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**September 22, 2016**

## SUPPORT H.R. 5983, THE FINANCIAL CHOICE ACT

Dear Representative,

On behalf of the undersigned organizations, we write to express our support for H.R. 5983, the Financial CHOICE Act, introduced by Chairman Jeb Hensarling, R-Texas and recently passed out of the Financial Services Committee. The CHOICE Act creatively and directly tackles many of the most pressing issues in today's financial markets. It would provide essential regulatory reform and improved governance of agencies.

The CHOICE Act contains many important reforms that our groups have long supported. In particular, the act reins in the Consumer Financial Protection Bureau by giving it a bipartisan board, requiring structural change and creating an independent inspector general and privacy protections. The bill also reforms regulation by requiring cost-benefit analysis, making financial regulations subject to REINS Act provisions and demanding increased transparency of Federal Reserve regulatory activity. It promotes capital formation for small businesses and job creators and it bolsters community financial institutions through additional regulatory relief.

However, the most important feature of the CHOICE Act is found in Section I of the legislation. The act offers a voluntary "off-ramp" from the most burdensome regulations imposed by the Dodd Frank Act, but only for institutions prepared to make a significant commitment to capitalization. By requiring institutions to hold a 10 percent tangible-leverage capital ratio and to maintain a high CAMEL rating before Dodd-Frank's burdens can be lifted, the bill protects taxpayers and ensures stability in the financial sector, without the crushing costs of over-regulation. Some may debate whether the 10 percent threshold is sufficient, but a review of financial literature shows it to be a reasonable and conservative estimate of the capital necessary to protect taxpayers from risk during a crisis.

The key to the CHOICE Act can be found in the name itself. By providing financial institutions with a choice, the act sets up a perfect test case for the market. Some institutions will choose to have less capital, but remain under burdensome regulations, relying on their oversight to avoid future collapse. Others will choose to protect against risk by putting their own capital on the line, in sufficient amounts to protect taxpayers. Over time, should the fates of these institutions diverge, it would provide valuable economic lessons.

It is worth noting that institutions that opt to increase capital will still be under regulatory scrutiny. The act does not remove all oversight, but it does provide relief from the most onerous burdens imposed as a result of political overreaction to the financial crisis.

In sum, the Financial CHOICE Act serves as a long-overdue fundamental course correction for the financial regulatory regime. It improves access to credit, provides relief to community financial institutions and helps promote greater financial stability without unnecessary regulation. We urge you to support this important measure.

Sincerely,

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