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Consumer Bureau Bashed By Banking Insiders, Cato Analyst

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Richard Cordray, director of the Consumer Financial Protection Bureau, also testified on Tuesday.

Job killer. That's the label one libertarian analyst of the banking industry slapped on the year-old Consumer Financial Protection Bureau at a congressional hearing Tuesday -- a theory quickly dismissed as politically charged by at least one economist.

New regulations from the agency, created in the aftermath of the financial crisis to protect consumers from predatory lending and other deceptive practices, have increased the cost of credit, and that translates to about 150,000 fewer jobs, according to Mark Calabria, director of financial regulation studies at the nonprofit Cato Institute.

"We can surmise that net new jobs created has been reduced since the establishment of the CFPB by at least 5 percent," Calabria testified before the House Oversight and Government Reform Committee's financial services panel.

The theory struck some economists as a patently political swipe at the agency. "This is a typical conservative approach where any regulation is allegedly a job killer with no attention to what really dealt the economy a severe blow," Jared Bernstein, a senior economist at the Center on Budget and Policy Priorities and a Huffington Post blogger, declared to HuffPost later on Tuesday.

Bernstein said there is little connection between consumers' reduced access to credit and the CFPB's regulations. "Consumers' access to credit was a casualty of the housing bubble, financial deregulation, and the kinds of practices that the CFPB was designed to prevent," he said.

The CFPB marked its one-year anniversary over the weekend, with consumer advocates trumpeting its accomplishments and a fresh round of scrutiny from the banking industry.

Since it was created under the Dodd-Frank Act, bankers and financiers have been at odds with the agency. Their main beef is that greater regulation has untold costs that will hinder innovation and profits. During Tuesday's hearing, several financial industry leaders charged that the CFPB's rule-making on mortgages and other consumer loans is restricting consumers' access to affordable credit and even hurting job creation.

However, the agency has been praised by consumer advocates for bringing a new level of transparency to consumer financial dealings. Elizabeth Warren, who originally conceived of the CFPB and is now running for the U.S. Senate in Massachusetts, blogged on HuffPost Monday to congratulate the agency for creating "a new student financial aid shopping sheet, the prototype of a shorter credit card agreement, and rapid progress toward a new, simpler mortgage disclosure form."

But the banking industry still has its long list of complaints. Steven Zeisel, general counsel of the Consumer Bankers Association, testified that the agency's proposed guidelines for qualified mortgages will limit the pool of borrowers and that student loan holders may be able to discharge crippling debt through bankruptcy in the future. He denounced rules like those requiring paper statements to be available for prepaid debit cards as hindering innovation.

In short, banks are worried that they won't be able to make as much money in the future with stricter rules.

Zeisel also contended that the CFPB's examiners are too "inexperienced" and the bureau's enforcement lawyers "chill the open dialogue." Douglas Fecher of the Wright-Patt Credit Union, who testified on behalf of the Credit Union

National Association, argued that credit unions should be exempt from some of the agency's regulatory guidelines because they were too expensive for the member-run institutions.

Battles between industry players and regulators are nothing new and generally part of the push-and-pull of writing rules. Many of the CFPB's top executives have come from the banking industry, including former Capital One executive Raj Date, now deputy director of the agency.