Americans for Financial Reform

The Honorable Maxine Waters
Ranking Member
House Committee on Financial Services
Washington DC, 20515

May 19, 2025

RE: Oppose financial deregulatory measures considered at May 20-21 markup.

Dear Ranking Member Waters:

On behalf of Americans for Financial Reform (AFR), we write to **urge you to oppose any and all financial deregulatory measures while the capacity and independence of financial regulators are under sustained attack.** Please see the appendix of this letter for a bill-by-bill vote recommendation and short summary of AFR's views of the legislation under consideration.

This is a critical moment for our financial regulatory framework. Independent agencies charged with protecting consumers and investors—including notably the Securities and Exchange Commission (SEC) and the Consumer Financial Protection Bureau (CFPB)—are under unprecedented assault through severe staffing cuts, executive defiance of statutory direction and funding levels established by Congress, deep conflicts of interest on the part of the administration and its agency heads, illegal firings of minority party regulators, undermining the very notion of independent oversight, and overwhelming deference to the direction of the industries they are supposed to regulate in the public interest. This regulatory rollback and dismantling is in line with the extreme, ideological vision laid out in Project 2025.

It is extraordinarily risky to pass legislation that deregulates the financial industry or weakens investor protections when the leadership, independence, and capacity of the very agencies tasked with implementing those statutes is in existential doubt. The current agency leadership combined with an eviscerated agency capacity simply cannot be entrusted to implement even the most well intentioned regulatory modifications. These legislative efforts will be viewed as an endorsement and justification for the wholesale deregulation and dismantlement of these critical agencies. Now is not the time for compromise or rollbacks; it is the time to defend the public interest in strong financial protections for investors and for the market.

Over the past few months, there has been an alarming erosion of capacity at our key regulators. More than 600 SEC staff—approximately 12 to 15 percent of the agency, and as much as 20 percent in particular divisions and regional offices—have left or been pushed out, dramatically shrinking the ranks of Wall Street's top regulator.[1] At the CFPB, nearly 90 percent of employees have been subject to attempted firing. The courts have intervened for now to stop them, but if the

[1] Gillison, Douglas and Chris Prentice. "SEC buyouts hit legal, investment offices hardest, data." *Reuters*. May 16, 2025.

reductions in force were to be allowed to move forward, it would leave only about 200 people to carry out the Bureau's work—far too few to fulfill its vital consumer protection mission.[2] These drastic reductions have severely weakened these agencies' ability to protect consumers and investors from fraud and abuse, undermining safeguards that people across the country and investors here and around the world rely on.

Critically, these attacks on regulators are not happenstance—they are part of a deliberate ideological crusade. As Ranking Member Maxine Waters has starkly noted, "Project 2025 would gut agencies like the Consumer Financial Protection Bureau and the Federal Reserve, and dangerously restructure the Treasury, [HUD], and other agencies critical to the economy."[3] This 920-page extremist playbook is guiding the efforts to undermine independent financial agencies through budgetary strangulation, politicized interference, and sweeping deregulatory legislation. Ranking Member Waters described Project 2025 as a "diabolical" and "garbage" plan that would "undermine our government, our social safety net, and our values as Americans," and would "turn this country into a Christo-fascist state."[4]

While that broader agenda attacks many facets of our government, its threats to financial regulation are clear and immediate. Many proposals emerging in Congress today are drawn directly from the Project 2025 playbook—proposals that weaken long standing investor protections, threaten market integrity, and expose retirees and retail investors to unnecessary and excessive risk.[5]

AFR applauds Ranking Member Waters and other Committee Democrats' leadership in calling out these harmful trends and standing up for the public interest. They have been a consistent voice warning against the very serious threats we face, including:

- **Gutting the CFPB:** The attempted destruction of the CFPB, purging of its staff, rolling back regulatory safeguards, and halting enforcement efforts threatens to expose families to increased fraud, unfair practices, and financial predation. Ranking Member. Waters condemned the attempt to fire nearly all CFPB staff as "yet another illegal effort to gut the agency altogether," pairing mass firings with neglect of duties to protect students, families, and servicemembers.[6] She blasted the "lawless" approach that gives predatory

[2] Megerian, Chris. "Nearly 90% of Consumer Financial Protection Bureau cut as Trump's government downsizing continues." *Associated Press*. April 17, 2025.
[3] U.S. House Committee on Financial Services - Democrats. [Press Release]. "Maxine Waters, Ranking Member, Delivers Opening Statement During Hearing with Treasury Secretary Yellen: "Project 2025 Would Gut Agencies like the Consumer Financial Protection Bureau and the Federal Reserve, and Dangerously Restructure the Treasury, the Department of Housing and Urban Development, and Other Agencies Critical to the Economy." July 9, 2024.
[4] U.S. House Committee on Financial Services - Democrats. [Press Release]. "Maxine Waters, Ranking Member, Delivers Opening Statement During Hearing with Treasury Secretary Yellen: "Project 2025 Would Gut Agencies like the Consumer Financial Protection Bureau and the Federal Reserve, and Dangerously Restructure the Treasury, the Department of Housing and Urban Development, and Other Agencies Critical to the Economy." July 9, 2024.
[5] Americans for Financial Reform. "AFR letter to House Financial Services Committee on Capital Formation Hearing." March 25, 2025.
[6] U.S. House Committee on Financial Services - Democrats. [Press Release]. "Ranking Member Maxine Waters' Statement on Ruling Blocking Trump Administration's Illegal Firing of Nearly All CFPB Employees." April 18, 2025.

institutions free rein to "scam, exploit, and abuse consumers," vowing that Democrats will fight to keep the CFPB accountable to consumers—not to "Trump and his billionaire allies."[7]

- **Crypto Corruption and Conflicts of Interest:** The Trump family's sprawling crypto business ventures have generated billions of dollars for the First Family and created an unprecedented conflict of interest. This set of regulators cannot credibly supervise or oversee Trump's crypto business ventures to protect investors or the market. The combination of the erosion of regulatory independence, regulatory capacity, and regulatory rollbacks worsen this inherent conflict of interest. Ranking Member Waters warned that "Republicans aren't just ignoring Trump's corruption, they are legitimizing Trump's and his family's efforts to enrich themselves on the backs of average Americans," and highlighted why strong, independent oversight is needed—not deregulation that would invite more self-dealing and fraud.[8]

- **Interference in Regulatory Independence:** The administration's unprecedented attack on the independence of federal financial regulators threatens to substantially weaken and undermine the agencies' capabilities to provide meaningful oversight and regulatory protection. The Congress established the independence of these regulators to insulate them from political and economic pressures. The Trump administration is trying to consolidate authority over these agencies that would magnify the conflicts of interest and undermine the ability of the agencies to exercise impartial oversight of financial markets. HFSC Democratic members have sounded the alarm about direct political interference in agencies like the SEC. Ranking Member Waters wrote that "the integrity of our financial markets and the confidence of American investors depend upon the SEC's ability to operate free from unauthorized interference and undue influence."[9] She also condemned the unlawful firing of Democratic commissioners from independent agencies. She called Trump's illegal firing of the two Democrats on the board of the National Credit Union Administration (NCUA) a "clear and brazen violation of the law."

Thanks to this vigilant leadership, the public is being alerted to what is at stake. **Now is another key moment that demands the same resolve.** The House Financial Services Committee's Democratic Members must hold the line against the legislative measures that would further undermine our financial regulatory agencies. The costs of failure would fall squarely on everyday people—the retail investors, retirees, servicemembers, and working families who would be left exposed to fraud, abuse, and systemic risks if protections are rolled back. The financial deregulation and neglected supervision starting in the late 1990s contributed directly to

[7] Ibid.

[8] U.S. House Committee on Financial Services - Democrats. [Press Release]. "Ranking Member Maxine Waters at Democratic Hearing on Trump's Crypto Corruption: "Republicans Aren't Just Ignoring Trump's Corruption, They Are Legitimizing Trump and His Family's Efforts to Enrich Themselves on the Backs of Average Americans." May 6, 2025.

[9] Ibid.

the size and breadth of the 2008 financial crisis that devastated Main Street and the real economy. Weakening investor protections under the guise of so-called capital formation only allows powerful financial interests to push high-risk, illiquid, and opaque assets onto small investors and retirees, exposing them to hidden losses and scams.[10] Coupling such rollbacks with an administrative assault on regulators (through firings, budget cuts, and political interference) "undermines the SEC's mission of protecting investors, maintaining fair, orderly markets, and facilitating capital formation."[11] In short, the public's financial security is on the line.

The deregulatory legislation being considered is not occurring in a vacuum, it is part and parcel of the broader push to force the most vulnerable members of the public to foot the bill for rewarding those that are already quite wealthy. The reconciliation bill provides tax giveaways to the ultra-wealthy and well-connected special interests that are funded by slashing critical safety net programs and defunding independent financial regulators. These so-called capital formation bills are another element of the broader tax cuts for the richest and the disabling of any check on Wall Street and corporate abuse.

Americans expect their elected leaders to stand up for accountability, transparency, and robust oversight—especially when these values are under attack. In the face of an Executive Branch bent on erasing independent regulators and letting regulated industries write their own rules and a Congressional majority catering to the powerful, **the responsibility falls to pro-consumer, pro-small investor champions to defend the public interest.** We urge you to vigorously oppose any deregulatory legislation that would threaten market integrity and expose smaller, retail investors to unnecessary risk. **No weakening of rules can be tolerated at this critical moment.**

The American people are counting on you to be their bulwark against fraud, abuse, and financial crises. By rejecting deregulation and defending the regulators, you are protecting millions of families' hard-earned savings and the stability of our financial system.

Thank you for your attention to this urgent matter. Please know that your leadership in this fight is both noticed and deeply appreciated by the public.

Sincerely,

Americans for Financial Reform

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[10] Americans for Financial Reform et. al. Letter to U.S. Senate Committee on Banking, Housing, and Urban Affairs. March 13, 2025.
[11] Ibid.

Appendix

Most of the measures considered in this markup represent yet another effort to replicate and expand on the demonstrably failed experiment Congress initiated thirteen years ago when it simultaneously relaxed regulatory requirements for both public and private companies issuing securities under the JOBS Act of 2012. Most of the proposed capital formation bills would weaken investor protections, expose more families and their savings to riskier and more opaque markets, and threaten market integrity. AFR supports four bills in this markup that would improve disclosures and protections for investors and strengthen capital markets but opposes the rest of the deregulatory measures that pose risks to people and the financial system.

I. AFR opposes legislation that would reduce regulatory requirements for public securities issuers and lower the bar for issuers raising capital in public markets, and measures that would further expand and entrench unnecessary regulatory accommodations for so-called "Emerging Growth Companies" (EGCs).

The public securities markets allow companies to raise capital to create jobs, drive economic growth, and enable workers and investors of all stripes to grow their personal savings over time to enjoy a secure retirement with dignity and stability. Unfortunately, many of the bills proffered in this markup stand to cause profound damage to public securities markets, including:

1. **H.R. 3381, the Encouraging Public Offerings Act of 2025.**
   This bill would expand exemptions in a way that further blurs the line between registered and unregistered offerings, worsening the imbalance between retail and institutional investors. By allowing more issuers to keep their registration statements confidential while engaging investors, the bill increases the risk that misleading or false information will circulate before any public disclosure is made. This practice gives large investors early access to information not available to the broader public. The already limited window for transparency and public scrutiny would be further narrowed by this bill, making it even harder for investors to make informed decisions and increasing the risk of market manipulation and unfair advantages.

2. **H.R. 3323, Helping Startups Continue to Grow Act.**
   This bill would extend the definition of Emerging Growth Companies (EGC), giving these companies even more leeway to avoid full compliance with important investor protections. This extended grace period benefits the companies at the cost of investors, providing additional leeway for businesses to operate under relaxed regulatory standards without the checks and balances that are essential for maintaining fair and transparent markets.

3. **H.R. 3343, the Greenlighting Growth Act.**
   This bill would weaken investor protections and undermine regulatory oversight by

reducing the financial disclosure requirements for EGCs. By allowing these firms to provide less historical financial information, even after significant growth or major acquisitions, the bill limits the transparency investors rely on to make informed decisions. It also curtails the SEC's ability to require additional disclosures when needed, eroding the agency's oversight authority.

4. **H.R. 3301, a bill to amend the Securities Exchange Act of 1934 to specify certain registration statement contents for emerging growth companies, to permit issuers to file draft registration statements with the Securities and Exchange Commission for confidential review.**
   This bill would reduce the financial information EGCs are required to disclose when they go public. The bill would also extend confidential filing privileges to *all registrants*, further limiting investor access to key information such as red flags that SEC staff may have raised as potential issues with a public offering.

II. AFR opposes measures that would loosen the definition of accredited investor and place the interests of the financial services industry before those of investors.

AFR opposes efforts to expand private securities markets, increase the potential for fraud and risk to mom and pop investors, and discourage companies from pursuing IPOs. Private markets stack the deck against ordinary, small retail investors and retirees. They have a well-earned reputation for being opaque, risky, illiquid, and inefficient—but most significantly, perhaps, they are a quintessentially insider's game, where issuers can legally favor certain investors by giving them earlier and more reliable information, while leaving others completely in the dark. Those bills include:

5. **H.R. 3339, the Equal Opportunity for All Investors Act of 2025.**
   This bill would expand the definition of "accredited investor" to include individuals who qualify by passing an exam designed by the SEC and administered by the Financial Industry Regulatory Authority (FINRA). The bill fails to consider that, in addition to financial sophistication, "accredited investors" also must have the wealth necessary to sustain the potential losses associated with investing in risky and illiquid private offerings.

6. **H.R. 3348, the Accredited Investor Definition Review Act.**
   The current accredited investor wealth and income thresholds—set in 1982 and eroded by inflation—are already too low, exposing ordinary investors and retirement savers to excessive risks in opaque markets. Further loosening the definition by allowing qualification through a test or certification is especially dangerous given today's deregulatory push and the SEC's diminished capacity. An under-resourced agency with leadership intent on weakening oversight cannot be trusted to implement even

well-intentioned reforms. These kinds of legislative efforts risk being seized as justification for broader deregulation and the dismantling of critical investor protections.

7. **H.R. 3394, the Fair Investment Opportunities for Professional Experts Act.** AFR supports excluding the primary residency (as well as retirement assets and retirement income) from the accredited investor definition's wealth thresholds and updating these thresholds to account for inflation. However, the current income and wealth thresholds, set in 1982 and never adjusted for inflation, are now irresponsibly low—exposing more everyday investors to risky, opaque private offerings. This bill would freeze in place dangerously low and outdated income and wealth thresholds to qualify individuals as accredited investors, preventing the SEC from establishing better protections for senior citizens targeted for inappropriately complex and risky investments.

8. **H.R. 2441, the Improving Disclosure for Investors Act of 2025.** This bill does absolutely nothing to improve disclosure for investors. Rather, the goal of the bill is to enable the financial services industry's desire to expedite the transition of the provision of required disclosure to investors from mail to e-mail. Any legislation that would alter existing disclosure requirements must also include substantial improvements to enhance disclosures and protect investors. This legislation does not include any tangible improvements.

9. **H.R. 1013, the Retirement Fairness for Charities and Educational Institutions Act of 2025.** This bill would open a new loophole enabling unregistered brokers to sell unregistered securities—such as mutual funds and variable annuities—to both ERISA and non-ERISA 403(b) plans and their participants. In practice, it would promote the sale of risky, often harmful investment products by financial professionals who are not bound by the consumer protection standards that apply to registered brokers. Because non-ERISA 403(b) plans are widely used by public school teachers, the bill would effectively strip away key safeguards for one of the most vulnerable groups of retirement savers.

10. **H.R. 3383, the Increasing Investor Opportunities Act.** This bill would override long-standing SEC policies prohibiting closed-end funds from investing more than 15 percent of their assets in private funds that are sold to non-accredited investors. This bill would override these protections, allowing closed-end funds to invest their entire portfolios in risky and illiquid securities issued by private funds and still be sold to non-accredited investors—effectively allowing private funds for retail investors without these investors having to meet the accredited investor definition. By removing this safeguard, the bill would increase the likelihood of financial instability, expose retail investors to significant risk, exorbitant fees, and potential losses that they may not be able to sustain.

11. **H.R. 3352, the Helping Angels Lead Our Startups (HALOS) Act of 2025.** This bill would permit issuers of unregistered securities to be exempted from safeguards put in place to prevent fraud and abuse of ordinary investors, as long as solicitations were made at an "event" sponsored by any of a wide range of non-profit or educational organizations and trade associations. This exemption would invite efforts to game the rules, and likely lead to losses for investors who are not in a position to take the significant risks associated with purchases of unregistered securities.

12. **H.R. 2225, the Access to Small Business Investor Capital Act.** This bill would reduce transparency for everyday investors by allowing certain investment funds to move important fees and cost information out of upfront disclosure tables and into footnotes—making it harder for investors to understand the full costs of some investments. These costs can be significant, especially when funds invest in higher-risk vehicles like Business Development Companies (BDCs). Clear, accessible disclosure of all-in costs is essential to protecting investors and ensuring fair and informed decision-making.

III. AFR opposes measures that would weaken financial regulation, undermine independent oversight, and shield large banks from accountability, including:

There are a number of bills in this markup that would limit macroprudential supervisory tools, restrict regulatory discretion, and fast-track risky bank mergers, all under the guise of "tailoring" or "modernization" of the rules. The 2018 Economic Growth, Regulatory Relief, and Consumer Protection Act rolled backs of key regulatory safeguards for large banks in the name of tailoring already played a central role in the 2023 failures of Silicon Valley Bank, Signature Bank, and First Republic Bank—three of the four largest bank collapses in U.S. history. As Federal Reserve Governor and former Vice Chair for Supervision Michael Barr stated, "regulatory standards for SVB were too low, the supervision of SVB did not work with sufficient force and urgency, and contagion from the firm's failure posed systemic consequences not contemplated by the Federal Reserve's *tailoring* framework [emphasis added]."[12] AFR opposes the following bills:

13. **H.R. 940, the Fair Audits and Inspections for Regulators' (FAIR) Exams Act.** This bill would significantly weaken bank supervision by allowing banks to appeal any supervisory determination to a new external "Office of Independent Examination Review," which would conduct a de novo review without deference to the original findings. This additional appeals process, layered atop existing mechanisms, would enable banks, especially large banks, to challenge numerous supervisory findings, thereby impeding effective oversight. Such changes would undermine the regulatory framework established post-2008 financial crisis, increasing systemic risks and exposing the public

[12] Board of Governors of the Federal Reserve System. "Review of the Federal Reserve's Supervision and Regulation of Silicon Valley Bank." April 28, 2023 at 1.

to potential abuses. Robust supervision is necessary to maintain financial stability and protect consumers and this bill undermines it.

14. **H.R. 1900, the Bank Failure Prevention Act of 2025**.
    This bill would weaken oversight of bank mergers by imposing a strict 90-day deadline for regulators to approve or deny applications, regardless of whether the application is complete or all necessary information has been provided. This would limit regulators' ability to consider input from affected stakeholders and properly evaluate the risks of consolidation. Bank merger scrutiny needs to become more robust, and this bill would move in the opposite direction—further enabling a pattern of rubber-stamping mergers, increasing costs for depositors, customers, and small businesses as well as heightening systemic risk.

15. **H.R. 2702, the Financial Integrity and Regulation Management (FIRM) Act.**
    This bill would undermine effective bank supervision by prohibiting regulators from considering reputational risk—a critical factor in assessing a bank's safety and soundness. Reputational damage has historically contributed to instability in major banks.[13] By eliminating this consideration, the FIRM Act would hinder regulators' ability to identify and mitigate risks, potentially increasing the incidence of money laundering, financial fraud and exploitation, national security threats, and bank failures. Please also see this letter signed by 25 public interest organizations opposing this legislation.

16. **H.R. 3230, the Financial Institution Regulatory Tailoring Enhancement Act.**
    This bill would dramatically roll back key consumer protections and safety standards by raising banks' asset threshold for a set of regulatory requirements from $10 billion to $50 billion. This change would exempt more than 100 large banks from critical regulation and oversight —including CFPB supervision, the Volcker Rule, and Qualified Mortgage rules—a very dangerous approach at any time and particularly so when some midsize banks have shown signs of financial distress. The bill would also broaden the use of the Community Bank Leverage Ratio (CBLR), allowing banks with up to $50 billion in assets to be exempt from other risk-based and leverage ratio requirements if they meet the CBLR. This change would weaken oversight, increase systemic risk and leave the financial system more vulnerable to contagion, particularly given the risky and opaque exposures to crypto held by many midsize banks.

17. **H.R. 3379, the Halting Uncertain Methods and Practices in Supervision (HUMPS) Act of 2025.**
    This bill would undermine effective bank supervision by lengthening exam cycles and restricting the CAMELS rating system to only "objective" criteria, sidelining important qualitative factors like management quality and reputational risk. These factors are

[13] Americans for Financial Reform et. al. Letter to U.S. Senate Committee on Banking, Housing, and Urban Affairs. March 13, 2025.

essential in identifying and deterring harmful practices, such as predatory lending, money laundering, and risky environmental exposures.[14] While not easily quantifiable, sound management and public confidence have repeatedly proven vital to bank stability, as evidenced by failures like Riggs Bank, SVB, and Credit Suisse.[15] The proposed changes would not eliminate risk but would instead conceal real risks from regulators, making supervision more mechanical and increasing the likelihood of future financial crises.

18. **H.R. 3380, the Taking Account of Institutions with Low Operation Risk (TAILOR) Act of 2025.**
    This bill would significantly weaken financial regulation by mandating that agencies prioritize reducing compliance costs for financial institutions over protecting consumers and ensuring financial stability. The bill would allow even large banks to challenge regulations in court by claiming undue burden, potentially overturning existing Dodd-Frank rules and hindering future regulatory actions. Regulators already tailor rules based on institution size and risk, making this legislation unnecessary and potentially harmful by creating additional legal and procedural barriers to effective oversight.

IV. AFR *supports* legislation in this markup that would improve disclosures and protections for investors and strengthen capital markets, including:

19. **H.R. 1469, the Senior Security Act of 2025.**
    AFR supports the goal of the bill and the establishment of an inter-divisional task force at the Commission to improve internal coordination within the agency on issues implicating seniors, and external engagement with older American Americans. However, the taskforce would be strengthened with the participation of the SEC's Division of Trading and Markets and Division of Investment Management, and urge the Committee to amend Section 2 of the bill to add these two critical divisions.

20. **H.R. 3357, the Enhancing Multi-Class Share Disclosures Act.**
    This bill would improve disclosure of stock ownership in companies that have multiple classes of stock.

21. **H.R. 3395, the Middle Market IPO Underwriting Cost Act.**This bill would require a study of potentially excessive costs in IPO issuance by middle market companies.

22. **H.R. 3422, the Promoting Opportunities for Non-Traditional Capital Formation Act.**
    This bill would direct the Advocate for Small Business Capital Formation to develop

[14] Steele, Graham. Written Statement for the Hearing: "Regulatory Overreach: The Price Tag on American Prosperity." at the Subcommittee on Financial Institutions. U.S. House Committee on Financial Services. April 29, 2025.
[15] Americans for Financial Reform et. al. Letter to U.S. Senate Committee on Banking, Housing, and Urban Affairs. March 13, 2025.

educational materials and organize events that raise awareness of capital-raising opportunities for underserved small businesses, including those in rural areas.

Thank you for your attention to our views. Please do not hesitate to contact Oscar Valdés Viera, AFR's Private Equity and Capital Markets Policy Analyst, at oscar@ourfinancialsecurity.org with any additional questions or concerns.