

June 3, 2009

To: Members of the Senate Judiciary Committee

Re: S. 257, the Consumer Credit Fairness Act

The undersigned organizations have very strong concerns about S. 257, the Consumer Credit Fairness Act, which the Committee is scheduled to consider this week.

Our nation is facing its greatest financial crisis in years, perhaps since the Great Depression. The credit markets are very tight due to increased lending risks. Enacting changes to the bankruptcy laws that would further contract credit will exacerbate our financial problems. S. 257 as currently drafted would *reduce* the credit available for personal loans, credit cards, and auto finance. In particular, this legislation would significantly undermine the government's efforts to revive the automobile and vehicle finance sectors of the nation's economy.

S. 257 would amend the federal bankruptcy law to require bankruptcy courts to disallow any claim arising from a "high cost consumer credit transaction." This would deny the possibility for creditors to recover a significant portion of debts in bankruptcy, which would in turn limit the number of loans made, and therefore restrict the credit markets even further. This would significantly hurt tens of millions of Americans at the very time they can least afford it.

The available evidence from neutral sources plainly shows that personal loans, credit cards, and auto loans are not major causes of bankruptcy. For instance, a 2006 study conducted by the Federal Reserve Board at the direction of Congress found that the reasons for filing bankruptcy are complex and tend to be driven by unforeseen events such as job loss, divorce, and uninsured illness, and that there is no evidence of a direct link between increased use of credit cards and the rise in consumer bankruptcy filings.

There is no doubt that bankruptcy filings have increased recently. But, this is the result of problems in the credit market and deteriorating economic conditions rather than consumer debt. We recognize that our nation faces serious economic challenges, and we want to work with you to assist consumers. However, enacting changes to the bankruptcy laws would inject more risk and uncertainty into the credit markets, and we urge you to oppose S. 257.

American Bankers Association  
American Financial Services Association  
Consumer Bankers Association  
Independent Community Bankers of America  
National Automobile Dealers Association  
The Financial Services Roundtable  
U.S. Chamber of Commerce