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The Balance Sheet

The Balance Sheet: What's NOT in the Dodd-Frank Financial Reform Bill? Any of the Wall Street Reforms Needed to Prevent Another Crisis

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**

<u>No End to TARP Despite Democrats' Claims:</u> Democrats claim they pay for billions of dollars in increased government spending in this bill by ending TARP early, but the budgeting simply doesn't add up. The Democrats' scheme doesn't actually shut down TARP and all of its programs. It does not end the Capital Purchase Program or the failed HAMP "foreclosure mitigation" program. The cost estimates for TARP do not use the full $700 billion in the program, but are based on an estimate of the money that would be lost (not repaid) from the program. How would shutting the program down two months early materially change that? Did the Administration plan to make bad loans in the next two months that would lose billions? Additionally, any money saved by TARP is required by law to be used to pay down the national debt – not to be double dipped to fund Democrats' unrelated priorities.

<u>No GSE Reform…At All</u>: The Dodd-Frank conference report contains NO reform of Fannie and Freddie, the two mortgage giants who have received the biggest taxpayer-funded bailout of them all -- $145 billion and counting -- and paid $635 million to banks this year – making them Wall Street's biggest customers. In fact, the Democrats' bill specifically exempts the GSEs from the resolution authority created in the legislation to ensure, as Chairman Frank stated, that the costs of their failure are ultimately "borne by the taxpayers," not the big banks. During the conference, 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.

<u>No Robust Audit of the Fed:</u> The House voted down a Republican Motion to Recommit that would ensure a robust and comprehensive audit of the Federal Reserve, using the language from Rep. Ron Paul's bill that has 320 cosponsors and would pierce the veil of secrecy that has for far too long characterized the central bank's operations and deliberations. The conference report instead includes an amendment by Senator Bernie Sanders (I-VT) that significantly weakens the Paul provision by exempting monetary policy decisions, discount window operations, and agreements with foreign central banks from the scope of the audit.

<u>No Bankruptcy for Failed Institutions</u>: House Republicans have consistently made the case that the only way regulatory reform legislation could permanently end bailouts is to ensure objective

bankruptcy proceedings in which creditors are paid from the assets of the bankrupt company, not the pockets of the taxpayers. Bankruptcy, not bailouts, also vindicates the rule of law, rather than giving government bureaucrats virtually unbridled discretion to seize troubled corporations and pay off some creditors rather than others. The House and Senate Republican bankruptcy amendments were rejected on party-line votes.

No Meaningful SEC Reforms: The Dodd-Frank conference report not only fails to include fundamental reforms of the SEC, it *rewards* an agency that utterly failed in its investor protection mission by increasing its appropriations over the next five years and allowing it to create a $100 million reserve fund to spend as it sees fit. This is the same SEC that missed the Madoff and Stanford Ponzi schemes; operated a failed investment bank supervisory program that was unsuccessful in preventing the Bear Stearns and Lehman failures; and whose payroll includes employees who appear to have been more interested in surfing the Internet for porn during the crisis than policing the financial markets for fraud. Taxpayers and investors who lost billions because the SEC couldn't do its job deserve much better.