Financial Reform Conference: Consumer Financial Protection Agency Should Be Independently Funded

Support Senate bill language

CRL Policy Brief June 2010 Contact Susanna Montezemolo at (202) 349-1867

Both the House and the Senate financial reform bills (H.R. 4173 and S. 3217, respectively) would create an independent consumer watchdog to streamline financial consumer protection. In order to ensure that this watchdog is independent of the industry it is trying to regulate, Congress must ensure that the funding source remains independent of political pressure.

CRL strongly supports the Senate language over the House language because it would limit the ability of big banks and other financial players to exert undue political influence on the rulemaking process.

Benefits of the Senate Funding Approach

- Enables the agency to be independent, adequately funded, and mission-focused
- Ensures a consistent baseline of funding that would prevent the conflicts of interest that contributed to the current economic meltdown
- Protects the consumer financial regulator's independence from political and industry pressure

The House and Senate's Funding Proposals

In the Senate version of the bill, funding for the Consumer Financial Protection Bureau (CFPB) would come from a portion of the funds the Federal Reserve collects from diverse sources. In the House version, on the other hand, funding for the Consumer Financial Protection Agency (CFPA) would come from Congressional appropriations and assessments from the financial institutions regulated by the CFPA, as well as some funding from the Federal Reserve.

The Benefit of the Senate Funding Approach

Of the two, the Senate's funding approach would allow the consumer financial protection regulator to operate independently of political pressure from big banks, which could spend billions to influence the appropriations or assessment process. Appropriations riders could put the agency's independence at risk by allowing industry lobbyists to block rules from going into effect; indeed, this has happened with numerous issues in the past. For example, industry successfully lobbied through the appropriations process to block the appointment of a new commissioner in the Consumer Product Safety Commission (CPSC), paralyzing the rulemaking process.

The Risk of Assessments from Regulated Entities

The revenue streams of existing federal regulators, such as the Office of the Comptroller of the Currency (OCC) and the Office of Thrift Supervision (OTS), are completely dependent on assessments from the very financial institutions they are charged with monitoring. This funding mechanism contributed to conflicts of interest in which too often the OCC, OTS, and other federal regulators turned a blind eye to the predatory lending practices which derailed our economy.