CENTER FOR RESPONSIBLE LENDING

Oppose Carper Amendment #3949: Don't Give Banks a Free Pass from Federal and State Lending Laws

United States Senate
Washington, D.C. 20510
Attention: Leg. Dir.

May 13, 2010

Dear Senator Akaka:

We write to ask you to stand with American families, not big banks and Wall Street, by opposing the Carper amendment, #3949. This amendment would undermine some of the fundamental purposes of financial reform and leave the door wide open for another financial crisis in the future. <u>At a time when our nation is recovering from a financial crisis that has crippled our economy and cost taxpayers billions of dollars, it defies reason to allow lax enforcement of lending rules</u>.

The Carper amendment raises two central issues: the ability of states to address lending issues in their own back yards, and the ability of state Attorneys General (AGs) to enforce lending rules. Please consider these points:

For 98% of banks, the Carper amendment would limit enforcement of lending rules, giving all authority to banking regulators who allowed the financial crisis to happen.
Limiting AG enforcement power in recent years allowed bad lending to flourish and contributed to the financial crisis. By 2006, national banks were producing a large share of subprime loans, but federal preemption prevented AGs from addressing dangerous lending practices.

No single federal agency has the resources to address problems in all 50 states.
Preventing state enforcement is tantamount to crippling meaningful financial reform. Without active enforcement in the states, it is a virtual certainty that lawbreakers will not be held accountable, and our economy will remain vulnerable to destructive lending practices.

Enforcement efforts already will be coordinated in partnership with federal authorities.
Under the existing bill, AGs must consult with the proposed Consumer Financial Protection Bureau before filing suit and the CFPB can intervene, appeal, and issue interpretations of its rules.

Honest businesses benefit from AG enforcement.
Businesses that engage in honest competition are weakened by competitors that don't play by the rules. Ultimately, strong enforcement is good for business, consumers and the entire economy.

Wall Street lobbyists are intent on making the Consumer Protection Financial Bureau as weak as possible. Undermining enforcement is one way to ensure that lending rules designed to protect the economy from another disaster will have no real teeth.

Ours is a federal system; states are partners in ensuring fair and sensible lending. Federal laws generally operate as a floor rather than a ceiling for protections, and national companies handle this fine; examples include state employment and contract law. States act as important "laboratories of democracy," providing an opportunity to see which approaches work best.

Finally, allowing dual enforcement responsibilities would not be unusual: many existing federal laws permit enforcement by state AGs, with no ill effects.

Please stand on the side of American families and vote NO on the Carper amendment #3949.

Sincerely,

Michael D. Calhoun
President – Center for Responsible Lending

About the Center for Responsible Lending

The Center for Responsible Lending is dedicated to protecting home ownership and family wealth by working to eliminate abusive financial practices. CRL is a national nonprofit, nonpartisan research and policy organization that promotes responsible lending practices and access to fair terms of credit for low-wealth families.

For additional information, please visit our website at **www.responsiblelending.org**.