The Heritage Foundation
LEADERSHIP FOR AMERICA

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DODD–FRANK

Still Wrong for America

A Regulatory Mess

- **Hijacking the Financial Sector:** The Dodd–Frank statute represents a regulatory hijacking of the financial sector, spanning 2,300 pages delineating at least 400 separate rulemakings by 11 federal agencies.
- **Doesn't Fix the Problem:** Most of the provisions of the act have little or no connection to the financial crisis that provided the excuse for their creation.
- **More Bailouts, Not Less:** Dodd–Frank does not end bailouts to big banks. Under the act, the Federal Deposit Insurance Corporation is permitted to purchase the assets of a failing firm, guarantee the obligations of a failing firm, take a security interest in the assets of a failing firm, and borrow on the failed firm's total consolidated assets. (For Bank of America, that's $2 trillion in bailout authority to be paid by taxpayers.)

Crippling Costs

- **Vast New Fees:** Dodd–Frank will extract at least $27 billion in new fees and assessments on financial firms, according to the Congressional Budget Office. It will require more than 2.2 million annual labor hours to comply with the first 10% of rules issued (or, 56,516 work weeks).
- **Increased Consumer Costs:** Dodd–Frank has increased the cost to consumers for financial services: The number of large banks that offer free checking has declined from 96% in 2009 to 34.6% in 2011.
- **Higher Costs for Homeowners:** Mortgages and other home loans will likely be costlier, especially for moderate-income borrowers, because regulators are proposing unduly narrow criteria for a "qualified" mortgage—i.e., the portion of a mortgage loan that a lender can securitize.
- **Higher Bank Fees:** The so-called Volcker Rule would effectively bar banks from investing their own funds. Lower earnings will undoubtedly increase service fees paid by consumers. Dodd–Frank also empowers the Federal Reserve to lower the fees that financial institutions may charge retailers for processing debit card purchases. The reductions in revenue have prompted higher fees on other banking services.
- **Less Innovation:** Some of the rules required by Dodd–Frank will reduce liquidity in the market and thus inhibit innovation by limiting the amount of private capital available for investment.
- **Downgrades:** Moody's Investors Service recently cut the ratings of 15 of the world's biggest banks, in part because of looming regulatory burdens. Community bankers are restraining growth to remain below the asset threshold at which more stringent Dodd–Frank rules kick in.

Unparalleled Power

- **No Accountability:** The Consumer Financial Protection Bureau has been granted unparalleled powers without accountability. Because its funding is set in statute as a proportion of the Federal Reserve budget, the bureau is not subject to congressional control. Moreover, its status within the Fed effectively precludes presidential oversight.
- **Vague Authority:** The legislation was written in vague terms, thus allowing Congress to delegate its legislative authority to regulatory agencies. More than half of the regulatory provisions in Dodd–Frank appear to be discretionary in nature, stating that agencies "may" issue rules or shall issue rules as they "determine are necessary and appropriate."
- **New and Unnecessary Bureaucracy:** The act will swell the ranks of regulators by 2,849 new positions, according to the Government Accountability Office. (The average salary at the Securities Exchange Commission is $147,595.)