

Client Alert

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Legislation Introduced to Modify CFPB Structure: Will It Gain Traction?

By **Steven M. Kaufmann and Donald C. Lampe**

Earlier this month, a year after the House passed a bill to change the structure of the Consumer Financial Protection Bureau (CFPB), Rep. Randy Neugebauer (R-Tex.) again introduced legislation that would modify the structure of the Bureau. The most recent bill, [H.R. 1266](#), would change the CFPB to an independent Financial Product Safety Commission (FPSC) replacing the position of Director of the CFPB with a five-member bipartisan commission appointed by the President, akin to the structure of the Federal Trade Commission.

Rep. Neugebauer, who is the new chairman of the House Financial Services Committee's Subcommittee on Financial Institutions and Consumer Credit, described the rationale behind the bill saying that "the CFPB has demonstrated a lack of transparency and a lack of accountability. It has proven it is susceptible to political influence—bringing into question its independence."

Similar [legislation, H.R. 3193](#), passed the House by a wide margin last year, in what was viewed largely as a political exercise because it was never taken up by the Senate. The current bill should also move quickly through the House. The bill was introduced with 20 co-sponsors, who are Republican members of the House Financial Services Committee. While H.R. 1266 contains many of the same provisions as prior legislative efforts to reform the CFPB, such as replacing the Director with a bi-partisan commission, the current bill omits provisions intended to subject the CFPB to Congressional appropriations oversight. This omission likely will appeal to some House Democrats, only 10 of whom voted for similar legislation in 2014. With a change in control of the Senate, the CFPB reform legislation could also receive a different reception in the Senate, unless Senator Warren and her allies are able to hold up a Senate vote. While President Obama would likely veto the current bill, greater movement toward agreement in Congress could create momentum toward compromise legislation.

A number of financial services trade associations wrote a [joint letter](#) to Chairman Neugebauer stating their support for the bill. In particular, they said: "A commission would serve as a source of balance and stability for consumers and the financial services industry by encouraging internal debate and deliberation, ultimately leading to increased transparency." The letter also noted: "In 2009, then-House Speaker Nancy Pelosi (D-CA), then-House Financial Services Committee Chairman Barney Frank (D-MA), and Ranking Member Maxine Waters (D-CA) led passage of legislation in the House with strong Democrat support to create a five-member commission to oversee the CFPB which is nearly identical to what [H.R. 1266]... proposes to do." The signatories supporting the bill were the American Bankers Association, American Financial Services Association, Consumer Bankers Association, Credit Union National Association, Financial Services Roundtable, Independent Community Bankers of America, National Association of Federal Credit Unions, and U.S. Chamber of Commerce.

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A coalition of consumer groups wrote to Congress in support of maintaining the current CFPB structure and arguing both in support of the work the CFPB has undertaken and that “[t]he CFPB’s leadership structure is critical to its accountability to the public and consumers.”

Morrison & Foerster will be following the progress of the legislation in both houses of Congress. Stay tuned for further Alerts in the coming weeks and months.

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