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Barack Obama says Mitt Romney would roll back banking regulations

-Barack Obama on Saturday, October 27th, 2012 in a television ad

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In the final days before the election, the Obama campaign has put up an ad that is a sort of Cliff Notes for voters before they walk into the voting booth. It lists many of the points Obama has used against Mitt Romney throughout this contest.

It warns about the future of Medicare, support for education, tax breaks for the wealthiest, and banking regulation. On that last point, it says, "Mitt Romney's plan rolls back regulations on the banks that crashed our economy."

This fact-check examines that claim and tries to discern what Romney would do about keeping banks clear of the excesses that contributed to the financial crisis.

Romney has not spoken in detail about his financial regulation plans. Sifting through his website, interviews and his public comments, we see these core elements:

• He would repeal Dodd-Frank, the wide-ranging law that aims to fix many of the lapses associated with the meltdown. Romney has said he would replace the law but has not gone much beyond that concept.

• Romney supports the idea of regulations. "Extensive regulation is appropriate in an industry that has such an impact on the overall economy," he said in an interview with Time.

• Romney supports rules to ensure that banks have their own money at risk, as this promotes greater caution. "You have to have rules for what kind of capital has to stand behind each kind of asset on Wall Street and banks," he said on 60 Minutes. This is part of current law.

• He supports greater transparency for derivatives trading. He told a group of Americans in London, mainly bankers, that "we do need to have greater transparency in the trading of derivatives, so we know what's going on -– what kind of exposures various institutions have." Derivatives as investment devices are not inherently bad but they helped hide the weaknesses of the home mortgage market and increased the exposure of many investors when the sector collapsed. Dodd-Frank has a detailed approach to shedding light on derivatives trading.

• Romney opposes the current plan for orderly liquidations when banks fail. "We need to get rid of that provision because it's killing regional and small banks," Romney said in the first presidential debate. However, he has not said how he would change the current law.

• Romney believes regulators should move faster to define the minimum standards for a home mortgage loan.

The Obama campaign backs up its claim with a Boston Globe article from last spring. The article emphasizes that Romney says he would do away with Dodd-Frank without saying what would replace it. Since that time, Romney has said a bit more, captured in that list above, but not much more.

In May, one of Romney’s top economic advisers, Glenn Hubbard, said the public could expect more detailed proposals on several key fronts, including what to do if one of the biggest banks fails, consumer financial protections, and housing finance. However, those proposals never appeared.

The only detail from Hubbard himself targeted the new Consumer Financial Protection Bureau. That agency, created under Dodd-Frank, aims to stand between individuals and the marketing of unfair and deceptive financial services. Hubbard said the bureau might be moved or dismantled, with its functions passed along to existing agencies.

The lack of specifics from Romney has left many people reading the tea leaves. Kenneth Scott is professor of law and business at Stanford Law School. "I very much doubt that if Romney won there would be a blanket repeal of Dodd-Frank, but there would be an effort at significant amendments," Scott said.

Some have looked to Congress for clues. A Bloomberg article described the changes Republicans have passed or introduced. High on the list are looser rules governing the trade in derivatives, and especially the financial practice called "swaps." Swaps are basically insurance against the risk that a borrower won’t repay a loan. It gets more exotic, but that’s the central idea, and it’s very big business. Swaps delivered $7 billion in revenues to banks in the first quarter of 2012. Swaps played a significant role in the 2008 financial crisis.

Bloomberg and other news organizations have listed other areas where Republicans have worked to ease financial regulations, such as reversing the Volker Rule, which limits banks on using customer deposits to invest in trades offered by an arm of the same bank.

Bloomberg offered this summary: Dodd-Frank would remain but it would be "a revamped Dodd-Frank that would accommodate some of the most profitable and riskiest activities while preserving a patina of protection for investors and consumers."

Still, the precise changes Romney would support are unknown. In addition, some would argue that whatever changes emerge would not increase the odds of another financial crisis. For example, Lawrence White, a scholar at the libertarian Cato Institute, believes the current law on big banks makes risky behavior more likely.

"Repealing THAT part of Dodd-Frank would not 'roll back regulation on the banks that crashed our economy,' quite the contrary," White said.

We asked the Romney campaign for more specifics in several areas but received no further information.

Our ruling

The Obama ad says "Mitt Romney's plan rolls back regulations" on banks.

Romney has provided scant details on his plans, but he has said that he would push for changes. Romney has never suggested that tougher regulations are needed, and he has said many times that government regulates too much. It is reasonable to conclude his plans would be more in line with current Republican initiatives than the present law passed by Democrats. That direction points toward fewer restrictions than are in place under Dodd-Frank. Certainly, Romney has said that the provisions for the largest banks should be replaced.

Conservative analysts would say that these changes would not put the financial system at greater risk.

However, the ad simply says Romney would roll back regulations on the institutions that contributed to the financial crisis. How much of a rollback is unclear, but Romney does support a lighter regulatory touch on banks, so we rate the statement Mostly True.