Free Beacon: GOP Plans to Replace Dodd-Frank Act

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Republicans on the House Financial Services Committee are planning new legislation to effectively repeal and replace the Dodd-Frank Act, a law that places major regulations on the financial industry, The Washington Free Beacon reported.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 was signed into law by President Barack Obama after the financial crisis of 2008. The law was intended to "promote the financial stability of the United States by improving accountability and transparency in the financial system," and that it would put an end to "too big to fail" banks.

Republicans say their alternative legislation will provide regulatory relief from Washington micromanagement, the Beacon explained.

"When they voted for it, supporters of Dodd-Frank said it would promote financial stability, end too big to fail, and lift the economy," House Financial Services Committee Chairman Jeb Hensarling, a Texas Republican, said this week at a National Center for Policy Analysis event.

"None of this has come to pass. Instead, five and a half years later, it has become evident that our society has become less stable, less prosperous, and most ominously, less free," the Beacon quoted him as saying.

"Its foundation very much rests on a false premise: that somehow deregulation was the root cause of the crisis," Hensarling said. "But it was not deregulation. In fact, in the decade leading up to the financial crisis regulatory restrictions in the financial sector actually increased," he said.

The Texas Republican says the law has greatly slashed the number of banks offering free checking, made mortgages harder to obtain and jacked up even the most common bank fees. As a result, the act has made banking services difficult for low and middle income families to easily obtain.

"The alternative to Dodd-Frank will be based on the principles that taxpayer bailouts of financial institutions must end and no company can remain too big to fail; systemic risk must be reduced through market discipline; consumers must be protected from force, fraud, and deception; simplicity must replace complexity; economic growth must be restored through transparent and innovative capital markets; and every American must have an opportunity to achieve financial independence," the Beacon explained.

Backed by Wall Street and corporate lobbyists, Republicans in Congress have tried to roll back various provisions of the law. That effort has so far failed, and now the courts have become an alternative venue for the campaign, with a string of minor victories achieved, Bloomberg reported.

"The financial industry is using all the tools available to resist the regulation mandated under Dodd-Frank," says Brian Marshall, policy counsel at Americans for Financial Reform, an advocacy group.

To be sure, a group of respected think tanks — the Heritage Foundation, the American Enterprise Institute, the Cato Institute and the Mercatus Center — has issued a 208-page book titled "The Case Against Dodd-Frank: How The 'Consumer Protection' Law Endangers Americans," Investor's Business Daily reports, calling the book "a devastating indictment of the law."

Dodd-Frank, writes Mollie McNeill, a Heritage Foundation researcher, "polices everything from derivatives markets to payday lending, and it has (so far) burdened the U.S. economy with thousands of pages of rules."

Dodd-Frank's restrictions come at a hefty price, "costing the economy hundreds of billions of dollars in lost potential output, jobs and profits," IBD said.

Newsmax Finance Insiders Larry Kudlow and Stephen Moore have cited over-regulation as reason for the business-investment collapse.

"Obamacare rules and mandates are job-killers. Dodd-Frank red-tape costs have held back lending to such an extent that business start-ups have practically come to a halt. And community banks have drastically pulled back loans to existing small businesses," they recently wrote for Newsmax Finance.

But Richard Ketchum, the Financial Industry Regulatory Authority's chairman and CEO, argued that while the act may be seen as too onerous on the banks, "the goals behind Dodd-Frank are absolutely the right goals," he recently told CNBC.

"The amount of capital that the major banks had were not great enough. The amount of leverage that existed in the system was too great," he said. "Each piece of Dodd-Frank action has been justified in response to a very real problem we saw in 2007 through 2009," he said.