House Republicans Vote to Dismantle Wall Street Reform

Today, the House of Representatives voted on the Financial CHOICE Act (CHOICE), House Republicans' disastrous proposal to dismantle the Dodd-Frank Wall Street Reform and Consumer Protection Act.

It seems that House Republicans have already forgotten the wreckage left by the Great Recession and 2008 financial crisis —when 8.7 million Americans lost their jobs, 3.8 million homes were foreclosed on, and households lost $17 trillion in wealth.

The Republican bill risks repeating this disaster by rolling back a host of prudential and consumer financial regulations and gutting the authority of independent financial regulators. In particular, the bill will: (1) eliminate effective tools and policies to prevent the next financial crisis, (2) subject independent financial regulators to politicized congressional processes, and (3) render the Consumer Financial Protection Bureau (CFPB) ineffective in protecting consumers from predatory lending and banking practices.

Eliminating effective policies

Policies and regulations put in place after the 2008 financial crisis incorporated many painful lessons learned. CHOICE eliminates these effective policies and regulations aimed at keeping individual financial firms and the financial system as a whole on an even keel. The bill reverses progress made by stripping away necessary tools to detect predatory behavior and prevent future taxpayer-funded bailouts. Included is the repeal of the Financial Stability Oversight Council's authority to designate non-bank financial firms as systemically important financial institutions, undermining our ability to foresee and possibly evade a future crisis. By gutting prudent regulations and capital requirements, such as an annual stress test that examines a bank's ability to remain solvent under financial trouble, CHOICE green-lights America's next financial crisis.

CHOICE also repeals the Orderly Liquidation Authority (OLA), a necessary tool that helps regulators wind down failing firms safely and prevent future taxpayer bailouts. Orderly Liquidation Authority ensures that taxpayers are not held liable for another bailout by making sure large banks swallow the burden and risk associated. Eliminating OLA's authority shifts the burden back onto taxpayers and puts strain on the financial system and bankruptcy procedures, which are inadequate for this type of large-scale unwinding of financial institutions.

Politicizing independent regulators

CHOICE fundamentally changes how independent financial regulators—the Federal Reserve, CFPB, Federal Depository Insurance Corporation, among others—operate to ensure stability in the market. The bill subjects independent regulators to the politicized congressional appropriations process, undermining an agency's ability to carry out independent supervision, enforcement, research, and rulemaking required to keep markets stable and fair. Under CHOICE, regulators would require congressional approval on major rules—like transparency in prepaid card fees—creating additional unnecessary roadblocks in an effort to stall rules from taking effect.

Rendering the CFPB ineffective

Hardest hit by regulatory and supervisory changes in CHOICE is the sole consumer advocacy agency, the CFPB. CHOICE dismantles CFPB's ability to protect consumers from deceptive, unfair, or abusive practices by stripping away and limiting rulemaking, supervisory, and enforcement authority. At a time when consumer complaints and support for tighter bank regulations continue to rise, CHOICE undermines the CFPB's authority to protect consumers and enforce fair play in the financial system.

Wrong Choice

These among many other provisions within CHOICE will expose the American economy to reckless behavior, financial fraud, and systemic risk that can lead to a large-scale financial crisis and recession. If CHOICE were to become law, financial crises would become more common, Main Street investors and savers would have fewer protections, and financial consumers would lose a valuable advocate. There's no question that the Financial CHOICE Act is the wrong choice for America.