NYC Consumer Affairs

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The Honorable Paul Ryan
Speaker of the House
H-232, U.S. Capitol
Washington, D.C. 20515

The Honorable Nancy Pelosi
Democratic Leader
H-204, U.S. Capitol
Washington, D.C. 20515

May 24, 2017

Re: H.R. 10, The Financial CHOICE Act of 2017

Dear Speaker Ryan and Leader Pelosi:

We write to you to ask that you oppose the passage of the Financial CHOICE Act of 2017 ("FCA"). This bill, which is the largest rollback of consumer financial protections in Congressional history, will imperil families, endanger communities, and could put our entire economy at risk for collapse once again.

In response to the Great Recession of 2008, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") to restore economic stability. By bringing common-sense reforms to the financial services and banking industries, as well as establishing the Consumer Financial Protection Bureau, Dodd-Frank reforms have helped enable New York City's recovery, which is good for business and good for our residents.

Today, our unemployment rate is at a historic low and we are starting to see a measurable decrease in the number of New Yorkers living in poverty since 2010.[1] The FCA threatens this recovery, especially since its passage will ensure that the most vulnerable consumers, who are still the most susceptible to predatory and deceptive business practices, are put further at risk.

As the largest municipal consumer and worker protection agency in the country, the New York City Department of Consumer Affairs ("DCA") works hard to protect New Yorkers from predatory lending, deceptive business practices, and unsafe financial products. Through our Office of Financial Empowerment ("OFE"), we also enable New Yorkers to reduce debt, build assets and savings, and plan for future economic stability.

We are able to hold the marketplace accountable and obtain restitution for aggrieved consumers knowing that the Consumer Financial Protection Bureau ("CFPB") is also watching. We encourage low-income consumers to rely on mainstream financial institutions – such as banks and credit unions – as opposed to fringe financial services, such as check cashers, because we know that banks are, today, better regulated than other types of financial services.

Since 2014, DCA has obtained close to $1 million in consumer restitution from the used car industry, which has been deceiving consumers and peddling subprime loans in our city and around the country. Since OFE was founded, we've helped New Yorkers reduce $50 million in debt and realize more than $4 million in savings, almost all of which are stored in bank or credit union accounts.

By disemboweling the CFPB and repealing the Volcker Rule, the FCA will significantly undermine these efforts to ensure that New York City's individuals and families – who collectively make up our now-thriving economy – can grow and thrive.

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[1] NYC Mayor's Office, *New York City Government Poverty Measure 2005-2015.* (May 2017), http://www1.nyc.gov/assets/opportunity/pdf/NYCgovPovMeas2017-WEB.pdf .

Opponents of financial services regulation argue that stringent regulations prevent economic growth. We know the opposite is true: when businesses play by the rules, individuals and families, and consequently, the economy, are all more stable.

Ending the CFPB's ability to comprehensively supervise non-bank entities, like auto finance companies, would be a blow to New York City, where such companies target low-income, immigrant, or otherwise vulnerable consumers.

Ending the CFPB's regulatory oversight over large banks would allow them to once again return to playing fast and loose with New Yorkers' hard-earned savings. Not knowing if their money will be safe at the bank could easily drive our city's residents to services such as check cashers, who often charge high fees and offer no deposit protections.

These check cashers also facilitate payday loans across the country. Though State law prohibits such loans in New York, eliminating the CFPB's ability to regulate this industry at the federal level will lead to such loans working their way back into our neighborhoods and imperiling their stability. Payday loans regularly leave borrowers mired in cyclical debt from which they can't emerge – all while lining the pockets of the lenders to the tune of more than $3.5 billion every year.[2] Moreover, these loans are exclusively marketed to financial insecure populations with 72 percent of such borrowers having household incomes of less than $40,000.[3]

In addition to providing critical regulatory oversight, the CFPB also takes direct complaints from consumers so that it can identify emerging problematic trends and leverage its rulemaking authority to address them. By dismantling the CFPB's Consumer Complaint Database program, the FCA puts millions of consumers, including our City's residents, at a great disadvantage. OFE has referred more than 200 consumers to this database in recent years, which has enabled the CFPB to better understand challenges faced by New Yorkers defrauded by unscrupulous businesses.

If passed, the FCA would disenfranchise consumers nationally and make them more susceptible to fraud, deceptive business practices, and predatory lending; creating exactly the type of environment that led to the elimination of millions of jobs and endangered the global economy.

The Great Recession is a reminder of the pervasive threat that the irresponsible behaviors of few can have on our communities. Let's not repeat our mistakes and endanger our communities and our economy; please vote against the FCA.

Sincerely,

Lorelei Salas
Commissioner

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[2] Center for Responsible Lending, *Phantom Demand.* (July 2017), http://www.responsiblelending.org/payday-lending/research-analysis/phantom-demand-final.pdf .

[3] Pew Charitable Trusts, *Who Borrows, Where They Borrow, and Why.* (July 2012), http://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf .