

United States House of Representatives  
Committee on Financial Services  
Washington, D.C. 20515

October 14, 2011

The Honorable Jeb Hensarling, Co-Chair  
Joint Select Committee on Deficit Reduction  
129 Cannon House Office Building  
Washington, DC 20515

The Honorable Patty Murray, Co-Chair  
Joint Select Committee on Deficit Reduction  
448 Russell Senate Office Building  
Washington, DC 20510

Re: Recommendations to the Joint Select Committee to Reduce the Deficit

Dear Chairmen Hensarling and Murray:

Section 401(b)(3) of the Budget Control Act of 2011 (Pub. L. 112-25) provides that "each committee of the House of Representatives and the Senate may transmit to the joint committee its recommendations" to reduce the deficit. Pursuant to that directive, the undersigned Republican Members of the Committee on Financial Services are pleased to submit the following recommendations on matters that are within the jurisdiction of our Committee.

These recommendations fall into two categories. The first category comprises recommendations that would reduce the federal deficit by reducing taxpayer-provided subsidies, improving the efficiency of government operations, or cutting wasteful or unnecessary government programs. The second category comprises recommendations that would foster economic growth, thereby increasing incomes and federal revenues. Cutting the size of government by eliminating unnecessary programs will ensure that revenues are used efficiently, reduce the burden on taxpayers, and help place government on a sounder fiscal footing. But as important a priority as cutting government expenditures is laying a solid foundation for job creation and economic growth. For that reason, the Joint Select Committee should consider carefully proposals to facilitate capital formation and reduce excessive regulatory burdens, which will help smaller and medium-sized businesses make the investments necessary to create jobs and grow the economy.

### **Recommendations to Reduce Expenditures**

The following are specific suggestions that are within the jurisdiction of the Financial Services Committee for changes in federal programs that, if adopted, would help the Joint Select Committee meet its goal of reducing the federal deficit by at least \$1.5 trillion over the next ten years.

#### *Increasing the Guarantee Fees Charged by the Government Sponsored Enterprises*

The Government Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac, which are currently operating under federal conservatorships that have already cost American taxpayers more than \$150 billion, charge mortgage lenders that sell mortgages to the GSEs a fee to guarantee repayment of those loans. These fees are referred to as "guarantee fees" or "G-fees," and are effectively a premium that the GSEs charge lenders to insure against the risk that borrowers will fail to repay their loans. Unfortunately, the G-fees that the GSEs charge do not reflect the underlying risk of default that the GSEs have assumed. Because of their government backing, Fannie Mae and Freddie Mac charge *less* than private banks or other financial

institutions for assuming the credit risk on the loans that they purchase. As a result, the GSEs—and thus the taxpayer—bear a greater share of the losses when those loans default or become delinquent. At the same time, by not charging a market-based fee, the GSEs undercut and “crowd out” private market competition and capital. Raising G-Fees will help the private market compete on a level playing field, reduce Fannie Mae’s and Freddie Mac’s market share over time, and limit taxpayer exposure from the GSE conservatorships.

The Obama Administration has proposed a “modest” increase in the G-fees that the GSEs charge. The Administration has recommended that the G-fees be increased by 10 basis points (one-tenth of 1 percent), and it has estimated that the monthly cost to borrowers of a typical \$220,000 new mortgage would increase by less than \$15, while costs to the federal government would decline by \$28 billion over 10 years. But even if this increase were adopted, G-fees would still remain significantly lower than fees typically charged by private-label securitizers of residential mortgages.

To reduce the federal deficit, the Joint Select Committee should consider raising the G-fees charged by the GSEs to a level that better reflects the actuarial risk that the GSEs—and the federal government—are assuming when they guarantee mortgage loans. Earlier this year, the Financial Services Committee’s Subcommittee on Capital Markets and Government Sponsored Enterprises approved legislation which did exactly that. H.R. 1222, introduced by Rep. Randy Neugebauer, mandated that the GSEs’ conservator, the Federal Housing Finance Agency (FHFA), gradually impose higher guarantee fees at Fannie Mae and Freddie Mac over the next two years. The Neugebauer bill gives the FHFA discretion to consider conditions in financial markets when increasing G-fees. Its two-year deadline to impose fair market G-fees will raise revenues, reduce the government’s role in the secondary mortgage market, and protect taxpayers from further bailout expenses far sooner than the Administration’s plan which reduces (but largely preserves) Fannie Mae’s and Freddie Mac’s taxpayer-funded advantages.

#### *Reforming the National Flood Insurance Program*

The National Flood Insurance Program (NFIP) loses money each year. The premiums collected by the NFIP cover only about 70 percent of the program’s liabilities, and it has an outstanding debt of roughly \$18 billion. Reforming the NFIP so that it collects premiums sufficient to cover its liabilities would reduce the federal deficit.

The Obama Administration has called for reforms to the NFIP that it claims would generate approximately \$4.2 billion of additional revenue over ten years. The specific reforms advanced by the Administration are similar to those in the House-passed NFIP reauthorization bill (H.R. 1309), and include eliminating premium subsidies for certain properties and requiring premiums to better reflect actuarial risks. However, the Administration has proposed that these additional revenues “be deposited in either the National Flood Insurance Fund or into the *General Fund*” as an offset for new spending (emphasis added).

While we welcome the Obama Administration’s support for the House-passed reforms to the NFIP, we are opposed to diverting the savings generated by those reforms to new spending instead of to paying down the NFIP’s debt to the U.S. taxpayer. Thus, we urge the Joint Select Committee to ensure that revenues that result from reforms to the NFIP remain in the NFIP, rather than being used to pay for new programs.

*Federal Housing Programs*

The Federal housing programs administered by the Department of Housing and Urban Development (HUD) have historically been characterized by a high degree of inefficiency and duplication, and government watchdog organizations like HUD's Office of Inspector General and the Government Accountability Office (GAO) have issued multiple reports over the years exposing waste, fraud, and abuse at the agency. Yet HUD's annual budget has increased steadily in recent years, rising from \$31.92 billion in fiscal year 2005 to \$46.998 billion in fiscal year 2010. The Joint Select Committee should therefore scrutinize the HUD budget closely for potential savings, including in the following areas:

HOPE VI/Choice Neighborhoods Program

The Hope VI Program was established to convert public housing developments that were distressed or dangerous into mixed-use, more viable housing. Both the Bush and the Obama Administrations have recommended eliminating HOPE VI funding in their budget proposals. The program has been described in one presidential budget request as "*excessively costly when compared to other programs proposed for funding that produce new affordable housing*" and "*more costly than other programs and slow to complete redevelopments.*" The Obama Administration proposed replacing the HOPE VI program with a new Choice Neighborhoods Initiative. The Joint Select Committee should consider eliminating this program.

Community Development Block Grant Program (CDBG)

The Community Development Block Grant program provides federal funds to cities and localities to help them address housing and community development. The combination of generous funding and lax oversight has led to wasteful spending, often on frivolous pork barrel projects. Although one of the three national program objectives for CDBG is that projects principally benefit low- and moderate-income persons, critics have noted that CDBG funds often end up being used for parks, pools, street signs, and community centers, diverting dollars from those communities with the greatest need. Rather than building communities, the CDBG program has operated as a revenue sharing program for the states and localities. The Joint Select Committee should consider significantly reducing the size of this program.

Brownfields Economic Development Initiative (BEDI)

The Brownfields Economic Development Initiative offers grants to localities to redevelop abandoned, idled, or underused industrial and commercial facilities whose redevelopment is or may be hampered by environmental contamination. The BEDI, however, is duplicative of programs administered by the Environmental Protection Agency. Because the BEDI duplicates other federal programs, the Joint Select Committee should consider eliminating it.

Rural Housing and Economic Development (RHED) Program

The Rural Housing and Economic Development program provides grants to non-profits for capacity building for rural housing and economic development. The RHED program is duplicative of rural development funding programs administered by the Department of Agriculture, and it was zeroed out by the Bush and Obama Administrations in their budgets. The Joint Select Committee should consider eliminating it.

### Neighborhood Stabilization Program (NSP)/Project Rebuild

The Neighborhood Stabilization Program allocates federal funds to state and local governments with high concentrations of foreclosed homes and mortgage delinquencies to purchase and rehabilitate vacant and distressed properties. Two rounds of NSP funding have already been provided to states and localities, and the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. 111-203) provided for a third round of NSP grants. The Neighborhood Stabilization Program represents a costly bailout for the lenders, servicers and real estate speculators who made risky bets on the housing market and are now able to offload their foreclosed properties onto the taxpayers. Such an approach subsidizes bad investments and contributes to moral hazard by signaling to future market participants that their downside risks will be assumed by the taxpayers if their investments sour. The Joint Select Committee should consider eliminating this program. H.R. 861, which would terminate the NSP, passed the House in March 2011 by a vote of 242 to 182.

In his September 8, 2011, speech to a joint session of Congress, President Obama proposed a \$15 billion expansion of the Neighborhood Stabilization Program called "Project Rebuild," to fund the purchase, rehabilitation and/or redevelopment of foreclosed, abandoned, demolished or vacant properties. Unlike NSP, Project Rebuild will also include commercial properties, subject to a 30 percent cap of total funding. The program would be targeted to employ or house low, moderate, or middle income individuals or families. Much like the Neighborhood Stabilization Program on which it is modeled, Project Rebuild would do little to resolve the root causes of the increase in foreclosures—an excess of housing supply and the depreciation of overinflated home prices. In fact, Project Rebuild would extend and further exacerbate the current housing downturn and do more harm than good.

### FHA Refinance Program

The FHA Refinance Program provides refinancing alternatives to homeowners who are underwater on their mortgages, but it has proven to be ineffective. On March 26, the Administration announced a new FHA Refinance Program that would be funded with \$8 billion in TARP funds that had originally been set aside for the Home Affordable Modification Program (HAMP). Rather than funding another foreclosure mitigation program that has proven ineffective, the Joint Select Committee should consider eliminating this program and using the \$8 billion in savings to reduce the deficit. Legislation to achieve this objective (H.R. 830) passed the House in March 2011 by a vote of 256 to 171.

### Home Affordable Modification Program

On February 18, 2009, President Obama announced the Home Affordable Modification Program with the stated goal of helping 3 to 4 million at-risk homeowners through mortgage modifications. HAMP's foreclosure mitigation program, however, has not helped enough distressed homeowners to justify the program's cost. By every objective measure HAMP has failed. Far from helping at-risk homeowners, HAMP has actually made many homeowners worse off. As the Special Inspector General for the Troubled Asset Relief Program (SIGTARP) reported in testimony to our Committee, HAMP "benefits only a small portion of distressed homeowners, offers others little more than false hope, and in certain cases causes more harm than good." The Congressional Oversight Panel reported that the high re-default rates "signal the worst form of failure of the HAMP program: billions of taxpayer dollars will have been spent to delay, rather than prevent, foreclosures." The Joint Select Committee should therefore

consider rescinding unspent and unobligated amounts committed to HAMP. Legislation to achieve this purpose (H.R. 839) passed the House in March 2011 by a vote of 252 to 170.

#### Sustainable Communities Program

In the 2010 Consolidated Appropriations Act (Public Law 111-117), Congress appropriated \$150 million to HUD for a Sustainable Communities program to improve regional planning efforts that integrate housing and transportation decisions, and increase state, regional, and local capacity to incorporate livability, sustainability, and social equity values into land use plans and zoning. These proposals represent examples of costly new government programs that we cannot afford, and that replicate Great Society planning programs, such as the Model Cities Program, created in the 1960s that were mostly ineffective. The Sustainable Communities program has yet to be authorized, and the Joint Select Committee should consider eliminating this program.

#### Public Housing Capital Fund

The Public Housing Capital Fund makes capital available to public housing authorities for capital and management activities, including development, financing, and modernization of public housing projects. The spend-out rate for the Fund, however, is slow and inefficient, and billions of dollars committed to the Fund remain unexpended. HUD only recently awarded \$4 billion in public housing capital funds included in the 2009 Economic Stimulus. The Joint Select Committee should therefore consider rescinding unobligated capital fund balances after 36 months.

#### Public Housing Operating Fund

HUD provides operating subsidies to public housing authorities to help them meet operating and management expenses. The Public Housing Operating Fund has significant unexpended balances and lacks acceptable performance goals or data to determine whether funds are meeting the program's objectives. The Joint Select Committee should consider rescinding unobligated capital fund balances after 36 months.

#### NeighborWorks America

NeighborWorks is a government-chartered, nonprofit corporation with a national network of affiliated organizations that engage in community reinvestment activities, such as generating investment and providing training and technical assistance related to affordable housing. Many of the tasks that NeighborWorks currently performs, however, are duplicative of existing HUD programs. These duplicative programs should be consolidated, which would eliminate the need for an annual appropriation for NeighborWorks. The Joint Select Committee should therefore consider eliminating funding for NeighborWorks.

#### Legal Assistance Programs

The Dodd-Frank Act authorized \$35 million for grants to organizations that offer legal assistance to low- and moderate-income homeowners and tenants for home ownership preservation, foreclosure prevention, and tenancy-related home foreclosures. This statutory authorization is vague both in terms of whom it covers and the services it encompasses. The funding in question is also duplicative of other federal legal assistance programs, and the

inherent vagueness potentially opens up the eligibility of the program to virtually any low- and moderate-income person. Therefore, the Joint Select Committee should consider eliminating unexpended and unobligated amounts.

#### *Changing the Metal Content of One-Cent and Five-Cent Coins*

The Joint Select Committee should consider changing the metal content of circulating one-cent and five-cent coins to reduce production costs to no greater than face value of the coin. Changing the metal content of one-cent coins could produce savings of \$274 million over ten years. Changing the metal content of five-cent coins could produce savings of \$159 million over ten years.

#### **Recommendations to Foster Economic Growth**

In addition to considering proposals that would reduce federal expenditures, the Joint Select Committee should also consider proposals that would foster the formation of capital or relieve some of the regulatory burdens that are impeding the formation of capital, the extension of credit, and the creation of jobs.

#### *Facilitating the Ability of Small Companies to Raise Capital*

H.R. 1070, introduced by Rep. David Schweikert, would increase the offering threshold from \$5 million to \$50 million for public offerings of smaller companies that are exempt from registration under the Securities Act of 1933 (the "Securities Act") pursuant to Regulation A. Currently, Regulation A exempts public offerings of up to \$5 million from registration with the Securities and Exchange Commission (SEC). Companies that issue securities under Regulation A must provide the SEC with an offering statement, which includes a notification, an offering circular, and exhibits. However, these companies need not submit audited financial statements and they are not subject to periodic reporting obligations. Smaller companies that are considering raising capital could benefit from Regulation A because raising capital under a Regulation A exemption is less costly and time-consuming than raising capital through a conventional "initial public offering" subject to more onerous registration and reporting requirements. The \$5 million offering threshold, however, severely limits the number of small companies that might benefit from a less burdensome process for raising capital.

Regulation A was enacted during the Great Depression to help the economy by improving small businesses' access to equity capital. And while the initial offering threshold of \$100,000 has been increased over the years to the current \$5 million set by the Commission in 1992, it has not been increased to reflect the rising costs associated with bringing a small company public over the last two decades. H.R. 1070 raises the \$5 million threshold to \$50 million, and it was ordered favorably reported to the House by voice vote on June 22, 2011. The Obama Administration endorsed the proposal last month. The Joint Select Committee should consider H.R. 1070 as one way to reduce the deficit by enhancing economic growth.

#### *Exempting Advisers to Private Equity Funds from Registering with the SEC*

Title IV of the Dodd-Frank Act requires most advisers to private investment funds—including advisers to private equity funds—to register with the SEC. Private equity funds, however, neither caused nor contributed to the financial crisis, and requiring advisers to these funds to register with the SEC—at an estimated cost of \$500,000 per fund—needlessly diverts

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capital, time, and effort from investment activities that could be creating jobs. H.R. 1082, introduced by Rep. Robert Hurt, exempts advisers to certain private equity funds from the new registration requirements imposed by the Dodd-Frank Act. H.R. 1082 was ordered favorably reported to the House by voice vote on June 22, 2011. The Joint Select Committee should consider H.R. 1082 as one way to reduce the deficit by enhancing economic growth.

#### *Allowing Small Companies to Remain Private for Longer Periods*

Section 12(g) of the Securities Exchange Act of 1934 (the Exchange Act) requires issuers to register equity securities with the SEC if those securities are held by 500 or more record holders and the company has total assets of more than \$10 million. Section 12(g) was enacted to improve investor protection by extending to the larger companies in the over-the-counter market the same requirements that apply to companies listed on an exchange. But 12(g)'s shareholder threshold—which has not been adjusted since its adoption in 1964—has become an impediment to capital formation for small startup companies. These companies often remain private to maintain greater flexibility and control, and to avoid the increased costs associated with becoming a public company. To attract employees and conserve capital for research and development, startup companies often award their employees stock options in lieu of higher salaries. Because private companies are taking longer to go public than they have in the past, employees' stock options are increasingly vesting before the companies go public. Small private companies may thus find themselves subject to the same requirements as a listed company.

The 12(g) shareholder threshold has thus had two unintended consequences: first, it creates a disincentive for private companies to hire new employees or acquire other businesses; second, it discourages companies from providing equity-based compensation, which removes an economic incentive that may attract talented employees to small start-up companies. To address these problems, H.R. 2167, introduced by Rep. Schweikert, would raise the threshold for mandatory registration under the Exchange Act from 500 shareholders to 1,000 shareholders for all companies. To allow small companies to remain private for longer periods of time, which will permit them to thrive and attract talented employees, the Joint Select Committee should consider H.R. 2167 as one way to reduce the deficit by enhancing economic growth.

#### *Facilitating Small Banks' Access to Capital*

As a result of the increasing costs of public company registration, many community banks have determined that deregistration is in the best interests of their shareholders. In order to deregister, community banks must have fewer than 300 shareholders. As a result, community banks must often buy back shares to deregister, which reduces the access of small banks to capital and deprives small communities of an opportunity to invest in local companies. To address the obstacles that small banks face in maintaining access to capital, H.R. 1965, introduced by Rep. James Himes, would amend Section 12(g) of the Exchange Act by raising the threshold that triggers registration from 500 to 2,000 record holders for banks or bank holding companies. The bill would also raise the threshold for deregistration under Sections 12(g) and 15(d) of the Exchange Act for a bank or a bank holding company from 300 to 1,200 shareholders. To help ensure that small banks can retain access to capital and avoid the costs of registration, the Joint Select Committee should consider H.R. 1965 as one way to reduce the deficit by enhancing economic growth.

*Exempting More Small Companies from the Burdensome Compliance Requirements of the Sarbanes-Oxley Act*

Section 404(b) of the Sarbanes-Oxley Act requires the auditor of a publicly-held company to attest to and report on management's assessment of its internal controls. Recognizing the extremely high costs of compliance with 404(b), from 2002 until 2008, the SEC provided a series of one-year exemptions to "smaller reporting companies" – also known as "non-accelerated filers" – from complying with Section 404(b). The SEC announced in 2008 that these small companies would have to begin including the auditor attestation in their annual reports beginning in 2009. Congress intervened, however, by including in the Dodd-Frank Act a provision making the exemption permanent. A "public" company qualifies as a "smaller reporting company" if its market capitalization is less than \$75 million, or—if its market capitalization cannot be determined—it has less than \$50 million in annual revenue. Because \$75 million is a very small market capitalization, the exemption has no practical value: virtually no company considering going public would benefit from "small reporting company" status because it would only go public if it expected to exceed \$75 million market capitalization in the near-term.

Draft legislation of the "Small Company Job Growth and Regulatory Relief Act of 2011" offered by Representative Stephen Fincher and recently approved by the Committee's Subcommittee on Capital Markets and Government Sponsored Enterprises expands the exemption from Section 404(b) by increasing the threshold for a full 404(b) exemption from \$75 million to \$350 million. Exempting more small companies from the costly burden of complying with the Sarbanes-Oxley Act would permit them to devote more effort and funds to creating jobs. The Joint Select Committee should consider Representative Fincher's draft legislation as one way to reduce the deficit by enhancing economic growth.

Representative Fincher's draft legislation is broadly consistent with recommendations by the President's Council on Jobs and Competitiveness announced on October 11<sup>th</sup>. The Council recommended that Congress "amend the Sarbanes-Oxley Act to allow shareholders of public companies with market valuations below \$1 billion to opt out of at least Section 404 compliance, if not to all of the requirements, of Sarbanes-Oxley; or, alternatively, exempt new companies from Sarbanes-Oxley compliance for five years after they go public."

*Allowing Companies Greater Opportunities to Raise Capital From Individual Investors*

The Securities Act of 1933 requires that an offer to sell securities must either be registered with the SEC—which is costly and burdensome—or meet an exemption. Regulation D Rule 506 is an exemption that allows companies to raise capital as long as they do not market their securities through general solicitations or advertising, which has been interpreted to mean that potential investors must have an existing relationship with the company before they can be notified that unregistered securities can be purchased. But requiring potential investors to have an existing relationship with the company significantly limits the pool of potential investors and severely hampers the ability of small companies to raise capital.

H.R. 2940, introduced by Rep. Kevin McCarthy, makes the exemption under Regulation D Rule 506 available even if securities are marketed through a general solicitation or advertising, so long as the ultimate purchasers are "accredited investors." If only "accredited investors" are allowed to purchase the securities, the ban on solicitation is unnecessary because those investors do not require the same safeguards as less sophisticated investors. To qualify as



an accredited investor, an individual must have a net worth exceeding \$1 million, excluding his or her primary residence, or an annual income exceeding \$200,000 in each of the two most recent years. Expanding the Regulation D exemption would thus make it easier for small companies to raise capital without compromising investor protection. The Joint Select Committee should consider H.R. 2940 as one way to reduce the deficit by enhancing economic growth.

#### *Facilitating Capital Formation Through "Crowdfunding"*

"Crowdfunding" is an increasingly popular method of capital formation in which groups of people pool money, typically through small contributions, to support an effort by others to accomplish a specific goal. Current SEC regulations impede this innovative and lower-risk form of financing by prohibiting general solicitation and advertisements for non-registered offerings and capping the number of shareholders for non-registered companies at 500. Various state laws also raise barriers to crowdfunding. To enable crowdfunding to develop as a means of capital formation, H.R. 2930, introduced by Rep. Patrick McHenry, creates an exemption from SEC registration for crowdfunding. The bill, which is similar but not identical to proposals advanced by the Obama Administration, would exempt offerings of up to \$5 million, so long as an individual's investment is no more than the lesser of \$10,000 or 10% of the investor's annual income. Because the risk of loss to investors is determined by the size of the individual's investment rather than the size of the offering, the benefits of increasing the offering ceiling to \$5 million outweigh any negative effects on investor protection. The legislation also exempts crowdfunding from shareholder caps and preempts state laws. The Joint Select Committee should consider H.R. 2930 as one way to reduce the deficit by enhancing economic growth.

#### *Re-examining the Dodd-Frank Act*

The most significant impediment to economic growth that falls within the Financial Services Committee's jurisdiction is the Dodd-Frank Act. Signed into law in July 2010, the Dodd-Frank Act ostensibly was intended to respond to the financial crisis of 2008, a crisis brought on in large measure by ill-conceived government housing policies and accommodative monetary policies which fueled a speculative real estate bubble. Congressional proponents of the new law promised that it would "increase investment and entrepreneurship," "foster competitiveness, confidence in our financial sector, and robust growth in our economy," and "bring greater economic security to families and businesses across our country." Yet some 15 months after Dodd-Frank was enacted, many small businesses are starved for customers and credit; unemployment has soared to more than 9%; and for far too many American families, economic security seems further away than ever.

As Larry Summers, the former director of the President's National Economic Council, recently put it, "The central irony of a financial crisis is that while it is caused by too much confidence, borrowing and lending, and spending, it is only resolved by increases in confidence, borrowing and lending, and spending." Yet the Dodd-Frank Act, by attempting to address the causes of the *last* crisis, has done the exact opposite of what must be done to address *this* crisis: the Dodd-Frank Act has undermined confidence, choked off borrowing, impeded lending, and discouraged spending, thereby making unemployment—and thus the fiscal crisis—all the worse.

The Dodd-Frank Act is a sprawling piece of legislation, running to more than 2,300 pages and requiring federal regulators to embark on more than 400 rule-makings. Although it is not clear whether the Dodd-Frank Act will, eventually, make good on its promises to someday

“promote the financial stability of the United States” or “end ‘too big to fail,’” the Dodd-Frank Act is undeniably imposing burdens on taxpayers and the economy by swelling an already bloated federal bureaucracy and limiting access to credit for consumers and small businesses. Even the Chairman of the Federal Reserve, Ben Bernanke, when asked about the cumulative impact of higher capital requirements and new rules mandated by the Dodd-Frank Act on the availability of credit, job creation, business, and the economy acknowledged that regulators did not know what the effect would be. What is clear, however, is that faced with a tidal wave of new regulatory mandates, lenders are reluctant to expand their balance sheets, and job creators are deferring plans to purchase inventory, invest in capital assets and new technologies, or hire new employees.

The most significant costs of implementing the Dodd-Frank Act are direct costs to the private sector in the form of new fees and assessments, compliance costs associated with the more than 400 new rules to be promulgated under the Act, and the economic costs that will follow from increasing the cost of capital and decreasing the competitiveness of U.S. markets. In testimony submitted for a March 30, 2011, hearing of the Committee’s Oversight and Investigations Subcommittee, the Congressional Budget Office (CBO) estimated that \$27 billion in new fees and assessments will be levied as a result of the Dodd-Frank Act. This is dead-weight loss to the economy; that is, none of these funds will be used to create jobs. Examination of the first 102 Dodd-Frank rules proposed or promulgated shows that it will take 10.8 million man-hours annually to comply with the new information collection requirements under the Act; these are estimates from the agencies issuing the rules themselves. In addition to these private sector costs – which will inevitably be passed on to customers in the form of higher fees and other charges – U.S. taxpayers will bear a direct cost to fund the Dodd-Frank Act, estimated by GAO to approach \$1 billion by the end of FY 2012.

One of the areas in which Dodd-Frank’s effect on the U.S. economy threatens to be particularly harmful is in the regulation of derivatives. Despite oft-repeated promises that the rest of the world would follow the United States in reforming the regulation of derivatives, other nations have refused to follow. As a result, regulations proposed by the Securities and Exchange Commission and the Commodity Futures Trading Commission threaten to place U.S. market participants at a competitive disadvantage. In addition, the deadlines set by the Dodd-Frank Act have forced the agencies to prioritize speed over thoughtful deliberation, making it difficult for market participants to comment on proposed regulations and calling into question whether the benefits of the proposed rules outweigh their burdens on both market participants and the economy. The consequences of these rules for economic growth and job creation are enormous: overly burdensome derivatives rules will disrupt markets, further constrict credit and capital allocation, increase compliance costs for financial institutions, and make it impossible for non-financial companies to use derivatives to hedge operational and business risks. The precise economic costs are difficult to estimate at this time, but the Office of Comptroller of the Currency has estimated that margin requirements imposed under the Dodd-Frank Act on derivatives market participants may force U.S. banks to set aside \$2 trillion in collateral – \$2 trillion that cannot be used to make loans in support of job creation.

While the Federal Reserve labors to make credit available to stimulate the broader economy—in unconventional ways that may well stoke inflation and result in the devaluation of the dollar—the Dodd-Frank Act is making credit more costly and less available, which contracts the economy and costs jobs. And as the economist James Hamilton observed, new regulations that cause workers to lose their jobs or delay or derail new projects that would have added jobs to the economy are regulations that “are making a direct contribution to our cyclical problems,

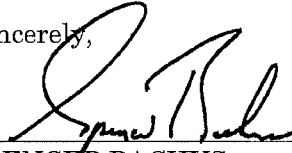
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and are significantly more costly than if the same regulations had been implemented when the economy was operating at full employment.” To mitigate the most deleterious effects of the Dodd-Frank Act on economic growth and job creation, House Republicans have introduced a series of bills to repeal or amend provisions of the Act, several of which have been ordered favorably reported by the Committee on Financial Services and passed by the House of Representatives. An inventory of the relevant legislation is attached. We urge the Joint Select Committee to review these legislative proposals as it develops its formal recommendations.

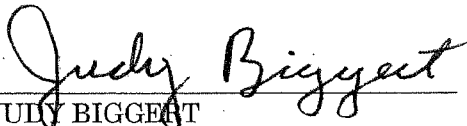
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We hope that these recommendations are helpful. If you have further questions, the staff of the Committee on Financial Services is prepared to assist you in whatever way would be helpful.

Sincerely,



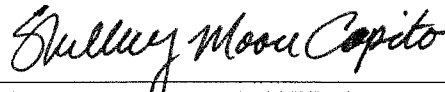
SPENCER BACHUS  
Chairman



JUDY BIGGERT  
Chairman  
Subcommittee on Insurance, Housing,  
and Community Opportunity



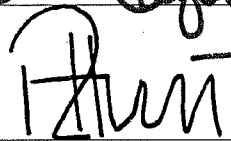
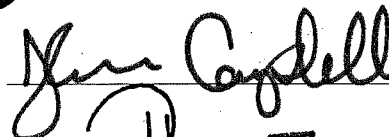
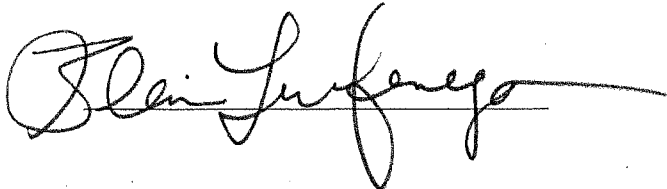
SCOTT GARRETT  
Chairman  
Subcommittee on Capital Markets and  
Government Sponsored Enterprises



SHELLEY MOORE CAPITO  
Chairman  
Subcommittee on Financial Institutions  
and Consumer Credit



RANDY NEUGEBAUER  
Chairman  
Subcommittee on Oversight and Investigations



Al Hayworth

AP Duffy

Bill Amodeo

Steve Hironaka

David Bonior

Bob Latta

Bob Schaffer

Hyatt Hoopes

Kevin Cramer

Ed Royce

**Committee on Financial Services**

**Dodd-Frank Legislation**

112th Congress, 1st Session (as of October 11, 2011)

<u>Bill No.</u>	<u>Formal Title</u>	<u>Introduced</u>	<u>Sponsor</u>	<u>Date</u>	<u>Committee/House Action</u>	<u>Summary</u>
H.R. 87	To repeal the Dodd-Frank Wall Street Reform and Consumer Protection Act.	1/5/2011	Mrs. Bachmann			To repeal the Dodd-Frank Wall Street Reform and Consumer Protection Act.
H.R. 836	Emergency Mortgage Relief Program Termination Act	2/28/2011	Mr. Hensarling	3/3/2011	Ordered favorably reported (amended) by 33-22	To rescind the unobligated funding for the Emergency Mortgage Relief Program and to terminate the program.
				3/7/2011	Report filed (H. Rept. 112-26)	
				3/11/2011	Passed in the House by 242-177	
H.R. 861	NSP Termination Act	3/1/2011	Mr. Gary G. Miller of California	3/9/2011	Ordered favorably reported (amended) by 31-24	To rescind the third round of funding for the Neighborhood Stabilization Program and to terminate the program.
				3/11/2011	Report filed (H. Rept. 112-32)	
				3/14/2011	Supplemental report filed (H. Rept. 112-32, Part II)	
				3/16/2011	Passed in the House by 242-182	
H.R. 1062	Burdensome Data Collection Relief Act	3/14/2011	Ms. Hayworth	5/4/2011	Ordered favorably reported by the Capital Markets and Government Sponsored Enterprises Protection Act to repeal certain additional disclosure requirements, and for other purposes.	To amend the Dodd-Frank Wall Street Reform and Consumer Protection Act to repeal certain additional disclosure requirements, and for other purposes.
				6/22/2011	Ordered favorably reported by the full Committee by 33-21	
				7/12/2011	Report filed (H. Rept. 112-142)	
H.R. 1081	Consumers Payment System Protection Act	3/15/2011	Mrs. Capito			To delay the implementation of proposed or final rules issued under the authority of the Dodd-Frank Wall Street Reform and Consumer Protection Act relating to the reasonable and proportional fees and rules for electronic debit transactions, and for other purposes.

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H.R. 1082	Small Business Capital Access and Job Preservation Act	3/15/2011	Mr. Hurt	5/4/2011	Ordered favorably reported by the Capital Markets and Government Sponsored Enterprises Subcommittee by 19-13	To amend the Investment Advisers Act of 1940 to provide a registration exemption for private equity fund advisers, and for other purposes.
				6/22/2011	Ordered favorably reported (amended) by the full Committee by voice vote.	
				7/12/2011	Report filed (H. Rept. 112-143)	
H.R. 1121	Responsible Consumer Financial Protection Regulations Act of 2011	3/16/2011	Mr. Bachus	5/4/2011	Ordered favorably reported by the Financial Institutions and Consumer Credit Subcommittee by 13-7	To replace the Director of the Bureau of Consumer Financial Protection with a five person Commission.
				5/12/2011	Ordered favorably reported (amended) by the Full Committee by 33-24	
				6/16/2011	Report Filed (H. Rept. 112-107)	
				7/21/2011	Included in the Rules Committee Print for H.R. 1315, passed in the House (amended) by 241-173	
H.R. 1315	Consumer Financial Protection Safety and Soundness Improvement Act of 2011	4/1/2011	Mr. Duffy	5/4/2011	Ordered favorably reported (amended) by the Financial Institutions and Consumer Credit Subcommittee by 13-9	To amend the Dodd-Frank Wall Street Reform and Consumer Credit Protection Act to strengthen the review authority of the Financial Stability Oversight Council of regulations issued by the Bureau of Consumer Financial Protection.
				5/12/2011	Ordered favorably reported by 33-24	
				5/25/2011	Report Filed (H. Rept. 112-89)	
				7/21/2011	Passed in the House (amended) by 241-173	
H.R. 1355	Bureau of Consumer Financial Protection Accountability and Transparency Act of 2011	4/4/2011	Mr. Neugebauer			To amend the Consumer Financial Protection Act of 2010 to move the Bureau of Consumer Financial Protection into the Department of the Treasury.

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H.R. 1539	Asset-Backed Market Stabilization Act of 2011	4/14/2011	Mr. Stivers	5/4/2011	Ordered favorably reported by the Capital Markets and Government Sponsored Enterprises Subcommittee by 18-14	To repeal section 939G of the Dodd-Frank Wall Street Reform and Consumer Protection Act and to restore Securities and Exchange Commission Rule 436(g) repealed by such section.
				7/20/2011	Ordered favorably reported by 31-19	
				8/12/2011	Report Filed (H. Rept. 112-196)	
H.R. 1573	To facilitate implementation of title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, promote regulatory coordination, and avoid market disruption.	4/15/2011	Mr. Lucas	5/24/2011	Ordered favorably reported (amended) by 30-24	To facilitate implementation of title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, promote regulatory coordination, and avoid market disruption.
				6/16/2011	Report filed (H. Rept. 112-109)	
H.R. 1610	Business Risk Mitigation and Price Stabilization Act of 2011	4/15/2011	Mr. Grimm	5/4/2011	Ordered favorably reported (amended) by the Capital Markets and Government Sponsored Enterprises Subcommittee by 19-13	To provide end user exemptions from certain provisions of the Commodity Exchange Act and the Securities Exchange Act of 1934, and for other purposes.
H.R. 1640	Bureau of Consumer Financial Protection Accountability Act	4/15/2011	Mr. Posey			To amend the Consumer Financial Protection Act of 2010 to bring the Bureau of Consumer Financial Protection into the regular appropriations process, and for other purposes.
H.R. 1667	Bureau of Consumer Financial Protection Transfer Clarification Act	5/2/2011	Mrs. Capito	5/4/2011	Ordered favorably reported by the Institutions and Consumer Credit Subcommittee by 13-8	To postpone the date for the transfer of functions to the Bureau of Consumer Financial Protection if the Bureau does not yet have a Director in place.
				5/12/2011	Ordered favorably reported by 32-26	
				5/27/2011	Report filed (H. Rept. 112-93)	
				7/21/2011	Included in the Rules Committee Print for H.R. 1315, passed in the House (amended) by 241-173	

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H.R. 1838	To repeal a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act prohibiting any Federal bailout of swap dealers or participants.	5/11/2011	Ms. Hayworth			To repeal a provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act prohibiting any Federal bailout of swap dealers or participants.
H.R. 2483	Whistleblower Improvement Act of 2011	7/11/2011	Mr. Grimm			To amend the Securities Exchange Act of 1934 and the Commodity Exchange Act to modify certain provisions relating to whistleblower incentives and protection.
H.R. 2586	Swap Execution Facility Clarification Act	7/19/2011	Mr. Garrett			To refine the definition of swap execution facility in the provisions regulating swap markets added by title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act.
H.R. 2612	To amend the Dodd-Frank Wall Street Reform and Consumer Protection Act to repeal the authority of the Bureau of Consumer Financial Protection to prohibit certain acts or practices.	7/21/2011	Mr. Mack			To amend the Dodd-Frank Wall Street Reform and Consumer Protection Act to repeal the authority of the Bureau of Consumer Financial Protection to prohibit certain acts or practices.
H.R. 2682	Business Risk Mitigation and Price Stabilization Act of 2011	7/28/2011	Mr. Grimm			To provide end user exemptions from certain provisions of the Commodity Exchange Act and the Securities Exchange Act of 1934, and for other purposes.
H.R. 2779	To exempt inter-affiliate swaps from certain regulatory requirements put in place by the Dodd-Frank Wall Street Reform and Consumer Protection Act.	8/1/2011	Mr. Stivers			To exempt inter-affiliate swaps from certain regulatory requirements put in place by the Dodd-Frank Wall Street Reform and Consumer Protection Act.



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H.R. 2827	To amend the Securities Exchange Act of 1934 to clarify provisions relating to the regulation of municipal advisors, and for other purposes.	8/26/2011	Mr. Dold			To amend the Securities Exchange Act of 1934 to clarify provisions relating to the regulation of municipal advisors, and for other purposes.
H.R. 3044	To amend the Dodd-Frank Wall Street Reform and Consumer Protection Act to repeal the Office of Financial Research.	9/23/2011	Mr. Canseco			To amend the Dodd-Frank Wall Street Reform and Consumer Protection Act to repeal the Office of Financial Research.
H.R. 3045	Retirement Income Protection Act of 2011	9/23/2011	Mr. Canseco			To amend the Employee Retirement Income Security Act of 1974, the Commodity Exchange Act, and the Securities Exchange Act of 1934 to ensure that pension plans can use swaps to hedge risks, and for other purposes.
H.R. 3128	To amend the Dodd-Frank Wall Street Reform and Consumer Financial Protection Act to adjust the date on which consolidated assets are determined for purposes of exempting certain instruments from capital deductions.	10/6/2011	Mr. Grimm			To amend the Dodd-Frank Wall Street Reform and Consumer Financial Protection Act to adjust the date on which consolidated assets are determined for purposes of exempting certain instruments from capital deductions.