit Unions	Affiliated Mortgage Companies	Non-Depositories	All Lenders
<b>All Loans in Southern Region</b>	<b>36,950</b>	<b>163,995</b>	<b>41,132</b>	<b>40,761</b>	<b>423,326</b>	<b>706,164</b>
Government-Backed	30%	23%	14%	41%	45%	37%
Low- and Moderate- Income Borrowers	26%	25%	27%	28%	30%	28%
Low- and Moderate-Income Neighborhoods	15%	14%	19%	15%	16%	16%
Minority Borrowers	17%	20%	26%	28%	25%	24%

Source: HMDA Data, 2021, Rural and non-rural breakdowns and state-specific fact sheets are available in CFPB report, Banking and Credit Access in the Southern Region of the U.S..



## 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.
- Between 2005 and 2020, there has been a steady decline of small business loans to business to with revenues of \$1 million or less. Among banks in the region that are required to report lending volume under the Community Reinvestment Act, the amount declines from \$24.4 billion to \$17.7 billion.
- While the data is currently limited, there are indications that not all businesses are getting access to the capital they need.



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## 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.

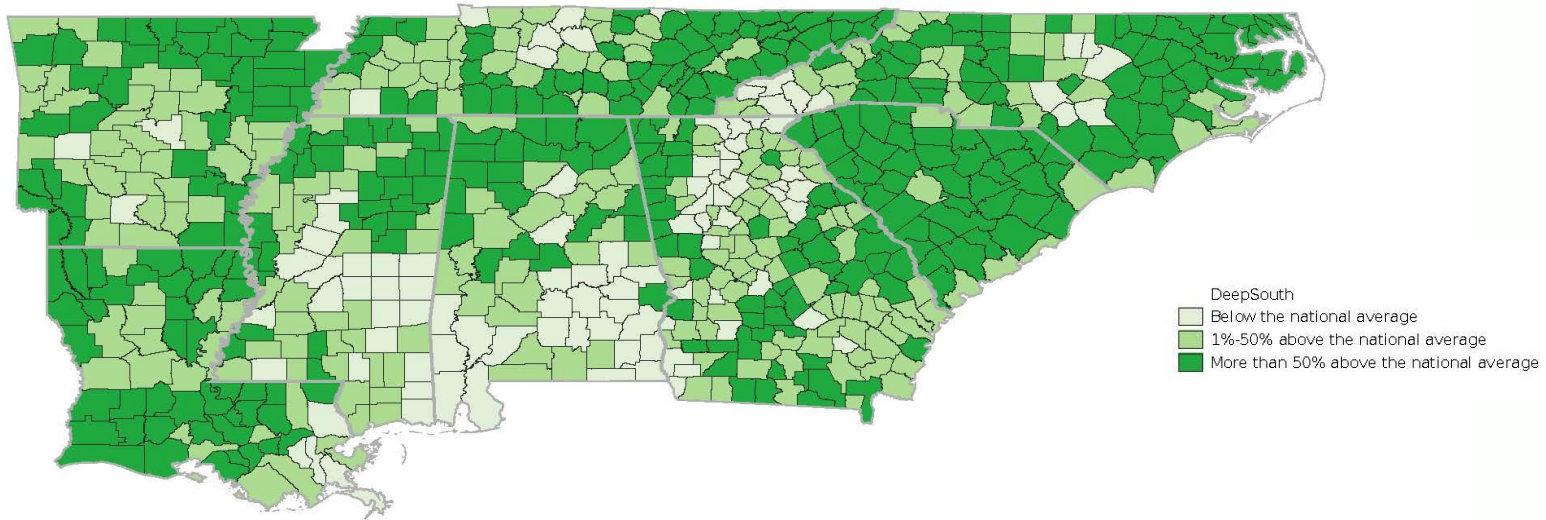
Percentage of Rural Southerners Consumers that had a Medical Debt Collection, Mar. 2020 to Apr. 2022

State	% of consumers	% of rural consumers
Alabama	22	25
Arkansas	23	27
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

## Changes to medical debt reporting on credit reports

*Compared to consumers nationally, a greater share of consumers in the rural south may have at least one medical debt collection removed from their credit records*



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

## 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.

# 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
- 180 languages are available

# For More Information

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**Visit:**

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

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