Dēmos
AN EQUAL SAY AND AN EQUAL CHANCE FOR ALL

May 21, 2018

U.S. House of Representatives
Washington, DC 20515

Dear Representative,

Demos urges you to oppose S. 2155, the "Economic Growth, Regulatory Relief, and Consumer Protection Act," as it appears before the U.S. House of Representatives. This bill unravels important consumer safeguards that protect American consumers and leaves communities of color particularly vulnerable. At the same time, the bill makes our financial system more unstable, susceptible to shocks that could once again take down the global economy.

S. 2155 is not needed to promote economic growth: Since the passage of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), lending has rebounded, unemployment has declined and the stock market is setting record highs. The financial sector does not need further deregulation. Instead, Congress must ensure the economic recovery is more broadly shared and that ordinary working Americans are not left out of the economic expansion now benefitting the financial sector. Deregulation with not secure these aims.

This legislation is not needed to protect the health of community banks, which are flourishing. In the third quarter of 2017, the Federal Deposit Insurance Corporation reported that 96 percent of the nation's 5,294 community banks were profitable[1], up from just 70 percent in depths of the financial crisis in 2009.[2]

The declining *number* of small banks is the result of a long-term trend predating Dodd-Frank by 20 years. When a study by the Federal Reserve Bank of Richmond[3] examined the health of small banks after the financial crisis, it concluded that the weak economy *caused by* the financial crisis accounted for small bank failures or consolidation, not new regulations contained in the Dodd-Frank Act.[4]

S. 2155 makes our financial system more unstable. Section 203 eliminates all Volcker Rule restrictions on proprietary trading for banks with less than $10 billion in assets. Dodd-Frank's

---

[1] FDIC Quarterly, Quarterly Banking Profile 2017, https://www.fdic.gov/bank/analytical/quarterly/2017-vol11-4/fdic-v11n4-3q2017.pdf
[2] Americans for Financial Reform, New Data from 2015 Shows Community Banks are Alive and Well under Dodd-Frank, http://ourfinancialsecurity.org/wp-content/uploads/2016/03/Community-Banks-Under-Dodd-Frank-2015-Update.pdf
[3] Federal Reserve Board, Where Are All the New Banks? The Role of Regulatory Burden in New Charter Creation, https://www.federalreserve.gov/econresdata/feds/2014/files/2014113pap.pdf
[4] Americans for Financial Reform, The Impact of Dodd Frank on Community Banks, http://ourfinancialsecurity.org/wp-content/uploads/2010/09/CLAIMS-AND-FACTS-FINAL.pdf

DEMOS.ORG COMM@DEMOS.ORG

NEW YORK
80 BROAD STREET, 4TH FLOOR
NEW YORK, NY 10004
212.633.1405

WASHINGTON DC
740 6TH STREET, NW, 2ND FLOOR
WASHINGTON, DC 20001

BOSTON
1340 CENTRE STREET, SUITE 209
NEWTON CENTER, MA 02459
617.232.5885

Volcker Rule establishes the principle that banks that receive taxpayer-backed deposits insured through the Federal Deposit Insurance Corp. should not use these funds for short-term speculation. High risk gambling with taxpayer backed money contributed to the financial crisis of 2008. Current law already allows regulators to tailor regulations to reduce compliance burdens for smaller banks.

Section 401 poses another problem. It undermines Dodd-Frank by deregulating large institutions posing as community banks. "Stadium Banks" or banks that qualify under this section are so large that sports stadiums are named after them. Eighteen stadiums around the world are named after at least one of the banks exempted from oversight from this bill.[5]

Currently, any bank with over $50 billion in total consolidated assets is subject to common sense prudential standards, including extra capital and liquidity requirements, stress tests and increased risk management.[6] This bill raises this oversight threshold to $100 billion immediately and to $250 billion within 18 months, leaving many large banks without the oversight needed to protect the economy in the event of bank failure.[7]

Section 401 would relieve 25 of the 38 largest U.S. banks from oversight that safeguard our economy. Major financial institutions will be permitted to make risky financial bets, relying on the public to bail them out.

Even more troubling, this bill guts a crucial civil rights and consumer protection law. Section 104 exempts close to 85 percent of all banks and credit unions from a law expanding on and improving the data collected by the Consumer Financial Protection Bureau (CFPB) under the Home Mortgage Disclosure Act of 1975 (HMDA). Banks and credit unions are to report information they are already collecting in their day-to-day underwriting process. This information includes specific details on loans such as the total points and fees, the difference between the annual percentage rate paid compared to the benchmark rate for all loans, any prepayment penalty terms, the value of a property, the borrower's credit score and whether a loan was a "reverse mortgage" sold to a senior.

The recent expansion of reporting requirements helps policymakers better identify when underserved communities are being unfairly denied loans or overcharged. It allows law

---

[5] David Dayen, Revenge of the Stadium Banks, The Intercept, March 2, 2018, https://theintercept.com/2018/03/02/crapo-instead-of-taking-on-gun-control-democrats-are-teaming-with-republicans-for-a-stealth-attack-on-wall-street-reform/

[6] Federal Reserve Board, Federal Reserve Board approves final rule strengthening supervision and regulation of large U.S. bank holding companies and foreign banking organizations, February 18, 2014, https://www.federalreserve.gov/newsevents/pressreleases/bcreg20140218a.htm

[7] David Dayen, Revenge of the Stadium Banks, The Intercept, March 2, 2018, https://theintercept.com/2018/03/02/crapo-instead-of-taking-on-gun-control-democrats-are-teaming-with-republicans-for-a-stealth-attack-on-wall-street-reform/

NEW YORK
80 BROAD STREET, 4TH FLOOR
NEW YORK, NY 10004
212.633.1405

WASHINGTON DC
740 6TH STREET, NW, 2ND FLOOR
WASHINGTON, DC 20001

BOSTON
1340 CENTRE STREET, SUITE 209
NEWTON CENTER, MA 02459
617.232.5885

enforcement to efficiently target mortgage lenders that prey upon low-income communities and communities of color.

Section 104 effectively strips an essential civil rights provision, which is needed to combat ongoing discriminatory practices. A recent Center for Investigative Reporting study showed that African-Americans still find it far more difficult to get affordable home loans than white households, *even if* they have greater income and wealth.[8] Loans for communities of color consistently come with higher interest rates and fees.

We need to improve ways to fight discrimination, not curtail them. State attorneys general, fair housing advocates, and citizens should be able to get the tools required by law to connect racial, ethnic, gender and age discrimination to mortgages made in communities across America.[9]

S. 2155 is an attack on all consumers, including low-income communities and communities of color. It puts our financial system at risk. We cannot tolerate the further weakening of consumer protections, any undermining of the independence of the Consumer Financial Protection Bureau and financial deregulation that could lead to another financial crisis.

We urge you to oppose this bill as it appears before the U.S. House of Representatives.

Sincerely,

Amy Traub
Associate Director of Policy and Research
Demos

Vijay Das
Senior Campaign Strategist
Demos

---

[8] Aaron Glantz, Emmanuel Martinez, Kept Out, The Center for Investigative Reporting, February 15, 2018, https://www.revealnews.org/article/for-people-of-color-banks-are-shutting-the-door-to-homeownership/