

House Set to Vote on CHOICE Act; Agency Nominations, Budgets, and Rulemakings Under Review

Article By:

Legislative Activity

House Set to Choose Path for CHOICE Act as Senate Holds Hearing on Community Banking

This week, the House is set to vote on [H.R. 10](#), the ***Financial CHOICE Act of 2017 (CHOICE Act)***. After a contentious markup in the House Financial Services Committee last month, the bill was favorably voted out of the Committee along party lines, with all 34 Republicans voting in favor and all 26 Democrats voting against. Democrats offered 19 amendments to the CHOICE Act, all of which were voted down. The three-day markup highlighted the partisan disagreements over whether the Dodd–Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) has had a positive impact on the economy and whether the CHOICE Act would effectively reform the financial regulatory system. Republicans insisted that the CHOICE Act would help reduce burdensome requirements that they believe stifle growth for small businesses and community banks; Democrats opposed the CHOICE Act and made several procedural maneuvers during the markup to delay the Committee’s vote. Note, in advance of this week’s House vote on the CHOICE Act, Chairman Jeb Hensarling (R-TX) introduced a substitute amendment that eliminates a repeal of the “Durbin Amendment” – a provision in Dodd-Frank that limits transaction fees imposed upon merchants by debit card issuers (a summary of other amendments is available [here](#)). Though we expect the House will pass the bill, it is unlikely that the CHOICE Act – at least in its present form – could pass the Senate. Indeed, last month, Senator Majority Leader Mitch McConnell (R-KY) expressed his doubts that the Senate will act on the sweeping financial deregulatory bill.

On the other side of Capitol Hill, the Senate Banking Committee will hold a hearing on Thursday to examine the role of financial institutions in local communities. The hearing comes amid calls on both sides of the aisle to revisit whether the \$50 billion threshold resulting in a financial institution’s designation as systemically important is appropriate. In a recent hearing, Treasury Secretary Steven Mnuchin told the Senate Banking Committee that banks with \$50 billion in assets do not pose the same risks as banks that have “\$750 billion or \$2 trillion” in assets, for example. This week’s hearing will likely provide an indication as to the Committee’s next steps in this arena.

This Week’s Hearings:

- On Tuesday, June 6, the Senate Banking Committee has scheduled a hearing to consider the

following nominations:

- Kevin Hassett to be Chairman of the Council of Economic Advisers; and
- Pamela Patenaude to be Deputy Secretary of Housing and Urban Development
- On Wednesday, June 7, the Senate Finance Committee has scheduled a hearing to consider the following nominations:
 - David Malpass to be an Under Secretary of the Treasury;
 - Brent James McIntosh to be General Counsel of the Treasury; and
 - Eric Hargan to be Deputy Secretary of Health and Human Services
- On Wednesday, June 7, the House Financial Services Committee has scheduled a hearing titled “Flood Insurance Reform: A Taxpayer’s Perspective.”
- On Thursday, June 8, the Senate Banking Committee has scheduled a hearing titled “Fostering Economic Growth: The Role of Financial Institutions in Local Communities.”
- On Thursday, June 8, the House Appropriations Transportation, Housing and Urban Development, and Related Agencies Subcommittee has scheduled a hearing titled “Review of the FY2018 Budget Request for the U.S. Department of Housing & Urban Development.”
- On Thursday, June 8, the House Appropriations Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Subcommittee has scheduled a hearing titled “Commodity Futures Trading Commission – Budget Hearing.”
- On Thursday, June 8, the House Financial Services Subcommittee on Terrorism and Illicit Finance has scheduled a hearing titled “Virtual Currency: Financial Innovation and National Security Implications.”
- On Thursday, June 8, the House Energy and Commerce Subcommittee on Digital Commerce and Consumer Protection has scheduled a hearing titled “Disrupter Series: Improving Consumer’s Financial Options With FinTech.”

Regulatory Activity

CFTC Budget in the Spotlight This Week

On Thursday, June 8, the House Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Subcommittee will hold a hearing to examine the budget of the Commodity Futures Trading Commission (CFTC). Acting Chairman Christopher Giancarlo is set to testify before the Subcommittee and is seeking a \$31.5 million boost to the CFTC’s current \$250 million budget. The extra funding would be used to devote more resources to analyze the economic costs and benefits of the agency’s rules, boost compliance examinations of clearing houses, and further advance its newly unveiled financial technology (FinTech) initiatives (further discussed [here](#)). In contrast, the Trump Administration’s Fiscal Year 2018 budget proposal called for the agency’s budget to remain flat at

\$250 million.

Federal Reserve to Increase Transparency on Bank Stress Test Process

Last week, Federal Reserve (Fed) Governor Jerome Powell identified ways the Fed will aim to make annual stress testing for banks more transparent. Governor Powell said the Fed will publish how the central bank's models treat different types of loans. Thus far, the central bank has not provided much information about its modeling to prevent institutions from being able to game the tests, which are designed to measure how well banks will be able to withstand a severe economic crisis.

SEC Seeking Public Input on Fiduciary Standard

Last week, the Securities and Exchange Commission (SEC) invited public comment on how the agency could develop standards of conduct for investment advisers and brokers. SEC Chairman Jay Clayton called for an updated assessment of the: (1) current regulatory framework; (2) current state of the market for retail investment advice; (3) and market trends in order to enhance the SEC's ability to evaluate the range of potential regulatory actions. Relatedly, note that last month Secretary of Labor Alexander Acosta announced that the Department of Labor (DOL) has no legal basis to delay the June 9 applicability date for its Fiduciary Rule aimed at brokers who offer retirement investment advice. That said, DOL may yet seek to make significant changes to the rule as part of President Trump's Executive Order requiring a review of the rulemaking

CFPB's Consumer Advisory Board to Meet This Week

On Thursday, June 8, the Consumer Financial Protection Bureau's (CFPB) Consumer Advisory Board (CAB) will meet to discuss credit visibility, credit products, trends and themes, and small business lending. The meeting will feature remarks from Director Richard Cordray and discussion with CAB members. The CAB is designed to help inform the CFPB about emerging practices or trends in the consumer finance industry.

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