Trump Administration and Commercial Banking

Dr. Kent Belasco
Marquette University
How Affecting Commercial Banking

• Positively, banks stocks up 25% since Nov. (KBW bank index)
• Banks generally lending more, but growth not as steep in C&I (up 75% since 2010)
• Community banks: White House meeting on May 1, focus on roll back of regs., Compliance costs burdensome, CFPB constraints
• Large banks: Rollback Dodd Frank, Volcker rule (proprietary trading), fear that customers investments may be put at risk – too complex
• Return of Glass Stegall, repealed in 1999, concern that limits banks ability to compete
Trump Focus and Policies

• Glass Stegall return, break up big banks? Discussed but not supported
• Dismantle the CFPB, change to Consumer Law Enforcement agencies, can’t enforce actions without congressional approval
• Dodd Frank repeal, Volcker rule, corporate governance, capital
• Replace agency heads, started with OCC replaced Tom Curry with Keith Noreika, more to come but not until 2018
• Survival of Fannie Mae and Freddie Mac, now profitable but undercapitalized, quarterly payments to treasury. Deferred tax assets written down with tax reform
• Tax reform, if can get there
Impact to real estate

• Improving economy, more tax revenue from more jobs, deficit positive
• Changes to Dodd Frank, reduce compliance costs, boost lending to small businesses who need it
• Move from more stringent mortgage underwriting, more mortgages, from de regulation
• Less regulatory land use and zoning costs, drive down cost of home building
• If Fannie and Freddie eliminated, mortgages will be more expensive. Should view like FDIC insurance
Deterrents

• Timing, mid year elections
• Lack of detail
• Ability to reign in congress
• Comey firing
• Leaks in the White House
• Uncertainty on Russian involvement
• Distractions from tweets