Insight

Dodd-Frank Reform is Close to the Finish Line

MEGHAN MILLOY | MAY 21, 2018

This week, the House is expected to pass the Economic Growth, Regulatory Relief and Recovery Act (the banking bill) with rare bipartisan support. This vote comes not long after the bill's passage in the Senate several weeks ago. This bill is a much-anticipated step forward in reforming the most onerous regulations of The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), which have proven detrimental to our country's banking system and long-term economic growth.

In the eight years since Dodd-Frank passed, the law imposed $38.9 billion in regulatory costs and nearly 83 million paperwork-burden hours. What's worse is that under the current regulatory framework, these costs show no sign of slowing down. Just last year, newly finalized regulations added more than $2 billion in regulatory costs and 8 million paperwork burden hours.

The resulting costs have hit all sectors of the financial system, with a disproportionate and unforeseen effect on Main Street institutions like community and regional banks and credit unions. These consequences have caused the institutions closest to consumers and small-business owners to redirect critical resources toward regulatory compliance. As a result, business owners and consumers have been left inadequately served and the economy has suffered.

One study shows that since Dodd-Frank took effect in 2010, loans up to $100,000 have fallen by 13.3 percent, loans between $100,000 and $250,000 have fallen 18.4 percent, and loans between $250,000 and $1 million have fallen 13.7 percent. This lending decline, including decreased commercial lending, has had negative effects on jobs, incomes, and economic growth at both the national and state levels. For example, Virginia missed out on roughly $17.9 billion in GDP, 126,900 jobs, and $8.4 billion in wages each year since Dodd-Frank took effect.

The banking bill is the first step in restoring America's financial institutions' capacity to accommodate current commercial and consumer demands. It will provide a regulatory framework that allows financial institutions to provide more easily the lines and types of credit that Main Street institutions need to thrive and spur economic growth. Although this bill is just the first of many steps for reforming Dodd-Frank, it is perhaps the most important as it lays the framework for future regulatory relief.

The bill is a rare act of bipartisanship in today's political climate; it has nearly equal Republican and Democratic Senate cosponsors and an overall vote in the Senate of 67-31. If passed by the House, the banking bill will be a beacon for future bipartisan policymaking as well as restore America's economic growth and enhance the small-business lending that keeps the American economy strong.