U.S. House Members Unveil Banking Reform Bill

Kate Patrick

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The U.S. House of Representatives has rolled out a plan to ease federal restrictions on banks in an effort to reduce the cost of regulatory compliance and start to decrease federal government control over the economy.

Congress and President Barack Obama imposed forceful financial restrictions in 2010 in response to the 2008 economic crisis, including the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act, commonly referred to as Dodd-Frank.

In June 2016, U.S. Rep. Jeb Hensarling (R-TX) announced the creation of the Financial Creating Hope and Opportunity for Investors, Consumers, and Entrepreneurs (CHOICE) Act, a bill meant to repeal Dodd-Frank and reduce the power of the Consumer Financial Protection Bureau, a government agency created by Dodd-Frank and tasked with enforcing new financial laws and regulations.

‘Mind-Numbingly Complex’

Mark Calabria, director of financial regulation studies at the Cato Institute, says the current financial restrictions don’t protect people.

“Dodd-Frank is mind-numbingly complex, tries to micromanage, and doesn’t make us safer,” Calabria said. “We need to make it safer … make it more straightforward and let the banks out of a lot of regulation.”

Calabria says CHOICE will shift the debate over federal banking restrictions.

“I think there will be more emphasis on market discipline and letting institutions actually fail,” Calabria said.

‘Unusual’ Agency

James Barth, a finance scholar at Auburn University, says CFPB has an extraordinary amount of power over the nation’s economy.

“It’s [CFPB] headed by a single person, which is unusual,” Barth says.

Barth says the cost of complying with Dodd-Frank’s rules could be spent on providing services for consumers.

“That [the cost of complying] leads banks to hiring more people that don’t actually contribute to the revenue of the bank,” Barth said