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January 18, 2011

Elizabeth Warren
Assistant to the President
1500 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Professor Warren:

It was a pleasure meeting with you on January 4th to discuss your efforts to establish the Consumer Financial Protection Bureau (CFPB or Bureau). I am quite pleased with the professionalism and enthusiasm with which you have approached your job. I do, however, firmly believe that you are tasked with executing a fatally flawed plan and I have many questions about the operations of the CFPB. Accordingly, please provide me with answers to the following questions as well as the related reports and requests. I assume much of this information is readily available.

Organizational Structure, Authority, and Size:

Shortly after our meeting your staff sent me the most recent draft of the CFPB Organization Chart. However, I have not seen any details on the CFPB's organizational structure. Please provide a narrative description to accompany the CFPB organizational chart. The narrative should give a detailed description of each department and position laid out in your organization chart. This should include the specific responsibilities and regulatory jurisdiction of each department, the necessary qualifications of key personnel, the projections for the size of staff, and the proposed budget of each department. Given the enormous impact the CFPB will have on the economy, the public needs to know exactly who is doing what within the CFPB and that there is no duplication or overlap with regard to its day-to-day operations and regulatory actions.

With regard to current staff, please provide an update of the CFPB's hiring process. How many people are currently employed by or on behalf of the CFPB and how large do you expect the Bureau to grow? Recent reports indicate that the CFPB may hire more than 1,000 employees.¹ Is this accurate? What are the qualifications of key personnel already hired by the Bureau? Are these employees on the General Schedule (GS) pay table? If so, what grade ranges are they? If they are not on the GS table please provide the salary range for these employees. Also, given recent reports of potential conflicts of interests of senior CFPB staff, including Mr. Rajeev V.

¹ Lorraine Woellert and Alison Vekshin, *U.S. Consumer Bureau Candidate Warren Courts Bankers*, Bloomberg, July 29, 2010.

Date's involvement "as a director of a company that helps to arrange low-documentation loans for consumers with often-spotty credit histories"², what is the current policy for disclosing conflicts of interest?

Furthermore, Congress has not received an update on the status of a permanent Director for the CFPB since September 22, 2010. At that time, Secretary Geithner testified before the House Committee on Financial Services that "it is substantially in [the Administration's] interest, and I think the interest of Congress, for us to have a confirmed [CFPB] Director in place as soon as we can."³ Given the importance of this position, please provide a timetable for naming a permanent Director of the CFPB.

Finally, with regard to your appointment, I am unclear as to what specific responsibilities and supervisory authority you have as Assistant to the President and Special Adviser to the Secretary of the Treasury. The Committee on Financial Services is still awaiting a response to a letter sent from Chairman Spencer Bachus to White House Counsel Robert Bauer on September 17, 2010⁴ inquiring about this very topic as well as your availability to testify before Congress. I am sure you would agree that it should not take four months to get an answer to such a simple and straightforward request that is of utmost public concern. Please work with Counsel Bauer to provide this information along with the other requests detailed in this letter.

Organizational Funding:

The Dodd-Frank Act (DFA) authorizes appropriations of up to \$200 million per year for FY 2010 – 2014 for the CFPB. This is an optional authorization and it is in addition to the approximately \$400 million⁵ of annual funding provided by the Federal Reserve System. Please provide your current budget projections. And given those projections, do you anticipate the Bureau submitting a request to use this optional authority in FY 2011 or FY 2012?

We discussed in our meeting that I am uncomfortable that the Bureau is principally funded outside the traditional appropriations process. I strongly believe that this arrangement, at a minimum, diminishes the likelihood of effective Congressional oversight. What do you believe Congress can do to provide effective oversight in the absence of budget authority? Moreover, I would like to work with you and your staff to develop legislative language to ensure that the Bureau's operating budget is subject to the Congressional appropriations process. Please provide suggestions on how best to bring more accountability and oversight to the CFPB.

Transparency and Agency Interaction:

The recent release of your schedule by the Department of Treasury shows that you have "met or spoken with a long list of the nation's top financial industry executives;"⁶ however the exact

² Edward Wyatt, *Adviser to Consumer Agency Had Role in Lending*, New York Times, October 26, 2010

³ Timothy F. Geithner, Testimony before the Committee on Financial Services, *"The State of the International Financial System, Including International Regulatory Issues Relevant to the Implementation of the Dodd-Frank Act."*

⁴ Letter to The Honorable Robert Bauer, Counsel to the President, from Rep. Spencer Bachus and Rep. Darrell Issa, September 17, 2010.

⁵ Consumer Federation of America Briefing Paper entitled, *"The New Consumer Financial Protection Bureau"*, <http://s96153.gridserver.com/pdfs/Fact-Sheet-CFPB-OverviewOct-2010.pdf>

⁶ Maya Jackson Randall, *Warren's Meetings Revealed, as Consumer Watchdog Takes Shape*, Wall Street Journal, November 24, 2010.

topics of conversation are unclear. Please provide a brief description of each of these meetings so the public understands what advice you are receiving from outside interest groups.

More importantly, please disclose your meetings and the CFPB's interaction with other agencies - including the SEC, CFTC, FDIC, the Federal Reserve, FTC, OCC, and FHFA - on Dodd-Frank Act rulemaking. For example, how is the Bureau collaborating with the Office of Financial Research (OFR)? What is the Bureau's interaction with the Federal Reserve's Consumer and Community Affairs division? Has the CFPB consulted with other agencies during the rulemaking process for determining the definition of "qualified residential mortgage"?

Once a Director is appointed and full authority has been transferred to the Bureau, the CFPB will have the authority to re-examine rule-makings from other agencies and the Federal Reserve. What policies are in place to avoid potential duplicative, conflicting or overlapping rulemakings that are currently underway, but will ultimately be under the regulatory authority of the CFPB? What policies are in place to avoid duplicative data requests from businesses and consumer groups? Please provide a list of all DFA rulemakings at other agencies – both scheduled and completed - that you believe impact financial products and industries that the Bureau will ultimately have jurisdiction over. Will the Bureau revise any of these rulemakings at a later date? Along those lines, please provide suggestions for DFA implementation delays on rulemakings that have the potential to be revised at a later date by the CFPB.

Unintended Consequences:

Recent reports have indicated that regulatory compliance costs associated with the Dodd-Frank Act have compelled certain banks to develop plans to pass along those costs to consumers and/or reduce consumer credit products. The CEO of one large U.S. bank recently stated that, "In the future, we no longer will be offering credit cards to approximately 15% of the customers to whom we currently offer them. This is mostly because we deem them too risky in light of new regulations restricting our ability to make adjustments over time as the client's risk profile changes."⁷ Other banks "are experimenting with new monthly maintenance fees and considering additional charges on credit cards and checking accounts as they search for replacement revenue."⁸ One bank in particular "will soon begin testing fees of roughly \$6 per month on its most basic account."⁹ Moreover, many large U.S. lenders are requiring "borrowers to take a financial hit for costs resulting from the Dodd-Frank law "regardless of the date" when the cost-triggering change occurs."¹⁰

These types of reports are particularly concerning since they demonstrate that many of the unintended consequences related to the Dodd-Frank Act may disproportionately affect lower-income Americans. If traditional financial products become prohibitively expensive or unavailable, low income Americans will likely be forced to drop out of the conventional banking system, subjecting them to the higher fees and interest charges associated with non-traditional financial products. By what criteria does the CFPB plan to evaluate and re-evaluate the effects of their ongoing regulatory efforts – and efforts of other agencies - so that they avoid the kind of

⁷ Todd Zywicki, *Dodd-Frank and the Return of the Loan Shark*, Wall Street Journal, January 4, 2011.

⁸ Dan Fitzpatrick, *BofA to Test New Account Structure, Fees*, Wall Street Journal, January 5, 2011.

⁹ Dan Fitzpatrick, *BofA to Test New Account Structure, Fees*, Wall Street Journal, January 5, 2011.

¹⁰ Aaron, Lucchetti, *Lenders Look to Shift Costs to Borrowers*, Wall Street Journal, January 4, 2011.

over-regulation that might stifle financial innovation and leave some market participants worse off?

I look forward to your response by January 31, 2011. Thank you for your attention to this important matter. Please contact my Legislative Director, Cliff Roberti, at (202) 225-4005 or the Financial Services Committee staff at (202) 225-7502 if you have any questions.

Sincerely,



Rep. Randy Neugebauer
Subcommittee Chairman
Oversight and Investigations

Cc: The Honorable Spencer Bachus, Chairman
Committee on Financial Services

The Honorable Shelley Moore-Capito, Chairwoman
Subcommittee on Financial Institutions

The Honorable Timothy F. Geithner, Secretary of the Treasury

The Honorable Robert Bauer, Counsel to the President

Mr. Eric M. Thorson
Inspector General – Department of Treasury

Ms. Elizabeth A. Coleman
Inspector General – Board of Governors of the Federal Reserve System