AFL-CIO

LEGISLATIVE ALERT

May 21, 2018

Dear Representative:

On behalf of the AFL-CIO, I am writing to express our strong opposition to the Economic Growth, Regulatory Relief and Consumer Protection Act (S.2155) scheduled for House floor consideration later this week. Despite its name, S. 2155 would put consumers and our economy at greater risk by weakening important financial regulations put in place after the 2008 crisis to protect Americans from predatory lending and promote financial stability.

Proponents claim that S. 2155 will help rural community banks thrive. Banking industry analysts, however, are predicting the opposite. Just last week, *The Intercept* reported that the expectation of looser regulations on medium-sized banks is "encouraging a rush of consolidation—all of which ends with an increasing number of community banks being swallowed up and closed down."

S. 2155 will undermine the current safety and soundness requirements that apply to mid-size banks that collectively hold nearly $3.7 trillion in assets—and which were the recipients of $47 billion in taxpayer bailout funds during the last financial crisis. It will also increase the threshold at which non-banks, like asset managers and hedge funds, are evaluated for systemic risk, from $50 billion to $250 billion—leading to weakened oversight of the risky non-banks. Moreover, S. 2155 would give even the largest Wall Street megabanks new statutory tools for pressuring the Federal Reserve to weaken regulations designed to make banks more accountable and, therefore, safer.

The bill would prevent regulators from requiring additional capital to absorb potential losses in risky commercial real estate lending, which was a central driver of the Lehman Brothers' collapse. This applies to oversight of all banks, even the largest Wall Street megabanks. It is appalling and the height of irresponsibility that Congress would choose to tie regulators' hands in policing this crucial piece of the lending markets given the recent surge in activity in the commercial real estate market.

We also note that S. 2155 will hit low-income and minority borrowers particularly hard by weakening protections against predatory, unaffordable mortgage lending applicable to manufactured housing loans and banks in rural areas. It also broadens exemptions from the mortgage affordability requirements created by Dodd-Frank.

Finally, the bill would exempt "qualifying venture capital funds" with as many as 250 investors and $10 million in assets from basic Securities and Exchange Commission (SEC) reporting and examination requirements, thereby exposing retail investors to increased risk of fraud.

We urge you to vote against the misnamed Economic Growth, Regulatory Relief and Consumer Protection Act (S.2155) and stand with the millions of Americans who deserve strong and smart financial regulation and consumer protections.

Sincerely,

William Samuel, Director
Government Affairs Department