SPENCER BACHUS, AL, CHAIRMAN

United States House of Representatives
Committee on Financial Services
Washington, DC 20515–6050

BARNEY FRANK, MA, RANKING MEMBER

September 8, 2011

VIA FACSIMILE

The Honorable Timothy F. Geithner
Secretary
United States Department of the Treasury
1500 Pennsylvania Ave N.W.
Washington, DC 20220

Dear Mr. Secretary:

As concerns mount about the effect that regulatory overkill is having on economic growth and employment, we are writing to request that you provide the Committee with a report on what the Financial Stability Oversight Council (FSOC) is doing to identify and eliminate unnecessary or duplicative regulatory burdens.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") (P.L. 111-203) represents the most sweeping overhaul of our nation's financial regulatory structure since the 1930s. Unfortunately, the Dodd-Frank Act did very little to rationalize the complex and fragmented U.S. financial regulatory structure, while at the same time creating two new bureaucracies in the Consumer Financial Protection Bureau (CFPB) and the Office of Financial Research. The result, as you acknowledged in a June 6, 2011, speech, is "a very complicated regulatory structure with multiple agencies, with closely related and sometimes overlapping missions and roles." Furthermore, more than 400 new regulations will be promulgated under Dodd-Frank over the next few years. To put the volume of Dodd-Frank rulemaking in context, according to the *Federal Register,* the first 102 rules promulgated pursuant to the Act will require U.S. firms to expend 10.8 million man-hours *per year* to comply. In contrast, it only took 7 million man-hours to build the Empire State Building.

America's small community banks and credit unions are over-burdened and need relief. The FSOC, which you chair, needs to conduct a thorough analysis of the current regulatory structure; eliminate outdated or duplicative regulations; and perform a rigorous cost-benefit analysis on every new regulation before they are finalized. Indeed, this is the kind of analysis that the FSOC is charged with performing under the Dodd-Frank Act (*see* section 112(a)(2)(D)-(E)). Such an exercise is also necessary to fulfill a pledge that you made in an August 2, 2010, speech, shortly after the passage of the Dodd-Frank Act, when you stated:

> *"[W]e will not simply layer new rules on top of old, outdated ones. Everyone that is part of the financial system – the regulated and regulators – knows that we have accumulated layers of rules that can be overwhelming, and these failures of regulation were in some ways as appalling as the failures produced where regulation was absent. So alongside our efforts to strengthen and improve protections for the economy, we will eliminate rules that did not work. Wherever possible, we will streamline and simplify."*

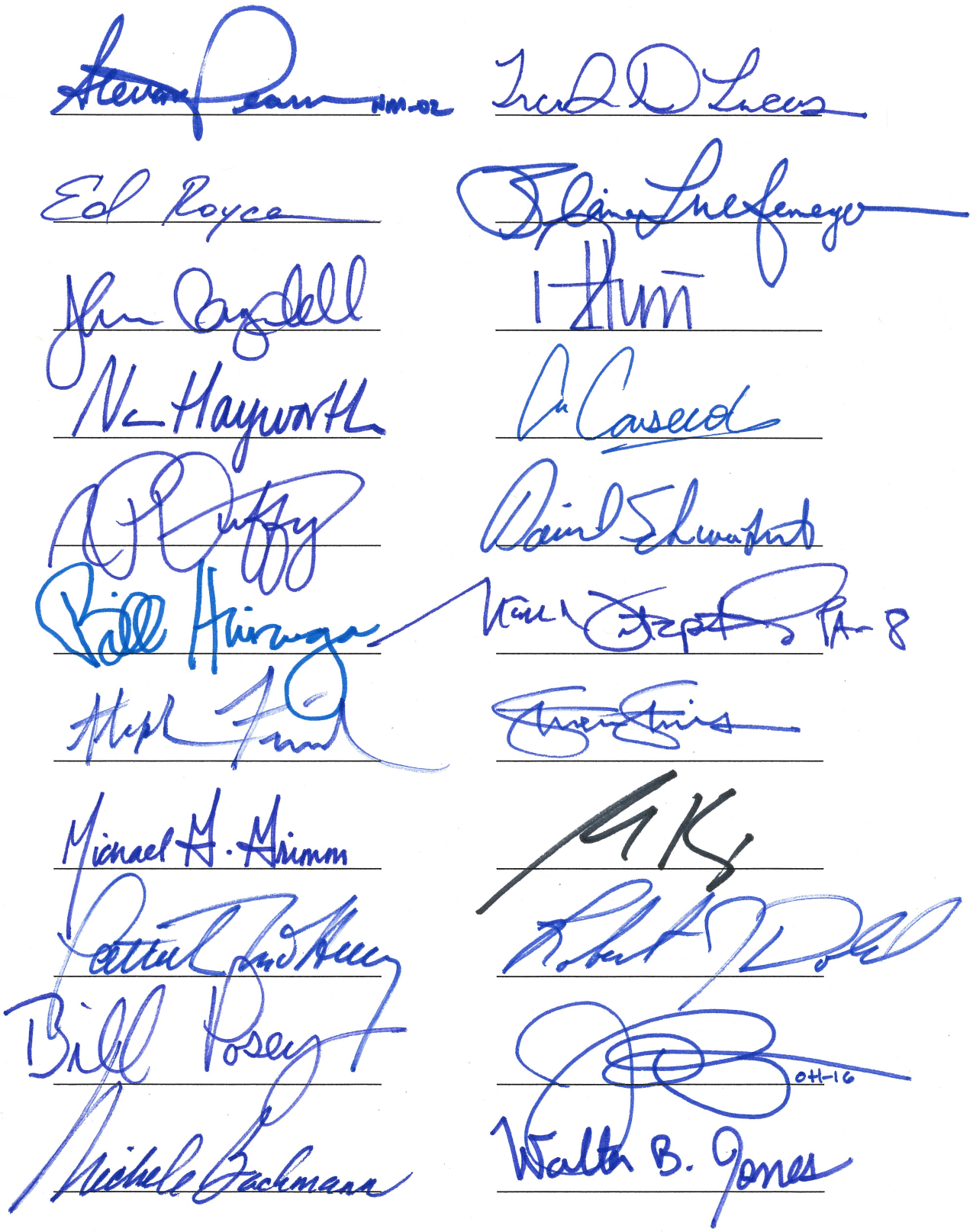
Additionally, former Treasury official Elizabeth Warren echoed this sentiment while testifying before the Subcommittee on Financial Institutions and Consumer Credit on March 16, 2011. In her written testimony she explained that the "*CFPB is obligated to reduce outdated, unnecessary, or overly burdensome regulations.*"

While these sentiments are commendable, we have seen *no evidence* in the year since Dodd-Frank was enacted of any efforts by the Administration to "streamline and simplify" regulations. Representatives of small community banks and credit unions and mid-sized regional institutions have testified repeatedly before the Financial Services Committee that the layering of new regulatory mandates on top of existing rules is endangering their very survival, and impeding their ability to meet the credit needs of their communities, including the small businesses that create the majority of jobs in America.

Accordingly, we respectfully request that, consistent with your pledge, Mr. Secretary, you provide the Committee with a status report on your efforts to "streamline and simplify" the regulatory environment. As part of this report, please identify any rules that were in place on August 2, 2010, that have subsequently been eliminated or modified to reduce regulatory burdens. Please provide this analysis by October 1, 2011.

Thank you in advance for your consideration of this matter.

Sincerely,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