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A Dodd-Frank Rollback Bill Clears a House Committee

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A House committee on Tuesday approved a bill to roll back significant portions of the financial-crisis-era overhaul known as the Dodd-Frank Act in a vote that was largely down party lines.

The legislation, the Financial Choice Act, is not expected to be adopted this year. But it could influence the broader debate over financial reform and provide a starting point for its sponsor, Jeb Hensarling, Republican of Texas and the chairman of the House Financial Services Committee, whose leadership role on the panel is set to end in two years.

“He’s trying to frame the debate going forward and lay some groundwork for next year,” said Mark A. Calabria, director of financial regulation studies at the Cato Institute, and a former Republican staff member in the Senate. “This is your last window before the election.”

The Financial Choice Act split the banking panel with a vote of 30 to 26, with just one Republican, Representative Bruce Poliquin of Maine, siding with the committee’s Democrats against it.

Mr. Hensarling has been a prominent critic of Dodd-Frank and other changes after the 2008 financial crisis, including the creation of the **Consumer Financial Protection Bureau** to regulate the consumer finance industry.

“It has been six years since the passage of Dodd-Frank. We were told it would lift our economy, but instead we are stuck in the slowest, weakest, most tepid recovery in the history of the Republic,” said Mr. Hensarling at Tuesday’s session. “The economy does not work for working people.”

The legislation, which was **unveiled in June**, calls for numerous changes to Dodd-Frank. One provision would allow some of the largest banks to exempt themselves from some regulatory standards if they maintained an important ratio of capital to total assets at 10 percent or more.

The bill would also repeal the **Volcker Rule**, which aimed to stop banks from making risky bets with their own money, and replace regulators’ authority to wind down troubled banks with a new chapter of the bankruptcy code. In addition, it would remove the Durbin Amendment, which set a limit on certain fees retailers are charged for debit card transactions.

Representative **Maxine Waters**, a California Democrat who is the committee's ranking member, said at the vote that the plan was a nonstarter for any conversations about amending Dodd-Frank.

"This bill is so bad that it simply cannot be fixed," she said. "It's clear that this is a rushed, partisan messaging tool."

Democrats also denounced proposed changes to the Consumer Financial Protection Bureau, citing the agency's **\$185 million enforcement action** last week against **Wells Fargo** over concerns that employees had fraudulently opened an estimated two million customer accounts without consent to meet sales goals.

"The chairman's bill strips, takes away, from the C.F.P.B. its authority to punish abusive conduct, which means Wells Fargo would have gotten off even easier for this scandalous conduct," said Representative Carolyn B. Maloney, Democrat of New York.

Still, a handful of lawmakers signaled interest in finding opportunities to tweak Dodd-Frank, though they cautioned that the Republican bill being considered went too far.

"Are there mistakes in Dodd-Frank? Of course there are. We are human beings," said Representative Emanuel Cleaver, Democrat of Missouri. "Rather than correct the mistakes, we decided to just throw the baby out with the bath water."

Elsewhere, Republicans have succeeded in moving smaller banking bills through the chamber with Democratic support this term. The House passed a bill this month that would **loosen certain standards** for **private equity** firms, for example, despite opposition from the White House. It is not yet clear whether the measure will come up for a vote in the Senate this year.

The piecemeal approach may prove to be the model for other revisions to Dodd-Frank.

"For any financial regulatory relief legislation to pass, it looks like it will have to be targeted toward a group in good standing with the Hill and incredibly narrow in its overall impact," said Isaac Boltansky, director of policy research for Compass Point Research & Trading.