2017 ABA Issue Summary

Dodd-Frank Act

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The Dodd-Frank Act represents the biggest re-write of financial regulations in decades.

- The legislation contains several provisions supported by the industry and aimed at preventing a repeat of the financial crisis. These include:
  - An emphasis on adequate procedures for resolving the failure of any bank, regardless of size, ending "too big to fail."
  - Creating a systemic risk oversight council to identify risks so that they can be addressed early.
- The bill also contains many unrelated provisions that make it harder for banks to serve their customers and communities.
- While bankers support many Dodd-Frank reforms, including federal supervision of the shadow banking industry, layers upon layers of ill-fitting regulations have been applied to the whole industry, making it more difficult for customers to buy a home, expand a small business or achieve other important financial goals, restraining the ability of banks to promote economic growth.
- The most unfortunate aspect of Dodd-Frank is that it increases regulation to the degree that banks' first attention is being drawn away from their customers and instead to the federal regulators. Bureaucratic preferences should not take precedence over serving customers.

Dodd-Frank has had an impact on banks of all sizes and has made it more difficult for them to meet their customers' needs.

- **Excessive rules and regulatory red tape.** Regulators have issued more than 24,400 Federal Register pages of proposed or final rules and implementing procedures affecting banks with many more still to come – for a grand total approaching 400 rules. Bank customers and the banks that serve them, as well as the economy overall, have felt the consequences. ABA has created the Dodd-Frank Tracker (http://regreformtracker.aba.com/) to provide current information on the progress of Dodd-Frank Act implementation.
- **Dodd-Frank has been a case study in the law of unintended consequences.** The Volcker Rule is a primary example; instead of only applying to address systemic risk, it was written to apply to everyone – including community banks that pose no systemic risk. Five different regulatory agencies are involved in the Volcker Rule, creating further challenges and uncertainty.
- **Dodd-Frank has had an impact on lending.** Regulations coming out of Washington have made it more difficult for people to qualify for a mortgage, which is holding back the housing recovery. Commonsense changes - including allowing loans banks keep in their portfolios to be considered Qualified Mortgage loans – would increase access to mortgage credit.
- **Community banks are disappearing.** Nearly 1,700 community banks have disappeared since the end of 2010. Today, it is not unusual to hear bankers—from strong, healthy banks—say they are ready to sell because

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the regulatory burden has become too much to manage. Each bank that disappears from the community makes that community poorer.

- **The bottom line - every law can be improved, and Dodd-Frank is no exception**. Sometimes there are drafting errors. Sometimes a good idea in theory turns out to be unworkable after a closer look in the light of day. As an industry, we must continue to work with members of Congress on both sides of the aisle to advance bipartisan proposals that would remove many of the statutory and regulatory barriers that constrain banks' ability to serve their customers, meet the needs of their local communities, and accelerate economic growth.

The industry remains concerned about how certain Dodd-Frank rules affect bank customers.

- The "Durbin Amendment," which put a cap on fees banks can charge retailers to process debit transactions, has made it harder for banks to provide free checking to their customers.

- The number and complexity of the new rules make it difficult for banks to make business plans for the future, particularly in reaching out to new customers. As a result, many banks are forced to tread water, which is detrimental to the broader economy.

- Regulations coming out of Washington have made it more difficult for people to qualify for a mortgage. Complex, qualified mortgage rules continue to put bankers in a box, limiting credit availability in a manner that has held back the housing recovery and harmed consumers.