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The Balance Sheet: Dodd-Frank Financial Regulatory Reform Bill Fails to Meet Top Reforms Demanded by House Republicans

House Republicans believe any financial regulatory reform bill must:

- ✓ **Stop the Democrats' Taxpayer-Funded Permanent Bailouts for their Wall Street Allies**
- ✓ **Reform Fannie Mae and Freddie Mac, the Root Causes of the Housing Meltdown & Financial Crisis That Cost Taxpayers $145 Billion and Counting**
- ✓ **Empower Businesses Small and Large to Create Jobs and Spur Economic Growth**
- ✓ **Demand Accountability from Failed Federal Regulators and Bureaucrats**

Fails to Stop the Democrats' Taxpayer-Funded Permanent Bailouts for their Wall Street Allies

- ***Dodd-Frank makes bailouts permanent by granting the government unlimited bailout authority that lets regulators pay off the creditors of firms they deem "too big to fail."***

- The fundamental question is this: who pays when a financial firm fails? The shareholders and creditors of a failed firm, or the taxpayers? This bill once again puts taxpayers on the hook while granting the government unprecedented new powers to determine who gets bailed out.

- The Dodd-Frank bill lets government bureaucrats and politicians choose winners and losers, including which creditors will get paid off and which will not. Republicans believe "no bailouts" means that failed financial firms, like all other businesses, must declare bankruptcy and go through an open and rules-based legal proceeding in which claims against the firm are decided by an impartial judge, rather than letting government regulators decide which creditors will get bailed out and which will not.

- Despite their rhetoric, the Democrats' bill protects their allies on Wall Street by institutionalizing permanent, taxpayer-funded bailouts for the creditors of big Wall Street banks, permitting them to continue the same sloppy underwriting and lending that let Bear, Lehman AIG, and the GSEs load up on toxic assets and sink our economy, safe in the knowledge that their friends in the government will pick up the pieces. These policies will result in larger firms getting cheaper access to credit, driving out small banks that don't have the luxury of taxpayer funds backing up their creditors.

Fails to Reform Fannie Mae and Freddie Mac, the Root Cause of the Housing Meltdown & Financial Crisis That Cost Taxpayers $145 Billion and Counting

- ***Without real reforms to Fannie Mae and Freddie Mac – the root cause of the housing meltdown and financial crisis – Dodd-Frank is a sham and will fail to protect taxpayers from further bailouts.***

- Fannie & Freddie have received $145 billion already and CBO predicts they will ultimately cost taxpayers $380 billion – the biggest taxpayer bailout of all. The federal government now owns 80 percent of Fannie & Freddie and guarantees more than $1.7 trillion of their debt.

- Democrats first accepted – and then later struck from the bill – a Republican amendment that would have placed the GSEs under the same resolution authority regime as any other large, complex financial institution. As soon as Democrats discovered that the effect of the amendment would be to make big banks, not the taxpayers, bear the costs of winding down the GSEs, they took the side of the banks and put taxpayers back on the hook.

- For years, Republicans warned of the dangers posed by Fannie Mae and Freddie Mac and proposed responsible reforms, only to have them blocked by Democrats with deep political ties to the worst offenders. Democrats have repeatedly promised to address this issue, but their bill ignores it. Real reform is impossible if Democrats refuse to address one of the key causes of the financial crisis.

Fails to Empower Businesses Small and Large to Create Jobs and Spur Economic Growth

- ***Dodd-Frank is a massive regulatory overreach that imposes a new $20 billion tax, will drive American jobs overseas, and hand government bureaucrats unlimited power – even over small Main Street businesses that did nothing to cause the financial crisis.***

- The only jobs that this bill promises to create are more Washington lobbyists who will seek to influence the regulators as they begin churning out the estimated 400 Federal regulations and studies mandated by the legislation. Small businesses and financial institutions will be stuck in the losing column when they can't afford to keep their interests protected from these new burdensome and costly bureaucratic regulations.

- The onerous requirements imposed by the new rules governing derivatives contracts alone will seriously complicate efforts by U.S. companies to hedge the costs of their supplies and manage other business risks, resulting in higher prices for consumers and fewer jobs for American workers.

- The new $20 billion lending tax will reduce the availability of loans and credit, force more small businesses to close, and cripple new startups at a time when our economy is struggling and Americans are asking "Where are the jobs?" As President Obama claims more jobs are on the way, a recent study showed that the so-called "consumer protection" portions of the House-passed bill *alone* would reduce the number of new jobs created by at least 4.3 percent.

Fails to Demand Accountability from Failed Federal Regulators and Bureaucrats

- ***The Dodd-Frank bill expands the role of the Federal Reserve and regulators who failed to see the crisis coming, and rewards their failure with more power to pursue "Too Big to Fail" policies at taxpayer expense.***

- The bill creates an Office of Financial Research and the Consumer Financial Protection Bureau – two brand new federal agencies that will give unelected bureaucrats unprecedented power to track financial activities - without citizens' approval - with few constraints over how and when the information will be used.

- The Dodd-Frank bill includes no fundamental reforms of the Securities and Exchange Commission (SEC), the agency whose failed supervision led to the meltdown of Bear Stearns and Lehman, and that managed to miss the Madoff and Stanford Ponzi schemes that led to the financial ruin of thousands of Americans. In fact, the bill even rewards the SEC's failure by granting it complete control over the size and allocation of its budget and removing it entirely from the congressional appropriations process.

- Instead of demanding a full audit of the Federal Reserve that inflated the housing bubble, let mortgage fraud and bad underwriting run rampant, and failed to supervise the large banks, all while denying they could do anything to identify or stop these problems – the Democrats who drafted this bill grant them even more responsibility. The final version significantly waters down the strong "audit the Fed" proposals and the demands for accountability that were put forth by House Republicans and included in the House-passed bill.