

May 12, 2010

An Open Letter to the United States Senate: Reject Bailouts, Taxes, and Onerous Regulations in S. 3217!

Dear Senator:

On behalf of the millions of members of the undersigned organizations, we urge you to oppose S. 3217, the so-called "Restoring American Financial Stability Act." Introduced by Senator Chris Dodd (D-CT), this legislation represents a flawed and incomplete approach to the necessity of reforming America's financial system. This bill, even in amended form after Senate debate, is an unacceptable exercise in expanding the size and scope of the federal government while ignoring the restoration of fundamental free market principles that must take place if our economy is ever to experience lasting stability and prosperity.

The legislation is flawed because it contains several damaging provisions that will increase costs and do little to mitigate risks to taxpayers. For example, the bill creates the Bureau of Consumer Financial Protection, which will have the power of regulating an extremely wide variety of financial products offered to consumers. It also creates the Financial Stability Oversight Council to serve as a regulator of systemic risk, and then appoints as council members the heads of the very entities that failed to protect taxpayers from the crisis the first time around. In addition, the legislation essentially codifies into law the notion of an entity being "too big to fail" by allowing regulators to determine which institutions are systemically important.

The legislation is incomplete because it does virtually nothing to deal with the elephant in the room: housing. The crisis can be traced back to unwise and unscrupulous home loans, and much of that frenzy was fomented by government-sponsored enterprises Fannie Mae and Freddie Mac, which utilized implicit taxpayer backing to tear a path of destruction through the housing market (not to mention the federal government's finances). Despite the fact that these now-nationalized entities account for the vast majority of current losses associated with the Troubled Asset Relief Program, this legislation is shamefully devoid of an honest attempt at disclosing and divesting taxpayer dollars from Fannie Mae and Freddie Mac's balance sheets. Furthermore, it does nothing to rein in abuses in municipal bond markets, protect taxpayers from further losses from the bailouts of automotive companies, or address serious ongoing problems with credit rating agencies.

This wrong-headed approach would raise costs, empower Washington, and do precious little to address systemic problems in the financial system – many of which stem from government manipulation of markets. The time to reform Wall Street is now, but there is never a right time for the wrong solutions. We urge you to oppose this bill and return to the drawing board to draft a comprehensive and measured approach to financial reform.

Sincerely,
The Undersigned



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CONSERVATIVE
UNION



AMERICANS FOR PROSPERITY®
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CITIZENS
for
Limited Taxation

THE CLUB FOR
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