Don’t be Fooled by Chairman Hensarling’s “Dodd-Frank Off Ramp”

Jeb Hensarling, Chairman of the House Financial Services Committee, says he wants to give big banks an “off ramp” from financial regulation if they comply with rules that he claims will better protect the public. In practice, what we have seen of his “off ramp” amounts to a free pass.

And that comes as no great surprise. Under his chairmanship, the House Financial Services Committee has done the bidding of Wall Street interests and predatory lenders, churning out a succession of industry-backed bills to weaken financial regulations and the agencies charged with writing and enforcing them. While he hasn’t released all the details yet, his new plan looks like more of the same – and in fact incorporates dozens of the same old proposals.

Hensarling has long been one of the biggest beneficiaries of Wall Street campaign cash, raising a total of $2.3 million during the last Congress. In the current one, he has already collected more than $1.2 million from finance, insurance, and real estate interests, including over half a million from commercial banks, investment banks, and securities companies.

The outline of Hensarling’s bill as leaked last week includes, among other things, a provision (originally voted on in the House as H.R. 766) that is a major “get out of jail free” card for banks, because it strips the Department of Justice of a key piece of the legal authority it has to take on bank fraud of any kind. Elizabeth Warren described this language as making it “even harder to lock up a white-collar criminal for even a single day.”

The Hensarling plan would also gut the Consumer Financial Protection Bureau by attacking its funding (H.R. 1486), replacing its single director with a bloated five-member commission (H.R. 1266), and impeding its ability to do its basic job as a regulator by preventing it from implementing any new consumer protections without an affirmative vote in Congress.

And that’s just for starters. Here are some of the other things the Hensarling plan would do:

- Eliminate new rules protecting retirement investors from being ripped off by brokers (H.R. 1090);
- Give big banks and predatory lenders more tools to block regulations that limit abuses (H.R. 2896);
- Prohibit any significant new financial regulation from taking effect unless both Houses of Congress approve within 70 days – an unprecedented requirement that would bring an end to politically independent Wall Street oversight by expert agencies, subjecting every rule to Congressional paralysis and overwhelming Wall Street lobbying;
- Repeal sections of the Dodd-Frank Act that require regulators to limit the risks created by “too big to fail” financial institutions and authorize them to take control of a bank that is going under;
- Undo the Volcker Rule, which prohibits banks from making proprietary bets with depositors’ money.

Against all this, Chairman Hensarling says he would subject banks to unspecified “high but simple capital requirements” and unspecified “enhanced penalties for financial fraud.” But while both of those ideas could be helpful if done right, we haven’t seen any details. And none of what we know is encouraging. The details we *have* seen, as noted above, roll back regulation in multiple ways, and in fact make it harder to enforce the law against fraud.

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