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2025 Policy Outlook: Navigating Economic and Regulatory Shifts Under New Leadership

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By Laura J. Jakubowski

Washington enters 2025 with a policy landscape set for significant realignment as the Trump administration returns to office. Slim Congressional margins and pressing deadlines will complicate efforts to advance legislation. Meanwhile, key appointments at financial regulatory agencies, including Treasury, the OCC, the CFPB and the SEC, and other agencies across the administration will guide the implementation of financial services policy and other domestic priorities. Trade policy positions will focus on favoring domestic manufacturing and reshoring supply chains. A key early focus will be on extending provisions of the Tax Cuts and Jobs Act (TCJA), the sweeping 2017 tax reform legislation, with individual tax benefits and some corporate provisions set to expire in 2025.

Financial Services

Banking regulators are preparing for an immediate overhaul as new leadership takes control at the FDIC, OCC, and CFPB. The Basel 3 Endgame rules, which aim to significantly increase bank capital requirements and were released in proposed form in 2023, but not finalized, are expected to be re-proposed with significant changes to soften the requirements. SFNet had previously submitted comments to the proposed regulations, highlighting that the failure of the rules

to account for the lower risk profile of ABL lending could lead to unnecessary capital burdens and discourage lending to small and medium-sized businesses.

Bank merger activity is expected to accelerate, with antitrust reviews returning to a more traditional focus on competitive effects rather than rigid market concentration standards. Consumer protection policy shifts are expected as the CFPB retreats from its enforcement-first approach. The agency will likely withdraw its credit card late fee rule and revise policies on overdraft fees and data-sharing requirements, changes that will affect traditional banks, fintech companies, and payment processors alike.

The federal government may finally resolve the long-running conservatorships of Fannie Mae and Freddie Mac. The alignment of practical opportunities with political will makes meaningful housing finance reform possible in 2025, with implications for mortgage markets and housing affordability.

Meanwhile, Federal Reserve independence will endure through mid-2026 when Chair Powell's term expires, providing stability amid the broader regulatory transformation.

Trade

Trade policy is expected to undergo equally significant shifts. The incoming administration has proposed an aggressive agenda that includes raising tariffs on Chinese imports to as high as 60 percent by mid-year, exploring baseline tariffs of 10 to 20 percent on all foreign goods, and targeting automotive imports from Mexico and the EU. These measures reflect a strategy aimed at strengthening domestic manufacturing and reshoring supply chains. However, broad-based tariffs could carry substantial economic risks, including higher consumer costs and potential retaliatory actions by trade partners.

Tax

The legislative landscape will also be shaped by the expiration of key provisions from the Tax Cuts and Jobs Act. These expirations create an urgent need for tax reform, with Republicans expected to use the budget reconciliation process to address these issues twice in 2025. The first package is anticipated by March, with proposed changes potentially totaling \$4.6 trillion over the next decade. These efforts will test Congressional capacity to balance deficit concerns with the need for continued economic stimulus.

Select Sector Impact

Several industries are likely to be directly impacted by these shifts. Healthcare providers face potential changes stemming from Medicaid reform and adjustments to federal staffing mandates. The energy sector may benefit from streamlined permitting processes for fossil fuel projects, while renewable energy programs could see revised incentives. In the technology sector, AI regulations are expected to loosen, fostering innovation, even as export controls tighten on semiconductors and other critical technologies. These changes will occur alongside a likely increase in mergers and acquisitions, driven by a more permissive antitrust environment.

State-Level Changes

As it relates to state level engagement, states that leaned into financial industry regulation in 2024 will continue to do so in 2025. SFNet has been very active in California, Illinois, New Jersey and New York, specifically as it relates to financing disclosure laws, to ensure that the interests of SFNet members are heard during the lawmaking process. SFNet will remain focused on monitoring for legislative introductions that might impact the industry, assessing risks and opportunities, and responding quickly to new developments in jurisdictions that are of high importance to SFNet members.

Outside of increased activism in certain states, we anticipate little change that will impact SFNet as a result of the elections. States that were under Republican Party or split control, but with pre-election potential for change, remain unchanged. These states include New Hampshire, Pennsylvania and Wisconsin. Therefore, we do not expect increased activity in these jurisdictions. Some states that were under full Democrat Party control have shifted to split-party governance, including Michigan and Minnesota, and we expect the potential for new regulation to decrease in these jurisdictions.

Conclusion

At the federal level, the slim Republican majorities in Congress will constrain legislative initiatives, requiring the administration to thread the needle carefully on policy priorities. Even with clear direction, key administrative changes are likely to take months to implement. The first quarter of 2025 will be pivotal, as early appointments and initial actions reveal how assertively the administration plans to advance its agenda, though key changes will likely take months to

implement. At the state level, the focus remains on developments in certain key states, and the Advocacy Committee will continue to keep SFNet members updated on new developments.

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About the Author



Laura Jakubowski is a Knowledge Management Attorney with Goldberg Kohn and serves as SFNet's Advocacy Committee chair. She leads the firm's knowledge and data management strategy, and provides legal, technical, market and practical expertise for the firm's Commercial Finance and Bankruptcy practices.

Laura rejoined Goldberg Kohn in her current position in August 2021. Prior to that, she was an Assistant General Counsel at a large financial institution where she focused on middle market lending and digital, data use and privacy law matters for its commercial banking group. Previously she was a Commercial Finance Associate at Goldberg Kohn.

Laura currently serves as the Chair of SFNet's Advocacy Committee.

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