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House GOP moving cautiously on Wall Street law rollback

By Peter Schroeder - 03/16/11 06:17 AM ET

House Republicans are taking a cautious approach to dismantling the Dodd-Frank financial reform law to avoid rattling the markets, a top Republican says.

While House Republicans made a broad bill repealing healthcare reform — another major piece of legislation from the last Congress — a top priority upon assuming the majority, the GOP is taking a much more deliberate approach in its effort to roll back financial reform.

Rep. Scott Garrett (R-N.J.), the chairman of the House Financial Services Committee's Capital Markets subcommittee, told The Hill on Tuesday that Republicans opted against a broad Dodd-Frank repeal bill to avoid further confusing the markets with a legislative effort that likely would have died in the Senate.

"Market certainty was so lacking prior to Dodd-Frank, and was just exacerbated by [the law]," he said. "Simply saying that we were going to attempt to repeal the entire bill ... probably would have provided more harm than good."

Instead, he said, the goal is to tackle the measure using a series of specific changes with an eye on what might actually become law.

Republicans might want to take on politically charged items like funding for the new Consumer Financial Protection Bureau (CFPB), but "realistically, that's probably not going to be moving in the Senate," Garrett said.

But a leading Democrat maintains Republicans have not attempted a broad takedown of the law due to strong public support.

Rep. Barney Frank (D-Mass.), the ranking member on the committee and titular sponsor of the law, said the public desire to rein in Wall Street has conservatives on their heels.

"They don't want to take it on head on," Frank told The Hill. "It's too popular."

On Monday, the House Financial Services Committee unveiled a package of draft bills targeting several provisions of the Wall Street overhaul. Four measures introduced by freshman lawmakers would either repeal or ease a requirement in the Wall Street reform bill.

Those bills, along with a fifth that would exclude more companies from registering with the Securities and Exchange Commission (SEC), will be examined at a subcommittee hearing hosted by Garrett's panel on Wednesday.

Garrett indicated that more measures altering or limiting Dodd-Frank will likely be forthcoming on "other areas that need to be reformed."

House Republicans unanimously opposed Dodd-Frank as the minority in the last Congress and have repeatedly criticized it in the majority. But this new batch of bills marks the first direct legislative attempt by Republicans to alter the law.

The legislation targets several specific provisions contained within Dodd-Frank, but stops short of fundamentally remaking it.

While House Republicans wanted to pass a bill repealing healthcare reform as soon as possible, that all-or-nothing approach has not been present with Dodd-Frank. Republican lawmakers have held several hearings overseeing portions of the law, and have sent letters to federal regulators demanding answers to detailed questions about its implementation.

Rep. Michele Bachmann (R-Minn.) introduced a Dodd-Frank repeal bill in the first days of the 112th Congress, but it has thus far been largely ignored, attracting just seven co-sponsors.

The more targeted approach for Dodd-Frank is indicative of the wide variety of opinions about its provisions, as well as the complicated politics surrounding it.

Mark Calabria, the Cato Institute's director of financial regulation studies, said a hard-charging drive to repeal Dodd-Frank might be absent because lawmakers have not heard from their constituents about it.

While members of Congress famously heard from raucous crowds back home during debate over the healthcare reform law, "there's not the same sort of visceral reaction" to Dodd-Frank, he said.

In addition, Wall Street banks are still largely out of public favor after driving the 2008 financial crisis, and any broad repeal effort could be painted negatively for Republicans.

"Republicans have to balance that perception that repealing it just makes them look like they're in for Wall Street," said Calabria. "They need to be careful about how they do it, and I think that's the reason we're seeing it driven in this manner."

As for the lawmakers behind the effort, it is apparent that there is a range of opinion about the law as a whole. Rep. Nan Hayworth (R-N.Y.) is sponsoring a bill that would repeal a Dodd-Frank requirement that requires publicly traded companies to disclose the median of the total annual pay of all their employees. Frank said he would support Hayworth's bill.

Hayworth said Tuesday that the median pay provision is burdensome and offers limited benefits to the public, and she was similarly harsh on the entire Dodd-Frank law, saying she campaigned on repealing it.

"Dodd-Frank is a 2,000-plus page piece of legislation that was ill-conceived, unfortunately, in many respects, and will induce stasis at best in what should be thriving American enterprise," she said.

Rep. Steve Stivers (R-Ohio), a fellow freshman, is pushing his own Dodd-Frank fix. He does not think the law should be erased completely, and is focused on fixing what he sees as bad parts of the bill.

"I believe that there's some good things in Dodd-Frank and some bad things," he said. "We could have done a one-line bill that says, 'Dodd-Frank is repealed.' Period. We didn't do that."

Stivers's legislation would repeal a provision that would make credit rating agencies more liable for the ratings they give. The day after the law was enacted, the agencies refused to allow their ratings to be used, bringing a temporary freeze to the credit markets before the SEC promised not to enforce the provision.

One of the two remaining Dodd-Frank tweaks would protect more companies from having to clear derivatives transactions with registered clearinghouses; the other would exempt advisers to private equity firms from having to register with the SEC.

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