

Congress Waters Down Dodd-Frank for Small and Regional Banks, Updates Consumer Protections

2 min read

May 29, 2018

After much anticipation, Senate bill 2155—which rolls back major aspects of the Dodd-Frank law—was approved by Congress and was signed into law by President Trump.

Among the most notable changes, the legislation waters down regulations for small and regional banks. The threshold for banks “too big to fail” will be raised from \$50 billion in assets to \$250 billion, so that fewer than ten major U.S. banks will now be subject to Dodd-Frank’s strictest regulations, including the Federal Reserve’s stress test.

While the bill is widely regarded as regulatory roll back, the legislation also updates certain consumer protections, mostly regarding credit reports and student loans.

Among the other highlights of the Economic Growth, Regulatory Relief, and Consumer Protection Act:

Residential Mortgage Loans

- Amends TILA to permit banks or credit unions with assets below \$10 billion to forgo certain ability-to-pay requirements.
- Exempts retailers of manufactured housing, under certain circumstances, from particular TILA requirements.
- Exempts relatively small volume bank and credit union originators from the public disclosure requirements of HMDA.
- Revises the civil liability immunity provisions of the S.A.F.E. Mortgage Licensing Act to temporarily allow loan originators to continue to operate in transition between states and depository or non-depository status.
- Exempts certain escrow requirements for residential mortgage loans held by certain smaller volume and asset banks.

Other Regulatory Relief

- Requires federal banking agencies to develop a specified Community Bank Leverage Ratio for banks with assets of less than \$10 billion.
- Exempts certain smaller asset banks from the Volcker Rule. (The Volcker Rule prohibits banking agencies from engaging in proprietary trading or entering into certain relationships with hedge funds and private-equity funds.)
- Requires the Federal Reserve Board to increase the consolidated asset threshold to \$3 billion for certain holding companies unengaged in particular activities.

Consumer Protections

- Allows Freddie Mac and Fannie Mae, when determining whether to purchase a residential mortgage, to consider a borrower's credit score only if certain procedural requirements are met with respect to the validation and approval of credit-scoring models.
- Amends the FCRA to increase the length of time a consumer reporting agency must include a fraud alert in a consumer's file.
 - The amendment also (1) requires a consumer reporting agency to provide a consumer with free credit freezes, including establishing requirements regarding those freezes and (2) creates requirements related to the protection of the credit records of minors.
- Restores the Protecting Tenants at Foreclosure Act, which contains notification requirements and other protections related to the eviction of renters in foreclosed properties. (The Act had expired on December 31, 2014.)

Student Borrowers

- Amends TILA to: (1) prohibit a creditor from declaring a default or accelerating the debt of a private student loan based on the death or bankruptcy of a co-signer, and (2) directs loan holders to release co-signers from any obligation upon the death of the student borrower.
- Amends the FCRA to allow private student loan borrowers to request the removal of a previously reported default from a consumer report in certain circumstances.

Topics

Dodd-Frank, Student Loans, Mortgage Loans, Trump Administration, FCRA, Students, TILA, Regulatory Relief, Consumer Protections, HMDA, S.A.F.E. Mortgage Licensing Act