



Insight

# What's in the Budget for Financial Services and Housing

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The release of the president's budget this week brings more clarity to the Trump administration's agenda and priorities. Though headlines will undoubtedly focus on infrastructure spending, wall building, and lack of balancing, a number of components will have a big impact on financial services and housing policy. Below are some of the most striking budgetary changes and accompanying policy proposals.

## Commodity Futures Trading Commission

One of the more interesting proposals of the Trump budget is a few lines taken straight out of an old Obama budget. The administration, while increasing the budgetary authority of the Commodity Futures Trading Commission (CFTC) from \$250 million to \$281.5 million, proposes legislation "authorizing user fees to fund certain Commission activities, as specified by the CFTC, in line with nearly all other Federal financial and banking regulators." The fees would come from users of CFTC-regulated entities, and, as proposed, would cover the \$31.5 million budget increase. Both Republicans and derivatives companies have long opposed such a fee structure.

## Consumer Financial Protection Bureau

For the [Consumer Financial Protection Bureau](#) (CFPB), the budget calls for restrictions on the agency's far-reaching enforcement authority "to prevent actions that unduly burden the industry and limit consumer choice." To that end, it proposes reducing the CFPB's funding to its lowest level in five years and halting its direct withdrawal from the Federal Reserve, shifting its funding source instead to congressional appropriations. Interesting, starting in FY20, the budget shows cutting the CFPB's total funding in FY20 by the amount of its FY17 funding, which appears to be a first step in eliminating the Bureau in its entirety – a goal Republicans and current CFPB Director Mick Mulvaney have had for some time.

## National Flood Insurance Program

The [National Flood Insurance Program](#) (NFIP) makes an appearance in the budget with a \$78 million reduction in its budget. The NFIP has long been indebted, with no plausible outlook for reform and its funding tied to the Continuing Resolution. The budget would reduce the NFIP's funding of its flood hazard mapping program and cites improved efficiency over the next year to cover the shortfall, as well as incentives for state and local governments to invest in updated flood maps. It also proposes a "means-tested affordability program" that would determine the amount of assistance that homeowners receive for flood insurance premium payments, instead of basing the amount of their payment solely on the location of the property.

## Financial Stability Oversight Council & Office of Financial Research

As with its proposals for the CFPB, the budget would place funding for the Financial Stability Oversight

Council (FSOC) and the Office of Financial Research (OFR) – both creations of the 2010 Dodd-Frank Act – under the congressional appropriations process. It would reduce OFR’s funding from \$82 million to \$75.3 million and would cut its staff by 50 full time employees. The budget also calls for FSOC to “increase the transparency of [its] decision-making procedures and to implement more rigorous cost-benefit analysis standards,” changes which [AAF has advocated](#) since the Council’s inception.

### Securities Exchange Commission

The Securities Exchange Commission (SEC) would see its budget reduced from \$1.66 billion to \$1.60 billion. The budget also calls for the SEC’s reserve fund to be eliminated. Recall that the reserve fund is a discretionary fund into which the SEC can contribute up to \$50 million per year. The same proposal was in the CHOICE Act passed by the House last year but has not seen much traction beyond that. Trump’s own nominee to head the SEC, Jay Clayton, has called for the fund to be left alone. The SEC uses the reserve fund mainly for information technology upgrades within the agency.

### Department of Housing and Urban Development

Finally, the budget would slash the Department of Housing and Urban Development’s (HUD) funding from \$48 billion to \$39.2 billion and includes a number of proposals to reform its housing assistance programs. For example, it proposes to “encourage work and self-sufficiency” across its rental assistance programs. Specifically, it would “require able-bodied individuals to shoulder more of their housing costs and provide an incentive to increase their earnings while mitigating rent increases for the elderly and people with disabilities.” At the same time, it requests an additional \$20 million for the Federal Housing Authority (FHA) to upgrade its operations by investing in information technology and contract support. The budget claims that the additional \$20 million would be fully offset by a “modest” new fee on FHA lenders. The budget also would eliminate allocations to the [Housing Trust Fund and Capital Magnet Fund](#).