The New York Times
DealBook
Edited by Andrew Ross Sorkin

NOVEMBER 30, 2010, 6:46 AM

Is Consumer Panel Arbitrarily Funded?

By BEN PROTESS

Banks aren't the only ones anxious about the new Consumer Financial Protection Bureau.

Reuters St. Louis Federal Reserve Bank President James Bullard.

The president of the Federal Reserve Bank of St. Louis, James Bullard, said on Monday that he was "concerned" that the government's method for funding the bureau was arbitrary.

The bureau, which was created by the Dodd-Frank financial overhaul law, will write and enforce new rules for mortgages, credit cards and other financial products

Dodd-Frank established the bureau as an independent agency within the Federal Reserve. That means the bureau gets its funding from the central bank rather than Congress.

The bureau, known as the C.F.P.B., is entitled to 10 percent of the Federal Reserve System's total operating expenses next year. That figure jumps to 11 percent in 2012 and 12 percent in 2013.

The Fed can't control what the bureau does with the funds — or whom it hires. In September, President Obama tapped Elizabeth Warren, a Harvard law professor and bankruptcy expert, to start up the bureau.

Consumer advocates praised lawmakers for protecting the bureau's autonomy.

But Mr. Bullard said the funding amounts are "not based on any careful assessment of what the needs of the bureau will be."

"Setting up the bureau and meeting its Congressional mandates is no small task," Mr. Bullard said on Monday at a panel discussion about the C.F.P.B. in St. Louis. He added that there was no "mechanism for changing these amounts going forward, should market conditions change, or if the needs of the bureau change."

A bureau spokesman did not respond to a request for comment.

The St. Louis Fed's panel also included presentations from Ellen Harnick, senior policy counsel for the Center for Responsible Lending; John Ryan, executive director of the Conference of State Banking Supervisors; Mark Calabria, director of financial regulation studies at the Cato Institute; and Mike McCoy, president of Wells Fargo Card Services.

As the industry's lone representative, Mr. McCoy said lenders needed to "focus on rebuilding trust and reputation," according to a copy of his presentation.

Mr. McCoy said "we're already seeing some of the unintended consequences," of the Credit Card Accountability, Responsibility and Disclosure Act of 2009, including a reduction in credit and a higher cost of credit.