

Research



Consumer Financial Protection Bureau's Alphabet Soup of Regulation

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The newly-minted Consumer Financial Protection Bureau (CFPB) has had a rocky start. Created in Title X of Dodd-Frank, CFPB immediately came under fire for its inherent lack of accountability and few checks on its broad grant of power. The agency has undefined authority to regulate any lending that is “unfair,” “deceptive,” or “abusive.” In only a year, CFPB has imposed more than \$1 billion in regulatory burdens and 37 million hours of paperwork.

Earlier this year, the President circumvented one of the few remaining limits to CFPB’s authority, the advice and consent of the U.S. Senate, with his recess appointment of Richard Cordray. The constitutional problem: the Senate was not in recess; a few days earlier it had just passed the President’s tax cut extension.

In Director Cordray’s first few months on the job, CFPB has been busy. His budget, taken out of the Federal Reserve, has ballooned from [\\$9.2 million](#) to [\\$447 million](#), more than the [Federal Trade Commission’s](#), an agency also designed to “[protect consumers](#).” Staff increases at CFPB have also skyrocketed from 178 to 1,359 (a seven-fold increase).

Since 2010, there has been a commensurate increase in regulatory activity. According to the *Federal Register*, CFPB has already published 125 regulations or notices since its inception. What does this mean for consumers and businesses? According to White House data, these regulations alone are responsible for \$1 billion in costs and more than 37 million paperwork burden hours. To put this in perspective, it would take 18,584 employees working full-time to comply with CFPB’s red tape (assuming a 2,000-hour work year). New York City could build five Empire State Building’s in the time it takes to comply with the regulations.

TOP TEN CFPB REGULATORY BURDENS

Regulation	Paperwork Hours	Cost
Regulation X	17.1 Million	\$727.3 Million
Regulation Z	6.4 Million	\$6.4 Million
Regulation V	4.7 Million	\$134.7 Million

<u>Regulation</u>	<u>Paperwork Hours</u>	<u>Cost</u>
Regulation E	4.1 Million	\$113.9 Million
Regulation N	1.9 Million	\$25.57 Million
Regulation B	1.5 Million	\$40.3 Million
Regulation P	0.5 Million	\$12 Million
Response Intake Form	0.3 Million	\$11 Million
Regulation C	0.1 Million	\$4.5 Million
Regulation M	0.1 Million	\$2.4 Million
<u>Totals:</u>	<u>37 Million Hours</u>	<u>\$1 Billion</u>

A majority of CFPB’s “alphabet soup” regulations are banking rules that other agencies transferred to CFPB’s jurisdiction. In its short existence, CFPB has managed to produce 21 information collections. These collection burdens range from a high of 17.1 million hours for “Regulation X,” to one hour for the “CFPB State Official Notification Rule.”

CFPB’s red tape carries a high, and sometimes variable, price tag. For example, Regulation X will cost more than \$700 million, but CFPB declined to state a cost for Regulation E, which will consume more than 4 million hours initially.

There were several information collections that failed to monetize paperwork burdens (e.g. the agency listed paperwork burdens but did not identify monetary costs). To provide an estimate, the American Action Forum calculated the average cost of paperwork burdens for rules that CFPB monetized: \$28.44 per hour. The Forum then applied this average to paperwork collections without listed costs. As a result, there are more than a quarter-billion dollars in paperwork collections that CFPB has omitted.

For example, Regulation E, which has already caused some banks to [eliminate business products](#), will cost more than \$113 million in paperwork compliance, and this figure excludes the macroeconomic impact of lost business revenue and any capital costs.

CFPB’s paperwork burden easily dwarfs what even the Environmental Protection Agency has done in 2012. EPA has published *only* 1.6 million hours in 2012, or 4.3 percent of CFPB’s burden.

CONCLUSION

Dodd-Frank is already responsible for more than [51 million](#) hours of paperwork compliance. CFPB is just one of the many agencies responsible for this incredible new burden, generating more than \$1 billion in compliance. What’s more, CFPB and Richard Cordray are just getting started. The agency has an aggressive regulatory agenda planned for 2012 and 2013 that will only add to its totals.

Individuals and business must currently labor under 37 million hours of paperwork from an agency designed to

protect consumers. The intent might be protection but the data thus far indicate an unaccountable agency with broad authority to regulate at will.