DENNIS A. CARDOZA
18TH DISTRICT, CALIFORNIA

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September 16, 2010

The Honorable Timothy Geithner
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Geithner:

I am writing to express serious concern over complaints that I continue to hear from my constituents regarding the complete lack of access to capital for their small businesses in California's Central Valley. Simply put, many banks are not lending to our small businesses in what appears to be a blatant case of redlining. California's 18th Congressional District, which I represent, is ground zero for the current economic recession experiencing some of the highest prolonged unemployment and foreclosure rates in the country. While some parts of the country have begun to show signs of economic recovery, communities throughout my district have continued to deteriorate. The lack of access to capital, as a result of banks refusing to lend, has only compounded our region's economic hardship and continues to inhibit growth.

The only way our country, particularly the hardest-hit regions like the Central Valley, is going to be able to recover from the current economic downturn is to better address the turmoil in the housing market and ensure sufficient capital is available to small- and medium-sized businesses. We have a simple choice: either we foster an environment in which small businesses can flourish and entrepreneurs are encouraged to innovate and prosper, or we maintain the status quo and continue to see skyrocketing unemployment and sluggish economic growth. Without access to capital, our small businesses do not stand a chance.

Understanding this reality, I am outraged that banks are <u>not lending</u> to creditworthy businesses in the Central Valley. It is becoming abundantly clear in case after case that many banks are employing discriminatory practices in my communities. Many of the same banks that the taxpayers bailed-out are now automatically refusing credit to sound borrowers because of a particular geographic location and not legitimate risk factors. This practice is illegal and must not be tolerated. It is critical that the Treasury Department, in conjunction with all relevant bank regulators, take strong and concerted action to address this crisis immediately.

My constituents and our country can ill afford to sit back and allow this practice to continue. If we are to turn this economy around once and for all, the federal government must take swift and decisive action to ensure the nation's financial sector is operating fairly and at full-capacity. I am requesting a written response from the Department that addresses the following:

- What actions is the Department taking to investigate the prevalence of redlining in economically-depressed areas like California's Central Valley?

- What enforcement actions has the Department taken to address banks engaging in redlining behavior?

- What steps is the Department taking to encourage banks to lend to credit-worthy small businesses?

I appreciate your prompt attention to this request. If you or your staff has any questions, please contact me or Sean Deverey of my staff at Sean.Deverey@mail.house.gov or (202) 225-6131.

Sincerely,

DENNIS CARDOZA
Member of Congress

cc:

The Honorable Barney Frank, Chairman, House Committee on Financial Services

The Honorable Christopher Dodd, Chairman, Senate Committee on Banking, Housing, and Urban Affairs

The Honorable Dianne Feinstein, United States Senate

The Honorable Barbara Boxer, United States Senate