

Introduction:

January 2017 marks the beginning of a new era in Washington. A new presidential administration enters the White House and both houses of Congress are under Republican control. In the states within the Bank's footprint, there will be 12 new members of the House, including three Representatives who will join the House Financial Services Committee: Barry Loudermilk (R-Ga.), Ted Budd (R-N.C.), and Charlie Crist (D-Fl.). In addition, newly-elected Senator Chris Van Hollen (D-Md.), Senator Thom Tillis (R-N.C.), and Senator David Perdue (R-Ga.) will join the Senate Banking Committee.

In the 115th Congress, we expect the early Republican agenda to include repealing and replacing the Affordable Care Act, tax reform, and immigration. With Chairman Jeb Hensarling (R-Tex.) in the House and Chairman Mike Crapo (R-Id.) in the Senate, there may be continued hearings in the Financial Services and Banking Committees on proposals to repeal, modify, or further delay various aspects of Dodd-Frank, and possible early discussions of housing finance reform. Although one election just ended, another is a short two years away, and we expect that Republicans will move as quickly as they can to implement their agenda while they have this majority. That said, the Senate will likely lag behind the House in approving legislation as that body will have the added responsibility of confirming presidential Cabinet and sub-Cabinet nominees as well as a likely Supreme Court Justice.

Likely Timeline for 2017:

Media reports indicate that House Speaker Paul Ryan (R-Wisc.) and Senate Majority Leader Mitch McConnell (R-Ky.) have charted out an ambitious schedule for 2017. They intend to repeal and replace the Affordable Care Act within the next three months. Next, the lawmakers plan a broad rewrite of the tax code that is expected to include deep rate cuts while maintaining current revenue through changes to the international tax code. They hope to approve tax reform legislation, at least in the House, before Congress breaks for its August recess. In addition, the House intends to pass an appropriations bill to fund a Mexican border wall at some point in the spring. Further, the leaders intend to draft a Republican budget to fund the government and avoid a debt-ceiling crisis.

Regulatory Relief:

During the fall campaign, the president and members of Congress pledged to act quickly on efforts to reform or repeal Dodd-Frank. Although the issue remains a priority, media and other reports indicate that it might be a second tier item on the legislative agenda. In the House, the most likely legislative vehicle for Dodd-Frank reform is Chairman Hensarling's Financial CHOICE Act – a holdover proposal from last Congress that will have to be reintroduced again in order to be considered. The bill aims to reform Dodd-Frank rather than repeal it. Among other things, the CHOICE Act would repeal the Durbin amendment and the Volcker rule while giving banks that maintain 10 percent leverage capital the ability to skip Basel 3 and CCAR. It also would replace the Orderly Liquidation Authority with an expedited bankruptcy process. The Act would also replace the Director of the Consumer Financial Protection Bureau (CFPB) and the Director of the Federal Housing Finance Agency (FHFA) with five member boards and subject the funding of both agencies to the appropriations process.

Across the Capitol in the Senate, there has not been much indication of what regulatory reform would look like. Chairman Crapo has indicated a willingness to look for "common ground" on dealing with the Volcker rule, and has also stated that he would like to have more substantive conversations with the Trump Administration, including officials who still need to be confirmed, and Senate Democrats before committing to any regulatory reform legislation.

Housing Finance Reform and Mnuchin Confirmation Hearing:

Housing finance reform remains a topic of interest in Washington, but currently there is no clear path towards legislation. Chairman Hensarling seems inclined to continue to support the PATH Act, which was passed out of committee but did not receive a House floor vote in 2013. Chairman Crapo would like a bipartisan bill, but is likely not wedded to the Johnson-Crapo legislation that he negotiated with former Banking Committee Chairman Tim Johnson in 2014. When he was first announced as nominee for Treasury Secretary, Steven Mnuchin seemed to indicate support for the “recap and release” of Fannie Mae and Freddie Mac, but he backed away from those statements during his nomination hearing. Under questioning from Crapo and Senator Mark Warner (D-Va.), Mnuchin indicated that neither he nor President Trump supported a particular plan for housing finance reform, but that it was an issue that Congress needed to confront in the near future. Stating that the status quo of the housing finance system is unsustainable, Mnuchin said that as Secretary he planned to pursue a solution with involvement from both parties.

Carson Confirmation Hearing:

Dr. Ben Carson, President Trump’s nominee to become Secretary of Housing and Urban Development, came before the Senate Banking Committee in mid-January. In his opening statement, Chairman Crapo indicated his interest in pursuing bipartisan reforms to streamline requirements for local public housing authorities, and modernize Section 8, “Moving to Work”, and rental assistance programs. During the hearing, Dr. Carson said that he would seek “holistic” solutions to issues such as public housing, veterans’ housing, and rental assistance. While he had few specific suggestions or policy goals, Dr. Carson did say that he believed that private alternatives could replace Fannie Mae and Freddie Mac, and that the private sector could offer an alternative to government guarantees for 30-year mortgages.

PALs Spotlight: First Bank Hosts Representative Mike Rogers

In late 2016, First Bank and FHLBank Atlanta hosted Representative Mike Rogers (R-Ala.) for a visit at First Bank’s Heflin, Alabama branch. First Bank staff briefed Rogers on the bank’s use of Affordable Housing Program Set-aside products to expand its lending to the military services members in its footprint. After the visit, Congressman Rogers stated, “I enjoyed my visit in Heflin and was pleased to see the great work they are doing for our veterans in East Alabama.”

If your institution is interested in hosting a member of Congress for a similar visit, FHLBank Atlanta is ready to assist you with the planning and organizing of the event.