THE FOURTH ANNIVERSARY OF THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT OF 2010

Democratic Staff Report
July 21, 2014
House Committee on Financial Services
The Honorable Maxine Waters, Ranking Member

EXECUTIVE SUMMARY

Lax enforcement of regulations and a lack of accountability for the nation's financial institutions directly led to the worst financial crisis since the Great Depression. This crisis eliminated millions of jobs, led to millions of foreclosures, wiped out personal savings, and contributed to steady increases in the poverty rate.

The failures that led to this crisis required bold legislative action. It was critical that Congress restore responsibility and accountability in our financial system to give Americans confidence that there is a system in place that works for and protects them. Such a financial system is essential for creating a sound foundation to grow the economy and create jobs.

The Dodd-Frank Wall Street Reform and Consumer Protection Act was passed in 2010 in order to advance these goals: to protect consumers from the unfair and deceptive practices and products that led to the 2008 crisis; to give regulators the tools to ensure that no Wall Street firm grows too large, complex, or risky so as to threaten the global economy; to create transparency in previously opaque markets; to provide shareholders with more say over the governance of corporations; and to provide financial regulators with new tools to detect and prosecute fraud.

In the last four years, much has been accomplished, and Americans from across the political spectrum—Democrats, Republicans, and Independents—overwhelmingly support regulating the financial services industry and financial products to ensure that consumers and taxpayers are protected.

Regulators have made tremendous progress in implementing the Dodd-Frank Act. The Consumer Financial Protection Bureau has already returned $4.6 billion to 15 million consumers who have been subjected to unfair and deceptive practices. The Bureau has established a qualified mortgage rule, ensuring that borrowers who are extended mortgage credit actually have the ability to repay the loan, and has established new rules-of-the-road for mortgage servicers. Additionally, it has worked with the Department of Defense to develop financial protections for service members and veterans, and established a national database to aide consumers with complaints about debt collectors, credit card companies, and credit rating agencies, among others.

The Volcker Rule has forced banks to sell-off their standalone proprietary trading desks, and banks have shifted away from speculative trading to investments in the real economy. Shareholders of U.S. corporations now have the ability to have a "say-on-pay," voting to approve or disapprove executive compensation. And the Securities and Exchange Commission (SEC) has recovered more than $9.3 billion in civil fines and penalties since 2011, leveraging enhanced authorities provided by Dodd-Frank. The SEC has also established an Office of the Whistleblower to aid them in policing securities market violations, which has already received more than 6,573 tips from 68 countries. Further, private funds are making systemic risk reports to regulators, helping them to understand previously opaque risks.

To implement the Dodd-Frank Act, the CFTC has completed 65 final rules, orders, and guidance documents resulting in the registration and enhanced oversight of 102 Swap Dealers, two Major Swap Participants, 22 Swap Execution Facilities, and four Swap Data Repositories. In addition, the CFTC has established rules governing mandatory clearing, exchange trading, and reporting of the entire $400 trillion notional swaps market.

References to credit rating agencies have been removed from federal banking rules and the Office of Financial Research is analyzing data to help spot emerging risks in the financial system. And lastly, a new Federal Insurance Office has been established and wrote its first report on modernization of insurance regulation, while the Offices of Minority and Women Inclusion have been established at our financial regulatory agencies.

Since Dodd-Frank's passage, stability in the market has led to significant economic growth. Nearly 9.7 million private sector payroll jobs have been created since February 2010. There are now nearly 900,000 more workers employed in the private sector than before recession-related job losses began in early 2008. The unemployment rate has fallen by 3.9 percentage points since its peak of 10.0 percent in October 2009 and currently stands at 6.1 percent—its lowest level since September 2008. Real GDP has grown 10.2 percent since its trough in 2009, and now stands 5.5 percent higher than its pre-recession peak in late 2007.

Moreover, the housing market is recovering, with home prices rising, negative equity falling dramatically, and measures of mortgage distress improving. The S&P 500 has risen by 85 percent since July 21, 2010 and has recently reached new peaks.

However, this progress has been regularly stymied by a concerted effort by the Majority to underfund regulators' operations, relentlessly pressure them to weaken regulations, and otherwise erect roadblocks to implementation. As a result, the progress regulators have made to implement the law remains precarious.