ConsumersUnion®

POLICY & ACTION FROM CONSUMER REPORTS

March 7, 2018

United States Senate
Washington, DC 20510

Dear Senator:

Consumers Union, the advocacy division of Consumer Reports,[1] writes to express its strong opposition to S. 2155, The Economic Growth, Regulatory Relief, and Consumer Protection Act. This bill would undermine important Dodd-Frank banking regulations designed to prevent another financial crisis and would expose home buyers to financial exploitation and predatory lending. In addition, while this bill would eliminate fees for security freezes, which Consumers Union has long fought for in the states, the security freeze section fails to include a number of important consumer protections, such as a provision for the consumer to temporarily "lift" the freeze in order to open credit. Moreover, it could preclude the states from making important improvements to expand protections against identity theft.

Instead of strengthening protections to help prevent another financial crisis, this bill would weaken post-crisis risk controls on 25 of the 38 largest banks in the United States, and could be used to deregulate the U.S. activities of large foreign banks, like Barclays and Credit Suisse. This could have devastating and widespread effects on consumers and the economy. Because of the financial crash of 2008 and the years of recession that followed, millions of consumers lost their homes,[2] the median wealth of the middle class dropped 28%,[3] and the unemployment rate more than doubled.[4] Consumers simply cannot afford another financial crisis.

Additionally, this bill weakens protections against racial discrimination in the credit markets by expanding exemptions from the Home Mortgage Disclosure Act, the key source of public information about lending discrimination. It also sanctions the conflicts of interest and harmful steering practices that plagued the manufactured home industry prior to Dodd-Frank. This bill modifies the Truth in Lending Act to exempt retailers of manufactured homes from the definition of a "mortgage originator," thus also exempting these retailers from rules that limit conflicts of interest and prevent brokers from steering homebuyers into predatory loans. Too often, brokers have steered homebuyers to corporate affiliates and

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[1] Consumers Union is the policy and mobilization division of Consumer Reports. Consumers Union works for a fair, just, and safe marketplace for all consumers and to empower consumers to protect themselves, focusing on the areas of telecommunications, health care, food and product safety, energy, and financial services, among others. Consumer Reports is the world's largest independent product-testing organization. Using its more than 60 labs, auto test center, and survey research center, the nonprofit organization rates thousands of products and services annually. Founded in 1936, Consumer Reports has over 8 million subscribers to its magazine, website, and other publications.

[2] Laura Kusisto, *Many Who Lost Homes to Foreclosure in Last Decade Won't Return - NAR*, THE WALL STREET JOURNAL (April 20, 2015), https://www.wsj.com/articles/many-who-lost-homes-to-foreclosure-in-last-decade-wont-return-nar-1429548640.

[3] *The American Middle Class is Losing Ground*, PEW SOCIAL TRENDS (Dec. 9, 2015), http://www.pewsocialtrends.org/2015/12/09/the-american-middle-class-is-losing-ground/.

[4] Catherine Rampell, *Comparing the Job Losses in Financial Crises*, THE NEW YORK TIMES (Sept. 25, 2012), https://economix.blogs.nytimes.com/2012/09/25/comparing-the-job-losses-in-financial-crises/.

joint partnership arrangements between manufactured home dealers and financing institutions, leaving consumers vulnerable to costly fees, onerous terms, and high interest rates that they cannot pay.

Even the security freeze provision, intended to help protect consumers from identity theft, fails to adequately protect them. Nearly every state and the District of Columbia require credit bureaus to offer to all consumers the option to set up a security freeze, which blocks credit bureaus from releasing a consumer’s credit information without their permission. Because a prospective creditor will typically pull a consumer’s credit report before granting credit, “freezing” that information effectively prevents identity thieves from opening fraudulent accounts in a consumer’s name.

Unfortunately, S. 2155 would preempt stronger state bills guaranteeing the right to free security freezes, and would prevent states from strengthening those laws in the future. The bill also fails to include a provision—included in every state security freeze law—requiring the credit bureaus to offer a temporary “lift” of the security freeze, either for a short period of time or a particular creditor. Not only could this create roadblocks for consumers who need to open a credit account; it could leave those who do remove the freeze unprotected from identity theft for a longer period of time. Additionally, unlike many state laws, this bill leaves certain protected persons, such as the incapacitated, without the ability to establish credit freezes. These consumers are particularly vulnerable to identity theft, because so many individuals have access to their personal information.

Finally, the security freeze framework under S. 2155 may pose hurdles to protecting one’s credit because it would block states from taking action to secure “one-call” credit freezes. Such a provision would reduce the time it takes to initiate requests at all three major bureaus, and simplify the process for consumers. Already, several states, including California, Massachusetts, and Indiana, have introduced legislation that would guarantee this protection.

For these reasons, we respectfully ask that you oppose S. 2155, The Economic Growth, Regulatory Relief, and Consumer Protection Act.

Sincerely,

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