

KEY VOTE "NO" ON S.3217

THE RESTORING AMERICAN FINANCIAL STABILITY ACT OF 2010

Dear Senator:

April 26, 2010

On behalf of hundreds of thousands of FreedomWorks members nationwide, I urge you to VOTE NO on S.3217, the Restoring American Financial Stability Act of 2010. The legislation being pushed in the Senate includes a massive new regulatory regime for financial markets that promises more government intrusion and has the potential to leave taxpayers on the hook for bad decisions made on Wall Street. Worse still, the bill does little to address the underlying causes of the financial crisis. It instead inserts the government into financial markets in ways that provide Wall Street access to taxpayer dollars and creates a new standard providing firms deemed "too big to fail" permanent access to TARP-like bailouts without even needing a vote by elected officials.

The proposal represents a significant intrusion by government into financial markets. New fees, regulations, and reporting requirements threaten jobs, global competitiveness, and capital formation—the engine of economic growth. At the same time, the legislation creates sweeping new powers for the oversight of private businesses, from insurance to banks to mortgage brokers. A new consumer protection agency will enact new regulations that may have the unintended consequence of limiting access to credit while raising the price of credit. Ultimately, consumers will bear the brunt of the legislation through higher taxes and a tighter credit market.

Much of the current economic crisis was caused by loose monetary policy at the Federal Reserve coupled with federal housing policies and political objectives that fueled the subprime bubble in the mortgage markets. And while many rightly point to concerns in this sector of the economy, this legislation both fails to fix the underlying problems and fails to fix key culprits Fannie Mae or Freddie Mac.

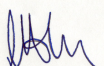
A rush for federal intervention sends the wrong signal that risky behavior will be subsidized while making it more difficult for consumers and businesses seeking access to credit. The market currently is in a correction, sorting out the missteps of the recent financial crisis. It is a costly and sometimes painful process, but increased federal involvement will not improve the outcome. In fact, the legislation may generate new uncertainties and burdens that actually hamper the correction process. Senators should be wary of the impacts that such legislation will have on financial markets and evaluate all the consequences—intended and unintended—before imposing such substantial regulations and fees on this critical sector of our economy.

In addition to new reporting and oversight requirements, the legislation also creates a new "systemic risk regulator," to provide oversight of firms deemed too big to fail. In exchange for this increased oversight, firms will have access to taxpayer funds if a bailout becomes necessary. This new regulator will have the authority to break up, shut down, and control these companies, moving these critical decisions from the marketplace to the government. Even worse, taxpayers could become the ultimate backstop for risky private investments, as firms deemed "too big to fail" are granted perennial bailouts funded by a government trust fund. Not only will these changes hamper economic growth, they will also turn our understanding of markets upside-down, separating risk from reward by providing private firms with federal support should their investments sour, while they enjoy profits generated in good times. Rather than the "crackdown on Wall Street" proclaimed by the bill's advocates, these rules further insulate the large firms from competition.

The Restoring American Financial Responsibility Act would create changes whose effects will linger long into the future. The bill would severely distort the workings of the market while transferring the burden of risk to the taxpayer. This legislation does little to restore responsibility but instead chooses to absolve the big players on Wall Street from responsibility for their mistakes via access to a taxpayer-funded bailout. And this access comes at a steep price—broad new government controls over private markets that touch on virtually all aspects of the financial services sector.

We will count your vote on S.3217, the Restoring American Financial Responsibility Act as a KEY VOTE when calculating the FreedomWorks Economic Freedom Scorecard for 2010. The Economic Freedom Scorecard is used to determine eligibility for the Jefferson Award, which recognizes members of Congress with voting records that support economic freedom.

Sincerely,



Matt Kibbe
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