AFR Americans for Financial Reform

The Honorable French Hill
Chairman
House Committee on Financial Services
2129 Rayburn House Office Building
Washington DC, 20515

The Honorable Maxine Waters
Ranking Member
House Committee on Financial Services
2129 Rayburn House Office Building
Washington DC, 20515

January 21, 2026

Re: AFR opposes deregulatory bills in January 22, 2026 House Committee on Financial Services markup.

Dear Chairman Hill and Ranking Member Waters:

Americans for Financial Reform (AFR) is writing to oppose five bills under consideration in the January 22, 2026 markup in the House Committee on Financial Services.[1] These bills weaken the resiliency of the U.S. financial system by reducing transparency, undermining accountability, and encouraging more regulatory arbitrage, while expanding the set of firms and transactions that can operate outside the core disclosure and supervision framework that protects investors, people saving for retirement, and financial stability.

Some of these bills (such as H.R. 4174 and H.R. 7127 below) would expand pathways for securities issuers to raise capital or trade in secondary markets with reduced information available for investors, fewer enforceable obligations, and fewer meaningful remedies when harm occurs—conditions that would increase misconduct and mispricing. These bills would also undercut state regulators and the tools they use to know who is soliciting investors in their jurisdictions.

Taken together these bills would increase systemic fragility by encouraging more investment and capital formation activity to migrate into lightly supervised channels and by weakening the data, guardrails, and early-warning mechanisms regulators and the public rely on—whether in securities markets through diminished disclosures and remedies, or through expanded exemptions in banking. In particular, weakening Home Mortgage Disclosure Act (HMDA) coverage and Community Reinvestment Act (CRA) applicability (under H.R. 7056, below) would also degrade fair lending accountability by reducing the information and obligations that help detect and deter redlining and other discriminatory patterns in mortgage and small enterprise credit, compounding both market and community harms.

Below we briefly describe our opposition to specific legislation under consideration in the markup.

1. **H.R. 4171, the Small Entrepreneurs Empowerment and Development (SEED) Act.**

[1] AFR is a nonpartisan and nonprofit coalition founded by more than 200 civil rights, consumer, labor, business, investor, faith-based, and civic and community groups. Formed in the wake of the 2008 crisis, AFR continues to work towards a strong, stable, and ethical financial system. We are committed to eliminating economic and racial inequity in the financial system and fighting for a just and sustainable economy. More at ourfinancialsecurity.org

The SEED Act would create yet another exemption from registration and allow certain issuers to sell securities without providing disclosures to their investors. Several exemptions already exist within securities laws for smaller issuers to raise capital. There is no evidence that there is a market need requiring Congress to create an additional safe harbor to permit unregistered securities offerings and sales, including through general solicitation, regardless of investor sophistication or financial wherewithal. This bill also preempts state securities regulators ability to protect investors and consumers by stripping away state registration and notice filings. State regulators rely on these tools to know who is selling securities inside their borders. State regulators are essential in identifying scams early and protecting retail investors where federal oversight has lagged. Preempting state regulators' authority leaves more retail investors exposed to scams.

We respectfully urge Members to vote NO on H.R. 4171.

2. H.R. 7127, the Restoring Secondary Trading Market Act.

This bill would preempt a broad set of blue sky laws by barring states from "directly or indirectly" limiting off-exchange secondary trading in an issuer's securities so long as the issuer posts a defined set of "current information." That is a solution in search of a problem. As the North American Securities Administrators Association has noted, almost all states already have streamlined processes for compliance with state laws and have pathways such as "manual exemptions" to facilitate secondary market trading.[2] This bill would weaken core frontline anti-fraud protections that require issuers to register and provide basic disclosures and that create clear liability when issuers misrepresent or withhold material facts. Preempting blue sky laws for these off-exchange trades would strip away that accountability and narrow the practical remedies available to investors when private issuers fail to meet their obligations.

We respectfully urge Members to vote NO on H.R. 7127.

3. H.R. 7056, the Community Bank Regulatory Tailoring Act.

Under the pretext of relief for community banks, this bill would rewrite a wide swath of federal banking, consumer financial protection, and fair lending laws by simultaneously raising three dozen statutory thresholds and then locking in statutory future increases every five years. The practical effect would be to broadly expand the number and size of banks that are excluded from regulatory oversight. The threshold increases would inappropriately reduce compliance under statutes that were designed for genuinely smaller and simpler banking institutions with limited systemic footprint. The bill would reduce the number of institutions and activities subject to baseline guardrails, weaken transparency, increase conflict of interests, and blunt early warning and accountability tools embedded in the FDIC framework. At a time of overlapping risks, this kind of across-the-board threshold inflation is likely to lead to supervisory and regulatory gaps and obscure risk from view until it is too late. The result would be a banking system that is more opaque and less resilient when

[2] *See,* Letter from North American Securities Administrators Association to House Financial Services Committee, RE: March 25, 2025, Hearing, "Beyond Silicon Valley: Expanding Access to Capital Across America." April 29, 2025.

conditions worsen—increasing financial fragility and the probability that losses will need to be socialized through emergency interventions or outright bailouts.

This bill would also raise the Volcker Rule's "community bank" exclusion from $10 billion to $15 billion in total consolidated assets, substantially expanding the set of publicly-insured banking organizations that can operate outside the rule's proprietary trading and covered fund restrictions. The practical effect would be a widening of a post-crisis firewall that is supposed to keep commercial banking separate from speculative trading and risky private funds exposures. This bill would free two dozen banks—with more than $300 billion in combined total consolidated assets[3]—from Volcker rule constraints, creating additional room for regulatory arbitrage well beyond genuinely small, simple institutions.

H.R. 7056 would also weaken HMDA coverage and CRA applicability, undermining fair lending accountability and weakening critical tools that help detect and deter redlining and other forms of racial discrimination in mortgage and small business lending.

We respectfully urge Members to vote NO on H.R. 7056.

4. H.R. 6967, the Public Company Advisory Committee Act.

This bill would create a new advisory committee that would exclusively represent the interests of corporate directors and executives within the Securities and Exchange Commission (SEC). These interests already have an outsized, undue influence on SEC rulemaking, policies, and practices, and they have wielded it to decrease both the rights of regular investors and their access to the information they need to make good investment decisions.

For example, in just the last year, the SEC has made an about turn on forced arbitration, blocking a powerful shareholder tool to combat corporate fraud and misconduct;[4] announced that it would no longer serve as the arbiter on disputes between corporate management and shareholders over whether shareholder proposals can be excluded from corporate ballots;[5] opened comment files about executive compensation disclosures[6] and other important corporate disclosures required under Regulation S-K,[7] laying the groundwork to water them down; and changed guidance suggesting that asset managers with more than a five percent ownership stake in public companies could be subjected to heightened regulation if they engaged with companies on important issues such as

[3] Federal Reserve Statistical Release. "Insured U.S.-Chartered Commercial Banks That Have Consolidated Assets Of $300 Million Or More, Ranked By Consolidated Assets." September 30, 2025 (last updated November 17, 2025).
[4] Securities and Exchange Commission. "Acceleration of Effectiveness of Registration Statements of Issuers with Certain Mandatory Arbitration Provisions." 17 CFR Parts 231 and 24. Release No. 33-11389; 34-103988. RIN 3235-AN55. September 17, 2025.
[5] Division of Corporation Finance, Securities and Exchange Commission. "Statement Regarding the Division of Corporation Finance's Role in the Exchange Act Rule 14a-8 Process for the Current Proxy Season." November 17, 2025.
[6] Securities and Exchange Commission. "SEC Announces Roundtable on Executive Compensation Disclosure Requirements." May 16, 2025.
[7] Paul S. Atkins, Chairman. Securities and Exchange Commission. "Statement on Reforming Regulation S-K." January 13, 2026.

workers' rights, climate, political spending, and executive pay.[8] Chair Atkins has suggested even more changes that would decrease investor access to corporate disclosures are in the works.[9] All of these changes favor corporate insiders at the expense of regular shareholders. H.R. 6967 would further entrench the interests of corporate insiders within the SEC, even though the agency has an investor protection mission, not a corporate insider protection mission.

We respectfully urge Members to vote NO on H.R. 6967.

5. **H.R. 7085, a bill to amend the Securities Exchange Act of 1934 to repeal certain disclosure requirements related to conflict minerals.**

This bill would eliminate disclosure requirements related to conflict minerals that are material to investors, have been statutorily required for over fifteen years, and survived legal challenge. Many investors support these disclosures, as they allow them to assess risks in companies' supply chains and inform their investment decision-making.[10]

We respectfully urge Members to vote NO on H.R. 7085.

Thank you for your attention to our views. Please contact Oscar Valdés Viera, AFR's Senior Policy Analyst for Private Equity and Capital Markets Policy (oscar@ourfinancialsecurity.org) and Natalia Renta, AFR's Associate Director of Corporate Governance and Power (natalia@ourfinancialsecurity.org) with any additional questions or concerns.

[8] Securities and Exchange Commission. "Exchange Act Sections 13(d) and 13(g) and Regulation 13D-G Beneficial Ownership Reporting." July 11, 2025.
[9] *See, e.g.* Gillison, Douglas and Manya Saini. "US SEC chair fast-tracks Trump push to end quarterly earnings reports." Reuters. September 29, 2025.
[10] *See, e.g.* Interfaith Center on Corporate Responsibility. "Investors Urge the SEC and Administration to Continue Robust Implementation of Dodd-Frank (Section 1502) Conflict Minerals Rule." March 9, 2017.