U.S. PIRG
Standing Up To Powerful Interests
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OPPOSE S2155, ROLLS BACK CONSUMER AND FINANCIAL SYSTEM PROTECTIONS

Dear Representative,

On behalf of U.S. PIRG and its member non-partisan state Public Interest Research Groups, we write to urge you to **oppose S2155, the so-called "Economic Growth, Regulatory Relief, and Consumer Protection Act**." While we appreciate the Senate Banking Committee's original intent to craft a narrow bill to help only community banks and credit unions, we cannot support S2155 as passed by the Senate and under House consideration this week (with no amendments made in order).

S2155 will increase mortgage fraud and racial discrimination; it will also increase risky banking practices by the nation's biggest banks, less than 10 years after the September 2008 financial system collapse and October bank bailout. To call it a bill for community banks and credit unions is wrong.

We also link to an additional group letter detailing why the bill's numerous giveaways to the mistaken-ridden credit bureaus – claimed by the bill's proponents as supposed pro-consumer amendments – are actually enough reason on their own to oppose S2155. The credit bureau-related amendments will preempt existing and future stronger state credit freeze laws against identity theft, offer servicemembers a modest new right but for the first time establish a right with no remedy if credit bureaus fail to provide it, and also delay current regulatory action to improve the credit scoring marketplace, in an effort that positions the credit bureaus as winners, not competitors.

The states, as they did when they pioneered and enacted credit freezes nationwide in the 2000s, are now in the process of passing better, more comprehensive free credit freezes and credit reporting reforms than what is included in the totally preemptive Section 301 of S2155. There is no reason to pass S2155 containing Section 301 and 50 state reasons not to do so. Further, and incredibly, nothing in this so-called consumer protection bill would hold Equifax accountable for losing the financial DNA of over 145 million consumers.

Its housing and mortgage provisions for smaller banks are largely harmful to consumers.

Second, the regulatory relief it does provide poses risks to the economic growth it purports to obtain. The relief it promises to small community banks is premised first on the notion that small banks are suffering due to the Dodd-Frank Act. In fact, the consolidation in the industry, though widely blamed on Dodd-Frank, was not caused by the act. According to Federal Reserve economists, bank consolidation has been occurring at a steady pace since at least 1984.[1]

[1] For a discussion of historic bank consolidation trends derived from the St. Louis Fed's FRED commercial bank database, see Ed Mierzwinski's 2 May 2017 commentary, available at https://uspirg.org/blogs/eds-blog/usp/banks-cook-books-promote-wrong-choice-act-attack-cfpb

Third, the relief it provides to massive regional banks takes away important tools, some long-standing and some granted prudential regulators by Dodd-Frank after the 2008 collapse. Members should recall that other – now failed – similarly-sized super-regional banks proved to be active participants in the events leading to the 2008 collapse. Similarly-sized failed super-regional banks which contributed greatly to the 2007-2008 debacle included IndyMac, Wachovia, Washington Mutual and Countrywide.

Further, there is no evidence that overregulation of the banking sector is having a negative impact on economic growth. Lending and bank profits, including by community banks, are both up since passage of Dodd-Frank, as FDIC regularly reports.

Among our other big concerns with S2155 are these:

- The bill would significantly weaken mortgage protections for numerous consumers, especially those buying manufactured homes and those who are customers of smaller or rural banks. It includes provisions that could accelerate appraisal fraud, reduce escrow protections and even allow expensive bait-and-switch schemes at mortgage closings.
- The bill would also create harmful exceptions to the Home Mortgage Disclosure Act, or HMDA, an important law which helps prevents racial discrimination.
- The bill weakens protections against racial discrimination in credit markets by vastly expanding exemptions from the Home Mortgage Disclosure Act (HMDA), the key source of public information about lending discrimination.
- As founding members of Americans for Financial Reform, U.S. PIRG concurs with AFR's comprehensive letter to the House, which includes details on issues ranging from S2155's weakening of the Volcker rule to its lowering of risk capital requirements at key Wall Street banks designated as critical to our financial system, possibly including megabanks like Citibank and Goldman Sachs.

In sum, the bill includes myriad large-scale anti-consumer provisions disguised as regulatory relief. It removes numerous prudential safeguards at the behest of powerful industry lobbies. It purports to offset this weakening of current law with a set of extremely modest Title 3 consumer protections that do not offset the balance of the bill's rollbacks. The bill should be opposed.

Please have your staff contact Ed Mierzwinski at 202-461-3821 (direct) or edm [AT] pirg.org with questions. Thank you for your consideration of our views.

Sincerely yours,

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