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Is consumer agency too independent for its own good?

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The **Consumer Financial Protection Bureau** isn't even in business yet, and some people already are raising questions about its funding.

James Bullard, president of the **St. Louis Federal Reserve Bank**, mentioned the funding issue in [introductory remarks](#) today for a conference on the CFPB. The bureau, which is to be an independent agency within the Federal Reserve System, will get a budget based on a fixed percentage of Fed revenue. That's extremely arbitrary for an agency with "significant" responsibilities, Bullard noted:

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.

Mark Calabria, director of financial regulation studies at the **Cato Institute**, amplified Bullard's concerns. He said Congress set a dangerous precedent when it exempted the bureau from the normal appropriations process:

Let's be very clear. This is essentially prioritizing money to fund an agency. It goes around the constitutional requirement for appropriations. Why not fund farm subsidies out of the Federal Reserve? Why even tax -- why not just have the Federal Reserve print the money? If this isn't enough to make people worry about inflation and debasement of the currency, I'm not sure what is.

Removing this agency from the appropriations process all but assures un-accountability The structure is a radical change from legal precedent.

Ellen Harnick, senior policy counsel at the **Center for Responsible Lending**, focused most of her remarks on subprime lending abuses that, she says, demonstrated the need for a tougher federal regulator. She also said the independent funding mechanism could be an advantage. Congressional appropriations mean lobbying, and that puts power in the hands of people with money, she noted:

You don't want the regulated banks to hamper the ability of the regulator to do its job.