Insight

# Cordray is Wrong about CHOICE

MEGHAN MILLOY | MAY 18, 2017

Yesterday Richard Cordray, Director of the Consumer Financial Protection Bureau (CFPB), huddled with House Democrats at their weekly caucus meeting. And although the CFPB is supposed to be an independent agency, it should come as no surprise that Cordray met only with Democrats, as he has continuously used his agency to push forward the Democrats' financial regulatory agenda. In fact, over the past 7 years, the CFPB has finalized 25 regulations costing financial institutions $2.8 billion and requiring over 17 million hours of paperwork.

The topic du jour at the Democrats' meeting was the Financial CHOICE Act – legislation recently approved by the House Financial Services Committee that will roll back many of the most costly regulations that came out of Dodd-Frank, including several provisions that would rein in the rampant power and overreach of the CFPB. First, CHOICE would change Cordray's position as an unaccountable Director to one that is removable at will by the president. Second, instead of the CFPB receiving automatic funding every year from the Federal Reserve, CHOICE would subject the agency to Congressional oversight and the Congressional appropriations process. And third, CHOICE would remove the CFPB's supervisory functions, and instead mandate that it only enforce existing consumer protection laws.

In yesterday's meeting, Cordray expressed his opposition to CHOICE as a whole, quipping that he "didn't want to go back there again" – "there" being the regulatory climate before Dodd-Frank. Recall that, even though not all of the rulemakings are complete, Dodd-Frank created 143 new regulations costing $38.5 billion and requiring 74,725,053 paperwork hours for banks and other companies it covers. As a result, consumers have seen things like free checking accounts dramatically decreased – from 76 percent to 38 percent in just 4 short years. Dodd-Frank also created the Financial Stability Oversight Council (FSOC) which has indirectly caused life insurance premiums to steadily increase over the years, resulted in the selloff of billions of dollars of assets from multiple firms, and reduced competitiveness of American firms as compared to their international counterparts.

Dodd-Frank also has taken its toll on small businesses and small banks, with fewer new regional and community banks opening than ever before – due to Dodd-Frank compliance costs eating up 23 percent of banks total operating expenses. As a result, small business lending also continues to lag, being the only major lending sector to not yet make a full recovery since the recession. And that doesn't even begin to brush the surface of the other Dodd-Frank regulations that have had negative repercussions, e.g. the conflict minerals rule, the Volcker Rule, qualified mortgage and qualified residential mortgage rules, Order Liquidation Authority and many, many more.

With a floor vote in the House likely to come after Memorial Day, CHOICE is going to face some hearty opposition from Democrats. In yesterday's meeting with Cordray, Rep. Maxine Waters promised that they were going to "put up a good fight," but what Congressional leaders should really be fighting for is the repeal and, where appropriate, replacement of the costly, burdensome rules of Dodd-Frank – and the Financial CHOICE Act does just that.