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Opening remarks by President James Bullard
"The Consumer Financial Protection Bureau: The Direction and Implications"
Federal Reserve Bank of St. Louis
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It is my pleasure to welcome all of you to this panel discussion on the Consumer Financial Protection Bureau.

Every aspect of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 generated heated debate, but the hottest debate of all surrounded the creation of the Consumer Financial Protection Bureau (the CFPB).

It was the choice of Congress to create the CFPB as an "independent bureau housed within the Federal Reserve."

Many have been confused by the concept of an "independent bureau" at the Fed. The legislation states that the CFPB is not to report to the Board of Governors of the Federal Reserve System, or to anyone else within the Federal Reserve.

The Fed's only engagement with this independent bureau is to fund it. The law requires that the equivalent of 10 percent of Federal Reserve System expenses be transferred to the CFPB in 2011, 11 percent in 2012, and 12 percent in 2013 (where it will stay fixed in perpetuity).

I am concerned about this method of funding for the Bureau. The amount of money allocated in the law is not based on any careful assessment of what the needs of the Bureau will be as it attempts to fulfill the mandate of the Congress with regard to consumer protection. Nor is there any mechanism for changing these amounts going forward, should market conditions change, or if the needs of the Bureau change.

There is no question that the mission of the new Bureau is significant. The Bureau has been given responsibility for writing consumer protection rules and regulations that apply to all banking institutions.

It is also required to examine all banks with $10 billion or more in total assets for compliance with these consumer protection rules and regulations.

As of the third quarter of 2010, there were 82 insured depository institutions (banks, thrifts and credit unions) above this asset threshold. These institutions hold about 73 percent of the nation's banking assets, but there are many other financial assets held outside the banking system.

In part because of this, the Bureau will be responsible for writing consumer protection rules and regulations that impact any entity offering a consumer financial product or service.

Therefore, in addition to banks, the Bureau's rule-writing authority will extend to institutions that have not historically fallen under federal oversight. These institutions will include check cashers, payday lenders, money transmitters, pawn shops and other entities that are viewed as part of the "shadow" network of consumer credit.

For the thousands of these "shadow" institutions, the Bureau is also charged with conducting examinations and enforcing consumer protection regulations—presumably in close coordination with the state regulatory agencies that have experience in regulating both depository and non-depository institutions.

Setting up the Bureau and meeting its Congressional mandates is no small task.

The office must be up and running by July 21, 2011 — a substantial undertaking when you look at the scope of responsibilities of the Bureau, count the number of reports the Bureau must make to Congress on an annual basis, and think about all of the competing interests that the Bureau will have to consider when crafting rules and regulations.

In addition, the Bureau is required to set up several functional offices, including a research unit, a community affairs unit, a consumer complaints unit, a fair lending office, an office of financial education, an office for service member affairs, and an office of financial protection for older Americans.

I am sure our panelists here today will help us better understand the CFPB. They offer important perspectives on what different organizations and constituencies are thinking and saying about the new Bureau. And in particular, our panelists have important insights on the opportunities and the challenges presented by Dodd-Frank and specifically by the formation of the Bureau.

I want to take this opportunity to thank our panelists in advance for their participation. I really appreciate their willingness to take part in this event.

Again, welcome, and I hope you enjoy the discussion!

James Bullard, President and CEO
Federal Reserve Bank of St. Louis