April 25, 2017

Dear Representative,

On behalf of the undersigned 79 community and public interest organizations, we are writing to express our opposition to the "Financial CHOICE Act" and to urge you to oppose this bill. This legislation would be better dubbed "Wall Street's CHOICE Act", as it would have a devastating effect on the capacity of regulators to protect the public interest and defend consumers and investors from Wall Street wrongdoing and the economy from risks created by too-big-to-fail financial institutions. It would expose consumers, investors, and the public to greatly heightened risk of abuse in their regular dealings with the financial system, and our economy as a whole to a far greater risk of instability and crisis.

This nearly 600-page bill is a radical piece of legislation. Not only does it eliminate numerous major elements of the Dodd-Frank protections passed in the wake of the disastrous financial crisis of 2008, it would also weaken regulatory powers that long pre-date Dodd-Frank. If this bill passed, it would make financial regulation significantly weaker than it was even in the years leading up to the 2008 crisis.

Proponents of the bill claim that certain portions of the bill actually improve financial protections. This claim is deeply misleading. In fact, the so-called protections in the bill are in many cases simply more disguised deregulation. For example, the bill exempts banks that meet a ten percent leverage capital ratio from a broad range of risk controls that have been part of bank regulation since the 1950s if not before. While an increase in leverage capital would be a positive development, banks which took advantage of this provision could still pose major risks to the financial system – and the legislation would strip regulators of their ability to address those increased risks.

This legislation is crammed with deregulatory gifts that would facilitate abuses by financial institutions across the board, including giant mega-banks who want to return to the excessive borrowing and risky practices that led to the financial crisis; private equity and hedge funds who want to manipulate the rules to enrich their executives while harming workers and investors; mortgage lenders who want to undo the safeguards against the kind of unaffordable loans that drove the financial crisis, storefront payday and car title lenders pushing products that trap consumers in a cycle of ever increasing debt, and more. Among other changes, the latest version of the Wall Street's CHOICE Act would:

- Create unprecedented barriers to regulatory action that would effectively give large financial institutions power to overturn or avoid government oversight.
- Strip the powers of the Consumer Financial Protection Bureau to stop unfair, deceptive, and abusive practices in consumer markets or to regularly examine banks and financial companies to determine whether they are breaking the law, returning to the regulatory patchwork that failed before the crisis and the CFPB was created to solve.

- Eliminate critical elements of regulatory reforms passed since the crisis, including restrictions on unaffordable mortgage lending, the Volcker Rule ban on banks engaging in hedge-fund like speculation, restrictions on excessive Wall Street bonuses, and more.
- Increase the ability of "too big to fail" financial institutions to hold up taxpayers for a bailout by threatening economic disaster if they failed.
- Weaken investor protection and oversight of the capital markets, including repealing crucial new fiduciary protections that save tens of billions a year for retirement investors.

Opponents of financial regulation have not presented convincing evidence that any significant deregulatory measures are needed, let alone the radical assault on financial oversight contained in this bill. In contrast to the lack of evidence for negative effects of post-crisis measures to improve financial regulation, we know exactly how disastrous failures of financial oversight can be. Non-partisan sources such as the Federal Reserve Bank of Dallas and the Government Accounting Office have estimated that the financial crisis cost from $6 to $14 trillion in lost economic output alone.[1] This does not incorporate the full human cost of millions of jobs lost and the millions of families who lost their homes due to foreclosure.[2] Extensive research also shows that the negative economic impacts of such major financial crises drag on for years, slowing recovery from recession and leaving tens of millions of families across the country struggling with economic pain and uncertainty.[3]

The exploitation of consumers and investors, if left unchecked, also costs everyday people tens of billions of dollars a year in their ordinary interactions with the financial system.

It is profoundly foolish to eliminate safeguards against the catastrophic consequences of a financial crisis. It is also wrong to place such severe restrictions on the ability of regulators to protect the public from exploitation in their everyday transactions with the financial system. We urge you to reject this radical and destructive legislation.

Sincerely,

Affordable Housing Services
Alabama Arise
Alliance for Justice
Allied Progress
Association for Neighborhood and Housing Development
Bankers Small Business CDC of California
Billings First Congregational Church UCC
California Reinvestment Coalition

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[1] United States Government Accountability Office, "Financial Regulatory Reform: Financial Crisis Losses and The Potential Impact of the Dodd-Frank Act", GAO 13-180, January, 2013. Luttrell, David, Tyler Atkinson and Harvey Rosenblum, "How Bad Was It? The Costs and Consequences of the 2007-2009 Financial Crisis and Its Aftermath", Federal Reserve Bank of Dallas Staff Paper No, 20, July, 2013.
[2] Americans for Financial Reform, "Costs of the Crisis", Briefing Paper, Updated July 2015.
[3] Reinhart, Carmen and Kenneth Rogoff, "Recovery From Financial Crises: Evidence From 100 Episodes", American Economic Review, Volume 104, No.5, 2014.

CAMEO – California Association for Microenterprise Opportunity
Center for Economic Integrity
Center for Popular Democracy
Center for Responsible Lending
Center of NYC Neighborhoods
Community Financial Resources
Connecticut Association for Human Services
Consumer Action
Consumer Federation of America
Consumer Law Project
Consumers Union
CREDO
Demos
East LA Community Corporation
Empire Justice Center
Enlace Communitario
Fair Share
Florida Alliance for Consumer Protection
Gemini Consultants, LLC
Georgia Watch
Housing and Economic Rights Advocates (HERA)
Institute for Agriculture and Trade Policy
Interfaith Center on Corporate Responsibility
Law Foundation of Silicon Valley
Liberation Ocala African American Council, Inc.
Los Angeles LDC
Louisiana Budget Project
Main Street Capital
Maryland Consumer Rights Coalition
Massachusetts Communities Action Network
MFY Legal Services Incorporated
MHANY Management Inc.
Montana Organizing Project
MyPath
NAACP
National Association of Consumer Advocates
National Committee for Responsive Philanthropy
National Community Reinvestment Coalition (NCRC)
National Consumer Law Center (on behalf of its low income clients)
National Consumers League
National Council of La Raza
National Fair Housing Alliance
New Mexico Fair Lending Coalition

New Mexico Voices for Children
Non-Profit Housing Association of Northern California
North Dakota AFL-CIO
North Dakota Economic Security and Prosperity Alliance
Northern California Community Loan Fund
Oklahoma Policy Institute
One New Mexico Action
Opportunity Fund
PACE Finance Corporation
Pacific Asian Consortium in Employment
Petroleum Marketers Association of America
Policy Matters Ohio
ProgressOhio
Project Sentinel
Prosperity Works
Public Counsel
Public Law Center
RAISE Florida Network
Reinvestment Partners
Rural Community Assistance Corporation
Tennessee Citizen Action
Texas Appleseed
Tierra del Sol Housing Corporation
Unite Here
U.S. PIRG
Vermont Slauson Economic Development Corporation
Virginia Poverty Law Center
Woodstock Institute