



Trump's Tweet Offers Flavor of New CFPB

Yuka Hayashi

December 13, 2017

President Donald Trump's first clear **policy statement on consumer finance regulation**, as with many other issues, came in a tweet: "I will cut Regs but make penalties severe when caught cheating!"

That offers a taste of what to expect at the Consumer Financial Protection Bureau under its new Republican leadership. It indicates the bureau is likely to survive the regime shift but its focus might shift to policing fraud while unwinding regulations.

Republicans generally like this idea. When Rep. Jeb Hensarling (R., Texas) unveiled his proposed Financial Choice Act in June, the chairman of the House Financial Services Committee said the broad deregulatory package "imposes the toughest penalties in history for those who commit financial fraud." He pitched converting the CFPB into a "civil enforcement agency" focused on policing violators, rather than regulating banks.

"Reducing regulation but being tough on fraud is a position that a lot of people will get behind. Nobody likes fraud," said Thaya Brook Knight, associate director of financial regulation studies at the Cato Institute, a libertarian think tank.

In his tweet last Friday, Mr. Trump pledged to pursue tough penalties for Wells Fargo & Co. "for their bad acts." He was responding to a news report that under **newly appointed** Acting Director Mick Mulvaney, the CFPB was reviewing whether to shelve imposing large fines on Wells Fargo over mortgage issues.

Initial reactions to the tweet included criticism of the president for appearing to interfere with policy decisions at an independent agency.

Others said the message underscored the conundrum the administration faces as it embarks on overhauling the CFPB, which until recently was run by an Obama appointee. The Trump administration has promised to ease regulatory burdens on financial companies. But at the same time, it must send a clear message that it will be tough on misconduct by Wall Street firms, given the president's campaign promises.

"I think it's going to be a perennial challenge when it comes to an agency like the CFPB because [Mr. Trump's] stated desire to cut regulation and stated desire to hold Wall Street

accountable...are butted right against each other,” said Joe Valenti, director of consumer finance at the Center for American Progress, who is critical of the administration’s deregulatory stance.