

Does the Disclosure of Consumer Complaints Reduce Racial Disparities in the Mortgage Lending Market?*

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Abstract

The Consumer Financial Protection Bureau (CFPB) publicly disclosed consumer complaint narratives in 2015. Utilizing a difference-in-differences design, I find that, following disclosure, CFPB-supervised banks whose complaint narratives are disclosed are less prone to discriminate against minority borrowers in the mortgage lending market. This reduces racial disparities in interest rates, default rates, and rejection rates. The disclosure saves minority borrowers \$102 million in interest payments and aids over 14,000 minority households in securing loans annually, thereby narrowing the racial gap in homeownership. Stakeholders including consumers, peer banks, and stock market investors facilitate the disclosure's effects on reducing discrimination.

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