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CALIFORNIA REINVESTMENT COALITION

June 6, 2017

Re: *CA Groups Strongly Oppose Financial CHOICE Act*

Dear Member of Congress:

The undersigned community groups write to express our strong opposition to the Financial CHOICE Act, and urge all members of Congress, especially our representatives from California, to vote against this harmful measure. Less than 10 years ago, families throughout our state experienced first-hand what happens when we have weak regulation of financial service companies. So, it is surprising and disappointing to see this legislation that would prompt a return to unsafe lending, lax regulatory oversight, few consequences for bad behavior, and potentially more bank bailouts.

Collectively, our organizations are working to meet the affordable housing, economic and community development, financial education and capability, fair housing and consumer protection needs of low-income communities and communities of color in California communities.

It is difficult to imagine how anyone who lived through the financial crisis could now propose to WEAKEN the regulatory framework that was designed to protect our economy from another crisis, and WEAKEN the one agency that has succeeded in both protecting consumers from various forms of financial abuse and in holding bad actors accountable.

Using the Consumer Financial Protection Bureau's public complaint database, consumers can quickly and easily submit a complaint about a financial services company, and over 100,000 Californians already have. Not only does this often result in the individual consumer's problem getting addressed, but it also gives the CFPB real-time analytics to act on concerning trends. According to a Complaint Snapshot released last month, the CFPB is also helping California's seniors. Since July 2011, California seniors have submitted over 14,900 complaints- the most of any state.

There are numerous provisions of the bill, that are highly problematic, representing threats to consumers and their financial wellbeing, and a gift to scammers and other financial predators who would seek to take advantage of the public.

We are especially concerned about any provisions that would:

- Weaken the position of CFPB Director, and/or jeopardize the tenure of current Director Cordray who has done an excellent job of protecting consumers;
- Weaken the funding of the CFPB and/or the salaries of its staff which need to be immune from politics and able to take all steps necessary to protect consumers and our financial system;
- Weaken the authority of the CFPB to take actions against unfair, deceptive and abusive practices. This authority goes to the heart of consumer need, as scammers will always seek to be one step ahead of existing rules;
- Weaken the CFPB by diminishing its supervisory and enforcement authority, by which CFPB has effectively overseen financial institutions and prevented financial abuses (see the story of Wells Fargo, below);
- Prevent the CFPB from regulating high-cost consumer lenders, including payday, car title, and high-cost installment lenders;
- Weaken the ability of the CFPB to prevent another crisis by ensuring that mortgage loans are not made to home buyers who cannot afford them, and that loans do not include "tricks and traps" that lead to loans that cost far more than they should or that borrowers expect they will.
- Weaken the integrity of the consumer complaint database, which has empowered over a million consumers to share their experiences, while educating both the public, as well as policymaking and enforcement agencies about the problems consumers are facing. We believe that going forward, the complaint database should be **expanded** to more effectively capture the problems and **needs of small business owners seeking credit to sustain and expand their businesses.**
- Weaken our independent, regulatory system by creating unprecedented barriers to regulatory action that would effectively give large financial institutions power to overturn or avoid government oversight.
- Weaken the ability of most shareholders to bring shareholder resolutions and to otherwise participate as engaged investors. CRC has co-filed a shareholder resolution with other socially responsible investor groups, urging Wells Fargo to conduct a much needed comprehensive business standards review of the entire corporation to finally determine what enabled the corporation to so wildly ignore the rights and needs of its customers. This ability to engage as a shareholder would be restricted to a very small subset of investors under the Choice Act; and, importantly,
- Weaken collection of racial, ethnic, and other data, or otherwise weaken efforts to investigate and enforce fair lending and fair housing obligations.

To provide just two recent examples of the importance of these protections:

1. The CFPB recently brought an enforcement action against Ocwen, a loan servicer that failed consumers at every stage of the foreclosure process. Nonprofit housing counselors in California had rated Ocwen poorly in the last two of CRC's survey of housing counselors. No other agency has been able to hold Ocwen accountable for processing unnecessary foreclosures and creating untold stress and heartache for thousands of working families.

2. Last year, the CFPB worked with the LA City Attorney's office and Office of the Comptroller of the Currency (OCC) to hold Wells Fargo accountable for opening over two million unauthorized bank accounts. In reviewing the bank's practices and uncovering fraudulent and egregious behavior, the CFPB presumably relied on its supervisory power, the very power the CHOICE Act seeks to take away from the CFPB. The egregious practices uncovered, including a high pressure sales environment that drove employees to commit fraudulent behavior, in some instances by reportedly targeting Limited English Proficient and immigrant communities, apparently existed for years before the creation of the CFPB. Consumers are left to wonder, if the CFPB did not exist in its current form, would Wells Fargo have been effectively held accountable, or would egregious practices have continued to this day?

Consumers and communities are clearly better off for Congress having passed the Dodd Frank Act and creating the CFPB. No one should or will be fooled into thinking that the Financial Choice Act is in the interest of hard working families and consumers.

We must strongly object to the proposal and to all similar proposals that may yet come. Should you have any questions about this letter, feel free to contact Kevin Stein of the California Reinvestment Coalition at (415) 864-3980. Thank you for your consideration of our views.

Very Truly Yours,

Able Works
Alameda County Community Asset Network
Asian Law Alliance
Bankers Small Business CDC of California
California Community Economic Development Association (CCEDA)
California Reinvestment Coalition
CDC Small Business Finance
Clergy & Laity United for Economic Justice (CLUE)
Community Financial Resources
Community Legal Services of East Palo Alto
East Bay Housing Organizations (EBHO)
Fresno CDFI
Fresno Economic Opportunities Commission
Game Theory Academy
Koreatown Youth Community Center (KYCC)
Little Tokyo Service Center
Mexican American Opportunity Foundation (MAOF)
Mission Economic Development Agency (MEDA)
Mutual Housing California
National Housing Law Project
Neighborhood Housing Services of LA County
Northern California Community Loan Fund
Project Sentinel
Public Counsel
Public Law Center
Sacramento Housing Alliance
Self-Help Enterprises
Sunnyvale Community Services
The Thai Community Development Center
United Way of Kern County
Valley Economic Development Center