

POLICY SPOTLIGHT

The Dodd-Frank Regulatory Agency: CFPB

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The Dodd-Frank Regulatory Agency: CFPB

Washington, D.C. appears to be focused on rolling back Dodd-Frank regulations passed in the aftermath of the 2008 financial crisis. It's a combined effort, with independent government agencies and the Senate banking committee both poised to take action.

November 27, 2017, thrust the normally quiet Consumer Financial Protection Bureau (CFPB) into the spotlight. The question: Who's the acting CFPB director?

Two directors showed up that day: CFPB Deputy Director Leandra English and Director of the Office of Management and Budget Mick Mulvaney. Mrs. English sent an email to CFPB staff sharing excitement about the role. Mr. Mulvaney brought doughnuts and took a seat in the CFPB director's office.

The following weeks brought a lawsuit over the Trump administration's ability to nominate the CFPB director. Did Trump have the power to nominate Mulvaney? A federal judge ruled in favor of Trump and Mulvaney, putting a CFPB critic in control of the agency.

Mulvaney hasn't wasted time in getting to work. Here's a summary of what he's been doing:

#1: The Mission Statement

Prior to Mulvaney, the CFPB mission statement read as follows:

“The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.”

The full statement now reads:

*“The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by **regularly identifying and addressing outdated, unnecessary, or unduly burdensome regulations**, by making rules more effective, by consistently enforcing federal consumer financial law, and by empowering consumers to take more control over their economic lives.”*

This is a drastic change for a government agency authorized by the Dodd Frank law signed by President Obama in 2010.

#2: Federal Funding

In a letter to the Federal Reserve on January 18, 2018, **Mulvaney requested that the CFPB receive zero budgetary funding**. He noted the CFPB already has \$177 million in the bank, which would be enough to cover the \$145 million the bureau budgeted for its second quarter operations. He requested the money be sent to the Treasury to reduce the deficit.

#3: Lawsuits & CFPB Rule Reviews

In the first few months on the job, Mulvaney moved to drop several high-profile lawsuits against predatory payday lenders. He also ordered reviews of CFPB rules, such as one that would require lenders to limit loan rollovers and assess whether borrowers can repay the short-term loans. Executives at payday lenders and community banks have called both rules burdensome on the industry.

Based on Mulvaney’s brief tenure at the CFPB, we think the financial services industry will experience deregulation in the coming months and years. He’s a former critic of the agency and splits his time between the CFPB and his other day job at the Office of Management and Budget (OMB). How does this affect the financial services industry? We think Mulvaney’s changes are broadly positive for payday lenders, mortgage servicers, and credit unions.

The Other Half...The Senate Banking Bill

The Senate banking committee passed a banking bill in December 2017. The bill would exempt banks with less than \$250 billion in assets from heightened regulatory scrutiny and has support from moderate Democrats.

In our view, the bill could redraw the U.S. banking landscape, reduce costs, and unleash a wave of mergers and acquisitions. **The House previously passed a much stronger bill, so we think the likelihood of passage is high this year. We think regional banks could be beneficiaries of the proposed banking bill.**



About EventShares

EventShares is a boutique asset manager located in New York City that is focused on the impacts created by legislation, regulation, and fiscal policy. The firm is founded on the belief that policy is a powerful leading indicator and catalyst for companies.

EventShares offers numerous educational resources to help investors connect the worlds of Washington, D.C., and stock markets.

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