April 17, 2012

The Honorable Spencer Bachus
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC  20515

Dear Chairman Bachus:

I write to express the Administration's concern with the various proposals under consideration by the House of Representatives that would repeal portions of the Dodd-Frank Wall Street Reform and Consumer Protection Act. Congress enacted Dodd-Frank in response to the worst financial crisis this country has experienced since the Great Depression, the impact of which continues to affect our economic recovery. The Act provides essential financial reforms that should not be weakened or repealed.

Tomorrow, the Financial Services Committee is scheduled to vote on another legislative proposal, which appears in the form of Budget Reconciliation legislative recommendations. I would draw your attention to three provisions therein, two of which concern the Dodd-Frank Act.

First, there is a proposal to repeal the entirety of Title II, which prohibits the government from bailing out failing financial institutions, provides authority to break up or unwind those institutions, and ensures that major financial institutions, rather than the taxpayer, bear the cost of future financial crises. By eliminating this authority, this provision would critically undermine the government's ability to limit the damage to the economy in the event of future financial crises. This provision was carefully designed to have no cost to the taxpayer over the long run. Eliminating this provision would increase the risk that future financial crises would increase future deficits.

Second, there is a proposal to terminate the Home Affordable Modification Program. This would lead to an increase in foreclosures, cause further damage to housing prices, deny hundreds of thousands of Americans the ability to lower their monthly mortgage payment to a more affordable level, and significantly slow the pace of recovery in the housing market. This program has already provided almost one million homeowners with an average payment reduction of over $500 per month, but many more Americans are still eligible for this assistance and they should have the chance to receive it.
Third, the proposal contains a provision to make the Consumer Financial Protection Bureau the only federal banking regulator subject to the appropriations process. This provision would significantly weaken the ability of the Bureau to provide stronger protection to consumers against financial fraud and abuse.

I urge all Members of the Committee to vote against these provisions.

Finally, there are a number of proposals that are pending before the House of Representatives that would amend Title VII of Dodd-Frank, which provides for comprehensive reform of derivatives markets. The bills present issues that the regulators are still actively considering in their rulemakings. If enacted, the proposed legislative changes would undermine the integrity of the rulemaking process, further complicate the work of the regulators, and increase uncertainty for firms. Accordingly, Treasury believes that the proposals are at best premature and that the regulators should be permitted to continue their work through the rulemaking process.

Sincerely,

Timothy F. Geithner

Identical letter sent to:
The Honorable Barney Frank

cc: Members of the Financial Services Committee
April 17, 2012

The Honorable Barney Frank
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

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[Signature]

Timothy F. Geithner

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The Honorable Spencer Bachus

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