



Insight

The Consequences of the Dodd-Frank Act on Main Street

MARISOL GARIBAY | MAY 29, 2015

A law that was drafted to rein in Wall Street is now hurting Main Street. The Dodd-Frank Act [imposed 398 new regulations](#) that have thus far added more than \$21.8 billion in costs and 60.7 million paperwork burden hours.

While intended to address systemic flaws made apparent during the financial crisis, the Dodd-Frank Act, as passed, was nothing more than a hodgepodge of unrelated efforts that is now having far-reaching unintended consequences. Take for example a regulation for appraisal services that requires “reasonable” compensation. [The Hill reported today](#) that Habitat for Humanity is seeking an exemption from this Dodd-Frank rule. Habitat for Humanity relies on housing appraisers that volunteer their services, and this regulation could force them to “reasonably” compensate those appraisers or risk violating the law. The CFPB has thus far been unwilling to clarify if that “reasonable” compensation standard applies to organizations like Habitat for Humanity, creating a “regulatory headache” for the nonprofit, according to the Hill.

This is not the first time that Habitat for Humanity has raised concerns about how Dodd-Frank regulations impact their work and the people they try to help. The nonprofit [testified before Congress](#) on how Dodd-Frank’s qualified mortgage rule prevents them and other nonprofits from helping low-income families and individuals buy a home.

Another way that Dodd-Frank hurts Main Street is by slowing economic growth. Recent research from the American Action Forum found that the law will reduce economic growth [by \\$895 billion over 2016-2026, or \\$3,346 per working-age person](#).

In the end, fixing these unintended consequences should be a priority. Last week, the Senate Banking Committee approved a bill that addresses Habitat for Humanity’s concerns about the appraisal regulation and makes other technical changes. Improving the law has also been the focus of the House Financial Services Committee. While supporters of the law claim that the fundamentals of the Act is under assault, AAF’s President Douglas Holtz-Eakin has stated that it is [“unrealistic to equate any small attempt to improve it as a wholesale assault on the desirable goal of avoiding a future financial crisis.”](#)