



Consumer Federation of America



Consumers Union



Consumer Action
Education and Advocacy Since 1971



June 20, 2006

The Honorable Richard C. Shelby
Chairman, Senate Committee on Banking,
Housing and Urban Affairs
Washington, DC 20510

The Honorable Paul S. Sarbanes
Ranking Member, Senate Committee on
Banking, Housing and Urban Affairs
Washington, DC 20510

*RE: URGE REJECTION OF ANTI-CONSUMER PROVISIONS IN HOUSE
REGULATORY RELIEF OFFER*

Dear Senators Shelby and Sarbanes:

The undersigned national consumer and community groups write to urge you to reject a number of proposals in H.R. 3505 that House negotiators have asked you to include in final regulatory relief legislation. These proposals pose a significant threat to low and moderate income consumers because they would override important state laws with weak substitutes and undermine key consumer protections under federal law.

We strongly oppose provisions in the House bill that would weaken the Fair Debt Collection Practices Act. Both H.R. 3505 (in Section 902) and S. 2856 (in Section 801) contain provisions exempting private check diversion companies from coverage under this consumer protection law, but the Senate version is less damaging to consumers. The House bill would undermine two basic consumer rights under the Fair Debt Collection Practices Act: 1) the right to request verification of a debt for thirty days after the first demand for payment is made by the collector; and 2) the right to ensure that notices to consumers are not unfair, deceptive, or harassing or request fees which are not permitted under state law.

Section 504 of the House bill would “allow the camel’s nose under the tent” on the preemption of ALL state interest rates. The state of Arkansas has established maximum interest rates through a public referendum by the citizens of the state rather than through legislative action, as in other states. The people of Arkansas have repeatedly voted to *limit interest rates* as part of the state constitution. However, Section 504 of the House bill would amend the Federal Deposit Insurance Act to remove usury limits currently applicable to Arkansas lenders. This amendment will mean that Arkansas consumers will pay far more than necessary for credit and risk exposure to discriminatory lending practices. This provision has been opposed by a broad coalition of national civil rights, labor and consumer rights organizations. **If Section 504 of the House bill is enacted, unlike every other**

state in the union, Arkansas will have absolutely no usury ceiling, and no legal way of ever imposing any limits on interest rates.

Section 301 would allow privately-insured credit unions meeting certain criteria the same access to the benefits of Federal Home Loan Bank membership as taxpayer-insured credit unions, essentially granting less expensive financing options such as the discount loan window to privately-insured firms. **If credit unions switched from government-backed to private share insurance to take advantage of the benefits provided by Federal Home Loan Bank membership, it could risk the safety and soundness of the credit union system.**

Section 617 would unjustifiably exempt certain financial institutions from the annual privacy notice disclosure requirement under the Gramm-Leach-Bliley Act (GLBA). Whether or not financial institutions are sharing the extremely limited amount of information that the GLBA allows consumers to block, annual privacy notices serve many important purposes. The notices describe the many ways that the vast amount of non-public information allowed under the GLBA is shared for servicing, joint marketing with third parties and other excepted purposes, something consumers have a right to know about. Additionally, it makes little sense to alter the privacy notice requirement at this time as regulatory agencies currently have two open rulemakings on the subject.

As part of your discussions with House negotiators on regulatory relief proposals promoted by the financial services industry, it is important to remember that neither the Senate nor the House bill proposes major regulatory reforms that would directly benefit consumers. (The single exception is that both bills attempt to lower prices for check cashing and remittance services by expanding the jurisdiction of credit unions to offer these services.) Neither bill, for example, would increase the vastly outdated jurisdictional limits and statutory penalties initially included in the Truth in Lending Act (TILA) in 1968. At the very least, we urge you to “do no harm” by rejecting the proposals mentioned above.

If you would like more information on our concerns, please contact Travis Plunkett at the Consumer Federation of America at 202-387-6121.

Sincerely,

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cc: Members of the Senate Banking Committee
The Honorable Blanche L. Lincoln
The Honorable Mark Pryor