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*An ALERT from the past that bears repeating with state and federal regulatory developments and recurring regulatory uncertainties:*

## LET'S NOT CALL THE REGULATOR!

How many times have you heard someone suggest giving the regulator a call?

Legal issues arising in connection with statutes and regulations that are subject to a state or federal regulatory authority can and frequently do involve difficult interpretations. The statutes and regulations often contain ambiguities, lack of definitiveness and, all too frequently, apparently contradictory provisions. Sorting through this morass and applying rules of statutory construction is the job of an attorney. There is no substitute for legal training and experience in resolving these issues to give clients appropriate guidance.

Generally, regulators will not render authorized or reliable legal advice and almost never will they put it in writing. Frequently they will suggest that legal counsel be contacted. However, it is not unusual for persons in state and federal agencies to express an "opinion" on a legal question. And, unfortunately, these persons are generally not lawyers or the chief regulatory authority. That's where the problems develop.

Oral "opinions" expressed by persons in regulatory agencies are frequently:

- (1) Only personal opinions, not backed by the regulatory authority,
- (2) Based on an inaccurate understanding of the facts or issues,
- (3) Politically biased,
- (4) Consumer biased,
- (5) Aimed at expanding the regulator's authority,
- (6) Wrong from a legal analysis perspective, and
- (7) Subject to change with the wind.

Such opinions are not reliable legal advice and likely would carry no weight in court or with the next administration.

At best, there is probably no better than a 50% chance that the "opinion" is actually correct. If an opinion is obtained from a chief regulatory authority, it is only an enforcement position that is subject to change with a change in administration.

But, an even deeper issue for attorneys is that calling a regulator

is not practicing law. Any staff member at a client's office can place a call. Practicing law requires the application of numerous legal principles to an entire body of statutory and regulatory materials and case law to reach a reasoned and supportable legal conclusion. "Running it by" a regulator does not make it more reasoned or more supportable.

Worse, running an issue by a regulator educates the regulator to the existence of the issue and may taint the issue for the client and the client's industry on an ongoing basis. Regulators have no incentive to opine that they do not regulate something and will frequently opt to opine in a way that is safest for them or otherwise best serves their own interests or political agenda, *i.e.*, "you need a license" or "that is prohibited." Once a regulator takes a stand on an issue it becomes much more difficult to change that mindset after the fact.

In the substantial majority of situations, we are likely to advise against contacting the regulator directly. In the unusual situation where such contact is warranted, it should only follow full, careful legal analysis and perhaps pursued only by outside counsel on a no-names basis.

The next time you hear "Let's call the regulator," stop and consider the full ramifications. ☐

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### LOOKING FOR STATE AND FEDERAL COMPLIANCE RESOURCES WITH ANALYSIS?

Among other resources, we publish easy-to-use online subscription [MULTISTATE DIGESTS](#) that summarize state consumer lending and other consumer protection laws. Our CREDIT CARD DIGEST, for example, is organized topically, covers state laws applicable to credit card programs of federally and state-chartered financial institutions from an out-of-state issuer perspective and includes an analysis of statute applicability. While targeted to card programs, the resource can also be invaluable for other revolving and installment programs of all types. **Contact us for details.**

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