# CONGRESSIONAL BUDGET OFFICE
# COST ESTIMATE

June 28, 2010

## H.R. 4173
## Dodd-Frank Wall Street Reform and Consumer Protection Act

*Conference Agreement, as Reported on June 26, 2010*

## SUMMARY

CBO and the Joint Committee on Taxation (JCT) estimate that enacting H.R. 4173 would increase revenues by $17.1 billion over the 2011-2015 period and by $26.9 billion over the 2011-2020 period and increase direct spending by $14.9 billion and $26.9 billion, respectively, over the same periods. In total, CBO estimates those changes would reduce budget deficits by $2.3 billion over the 2011-2015 period. The changes in revenues and direct spending from enacting H.R. 4173 would have no net effect on budget deficits for the full 2011-2020 period.[1] Because enacting the legislation would affect direct spending and revenues, pay-as-you-go procedures apply. CBO has not prepared an estimate of the changes in discretionary spending that would arise from implementing the conference agreement.

Pursuant to section 311 of the Concurrent Resolution on the Budget for Fiscal Year 2009 (S. Con Res. 70), CBO estimates that the act would increase projected deficits by more than $5 billion in at least one of the four consecutive 10-year periods starting in 2021.

H.R. 4173 would grant new federal regulatory powers and reassign existing regulatory authority among federal agencies with the aim of reducing the likelihood and severity of financial crises. It would establish terms and procedures for the orderly liquidation of certain large financial institutions that become insolvent or are in danger of becoming insolvent; provide a framework for guaranteeing financial obligations when market conditions impede the normal provision of financing to creditworthy borrowers (known as a liquidity crisis); permanently increase the limit on federal deposit insurance for an

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1. Different time periods are relevant for the purpose of enforcing the current pay-as-you-go rules in the Senate and the House of Representatives. Over the 2010-2014 period, CBO estimates that enacting H.R. 4173 would increase direct spending by $12.9 billion, revenues by $12.5 billion, and net deficits by $0.4 billion. Over the 2010-2019 period, we estimate that enacting H.R. 4173 would increase direct spending by $23.3 billion and revenues by $24.5 billion, thus reducing net deficits by $1.2 billion.

individual’s deposits to $250,000; and make other changes to federal deposit insurance programs. The legislation also would require certain firms with assets of more than $50 billion to pay an estimated $17.9 billion over the 2012-2015 period, which would be deposited in a new Financial Crises Special Assessment Fund.

Other provisions of H.R. 4173 would change how financial institutions and securities markets are regulated, create a new Bureau of Consumer Financial Protection (BCFP), broaden the authority of the Commodity Futures Trading Commission (CFTC) and the Securities and Exchange Commission (SEC), expand the supervision of firms that settle payments between financial institutions, and modify the regulation of fixed-income annuities. The legislation also would set standards for transactions related to residential mortgages and provide funding for loans or loan guarantees for certain homeowners and for grants to state and local governments to restore neighborhoods affected by foreclosures.

## MAJOR PROVISIONS

Title I would establish the Financial Stability Oversight Council and the Office of Financial Research (OFR), both of which would be funded by assessments on certain financial and nonfinancial entities starting two years after the act’s enactment. For the first two years after enactment, the Federal Reserve would fund those activities. Title I also would direct the Federal Reserve to register and supervise non-bank financial companies.

Title II would establish a new program for resolving certain financial firms that are insolvent or in danger of becoming insolvent. The act would create the Orderly Liquidation Fund, from which the costs of liquidation would be paid. The FDIC could borrow funds to pay resolution costs and would be directed to assess fees on private firms to recover costs incurred by the fund.

Title III would abolish the Office of Thrift Supervision (OTS) and change the regulatory oversight of banks, thrifts, and related holding companies by transferring authorities and employees among the remaining financial regulators. It would permanently increase the amount of individual deposits insured by the FDIC and the National Credit Union Administration (NCUA) to $250,000 (Public Law 111-22 temporarily raised the limit to $250,000 through 2013) and would expand the scope of federal deposit insurance to include non-interest bearing transaction accounts through 2013.

Titles IV, VII, and IX would change and broaden the authority of the SEC to oversee activities and entities associated with the national securities exchanges. Title VII also would change and broaden the authority of the CFTC to regulate certain derivatives transactions on over-the-counter markets. It also would specify that certain fixed-indexed annuities would be exempt from regulation by the SEC.

Title V would establish the Federal Insurance Office and set national standards for how states may regulate and collect taxes for a type of insurance that covers unique or atypical risks—known as "surplus lines" or "nonadmitted insurance." The act also would establish national standards for how states regulate reinsurance—often referred to as insurance for insurance companies.

Titles VI would modify the regulation of bank, thrift, and securities holding companies.

Title VIII would broaden the supervision of certain firms that settle payments between financial institutions.

Title X would establish the BCFP as an independent agency within the Federal Reserve to enforce federal laws that affect how banks and nonfinancial institutions make financial products available to consumers for their personal use. The BCFP would be funded by transfers from the Federal Reserve.

Title XI would revise the FDIC's authority to guarantee obligations of certain financial entities when federal officials determine that the economy faces a liquidity crisis. Future legislation would be required before the FDIC could use this authority. This title also would make changes to certain lending activities of the Federal Reserve.

Title XIV would appropriate funds for programs to provide mortgage relief to homeowners and to provide grants to state and local governments to purchase and redevelop abandoned properties. This title also would make numerous changes in laws that regulate activities related to residential mortgages.

Title XVI would direct the Financial Oversight Council and the FDIC to assess and collect fees on certain large financial firms over the 2012-2015 period. This title also would amend the Internal Revenue Code to specify that certain swaps and other derivative contracts do not trigger the mark-to-market and other tax consequences of section 1256 of the Internal Revenue Code.

Provisions of titles XII, XIII, and XV would have no significant net effects on future budget deficits.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated changes in revenues and direct spending that would result from enacting H.R. 4173 are shown in the following table. CBO has not completed an estimate of costs that are subject to appropriation. The costs of this legislation fall within budget functions 370 (commerce and housing credit), 450 (community and regional development), and 800 (general government).

| | By Fiscal Year, in Billions of Dollars | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2011-2015 | 2011-2020 |
| **NET INCREASE OR DECREASE (-) IN THE BUDGET DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES [a]** | | | | | | | | | | | | |
| Orderly Liquidation Authority | 2.4 | 4.4 | 2.9 | 2.1 | 2.0 | 1.9 | 1.4 | 0.8 | 1.1 | 1.4 | 13.7 | 20.3 |
| Securities and Exchange Commission Regulation | 0 | -0.4 | -0.4 | -0.5 | -0.5 | -0.5 | -0.6 | -0.6 | -0.6 | -0.7 | -1.8 | -4.8 |
| Consumer Financial Protection | * | 0.2 | 0.2 | 0.5 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 1.5 | 4.6 |
| Emergency Financial Stability | -0.1 | -0.3 | -0.4 | -0.3 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -1.2 | -2.1 |
| Changes Among Financial Regulators | * | * | 0 | * | * | -0.1 | -0.1 | -0.1 | -0.1 | -0.1 | * | -0.3 |
| Derivatives Regulation | * | * | * | * | * | * | * | * | * | * | 0.1 | 0.1 |
| Other Financial Oversight and Protection | * | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.7 | 1.3 |
| Financial Stability Oversight | * | * | * | 0.1 | 0.1 | * | * | * | * | * | 0.3 | 0.4 |
| Other Provisions Affecting the Federal Reserve | * | * | * | * | * | * | * | * | * | * | * | 0.1 |
| Deposit Insurance | 1.0 | -0.1 | -0.6 | -2.4 | -1.7 | -1.6 | -1.6 | -1.3 | -0.3 | -0.3 | -3.8 | -8.8 |
| Emergency Mortgage Relief | 0 | 0.3 | 0.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.5 | 0.5 |
| Neighborhood Stabilization | 0.1 | 0.4 | 0.3 | 0.2 | 0.1 | 0 | 0 | 0 | 0 | 0 | 1.0 | 1.0 |
| Regulation of Fixed-Indexed Annuities | 0 | 0 | * | * | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.1 | 1.0 |
| Other Provisions | * | * | * | * | * | * | * | * | * | * | * | * |
| FDIC Special Assessment | 0 | -3.4 | -3.4 | -3.4 | -3.4 | 0 | 0 | 0 | 0 | 0 | -13.5 | -13.5 |
| Total Change in the Budget Deficit | 3.5 | 1.1 | -1.0 | -3.3 | -2.7 | 0.5 | * | -0.4 | 0.9 | 1.2 | -2.3 | 0.0 |

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| | By Fiscal Year, in Billions of Dollars | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2011-2015 | 2011-2020 |
| **CHANGES IN REVENUES** | | | | | | | | | | | | |
| Orderly Liquidation Authority [b] | 0 | * | 0.2 | 0.3 | 0.4 | 0.6 | 0.8 | 1.0 | 1.2 | 1.4 | 0.9 | 6.0 |
| Securities and Exchange Commission Regulation | 0 | 0.4 | 0.5 | 0.5 | 0.5 | 0.6 | 0.6 | 0.6 | 0.7 | 0.7 | 2.0 | 5.2 |
| Consumer Financial Protection | 0 | 0 | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.4 | 1.2 |
| Changes Among Financial Regulators | 0 | * | * | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.6 |
| Derivatives Regulation | * | * | * | * | * | * | * | * | * | * | * | 0.1 |
| Other Financial Oversight and Protection | * | * | * | * | * | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.1 | 0.8 |
| Financial Stability Oversight | 0 | 0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.5 |
| Federal Reserve Changes | * | * | * | * | * | * | * | * | * | * | * | * |
| Regulation of Fixed-Indexed Annuities | 0 | 0 | * | * | -0.1 | -0.1 | -0.1 | -0.2 | -0.2 | -0.2 | -0.1 | -1.0 |
| Financial Crisis Special Assessment | 0 | 3.4 | 3.4 | 3.4 | 3.4 | 0 | 0 | 0 | 0 | 0 | 13.5 | 13.5 |
| Total Changes in Revenues | * | 3.9 | 4.3 | 4.4 | 4.6 | 1.5 | 1.7 | 2.0 | 2.2 | 2.4 | 17.1 | 26.9 |
| **CHANGES IN DIRECT SPENDING** | | | | | | | | | | | | |
| Orderly Liquidation Authority | | | | | | | | | | | | |
| Estimated Budget Authority | 2.4 | 4.4 | 3.1 | 2.3 | 2.4 | 2.5 | 2.2 | 1.8 | 2.3 | 2.9 | 14.6 | 26.3 |
| Estimated Outlays | 2.4 | 4.4 | 3.1 | 2.3 | 2.4 | 2.5 | 2.2 | 1.8 | 2.3 | 2.9 | 14.6 | 26.3 |
| Securities and Exchange Commission Regulation | | | | | | | | | | | | |
| Estimated Budget Authority | 0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.5 |
| Estimated Outlays | 0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.5 |
| Consumer Financial Protection | | | | | | | | | | | | |
| Estimated Budget Authority | 0.1 | 0.2 | 0.4 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 2.0 | 6.0 |
| Estimated Outlays | * | 0.2 | 0.3 | 0.7 | 0.7 | 0.8 | 0.8 | 0.8 | 0.8 | 0.8 | 2.0 | 5.9 |
| Emergency Financial Stability | | | | | | | | | | | | |
| Estimated Budget Authority | -0.1 | -0.3 | -0.4 | -0.3 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -1.2 | -2.1 |
| Estimated Outlays | -0.1 | -0.3 | -0.4 | -0.3 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -0.2 | -1.2 | -2.1 |
| Changes Among Financial Regulators | | | | | | | | | | | | |
| Estimated Budget Authority | * | 0.1 | * | * | * | * | * | * | * | * | 0.2 | 0.3 |
| Estimated Outlays | * | 0.1 | * | * | * | * | * | * | * | * | 0.2 | 0.3 |

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| | By Fiscal Year, in Billions of Dollars | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2011-2015 | 2011-2020 |
| **CHANGES IN DIRECT SPENDING Continued** | | | | | | | | | | | | |
| Derivatives Regulation | | | | | | | | | | | | |
| Estimated Budget Authority | * | * | * | * | * | * | * | * | * | * | 0.1 | 0.2 |
| Estimated Outlays | * | * | * | * | * | * | * | * | * | * | 0.1 | 0.2 |
| Other Financial Oversight and Protection | | | | | | | | | | | | |
| Estimated Budget Authority | * | 0.1 | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.8 | 2.2 |
| Estimated Outlays | * | 0.1 | 0.1 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.8 | 2.2 |
| Financial Stability Oversight | | | | | | | | | | | | |
| Estimated Budget Authority | * | * | 0.3 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 | 0.9 |
| Estimated Outlays | * | * | 0.1 | 0.2 | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.5 | 0.9 |
| Deposit Insurance | | | | | | | | | | | | |
| Estimated Budget Authority | 1.0 | -0.1 | -0.6 | -2.4 | -1.7 | -1.6 | -1.6 | -1.3 | -0.3 | -0.3 | -3.8 | -8.8 |
| Estimated Outlays | 1.0 | -0.1 | -0.6 | -2.4 | -1.7 | -1.6 | -1.6 | -1.3 | -0.3 | -0.3 | -3.8 | -8.8 |
| Emergency Mortgage Relief | | | | | | | | | | | | |
| Estimated Budget Authority | 0.5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.5 | 0.5 |
| Estimated Outlays | 0 | 0.3 | 0.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.5 | 0.5 |
| Neighborhood Stabilization | | | | | | | | | | | | |
| Estimated Budget Authority | 1.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.0 | 1.0 |
| Estimated Outlays | 0.1 | 0.4 | 0.3 | 0.2 | 0.1 | 0 | 0 | 0 | 0 | 0 | 1.0 | 1.0 |
| Other Provisions | | | | | | | | | | | | |
| Estimated Budget Authority | * | * | * | * | * | * | * | * | * | * | * | 0.1 |
| Estimated Outlays | * | * | * | * | * | * | * | * | * | * | * | 0.1 |
| Total Changes in Direct Spending | | | | | | | | | | | | |
| Estimated Budget Authority | 4.9 | 4.4 | 3.0 | 0.9 | 1.8 | 2.0 | 1.7 | 1.6 | 3.1 | 3.7 | 15.0 | 27.1 |
| Estimated Outlays | 3.5 | 5.0 | 3.3 | 1.1 | 1.9 | 2.0 | 1.7 | 1.6 | 3.1 | 3.7 | 14.9 | 26.9 |

**MEMORANDUM:**

**CHANGES IN DIRECT SPENDING CONTINGENT ON FUTURE LEGISLATION**[c]

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2011-2015 | 2011-2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Emergency Financial Stability | | | | | | | | | | | | |
| Estimated Budget Authority | 0.1 | 0.4 | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 2.9 |
| Estimated Outlays | 0.1 | 0.4 | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 2.9 |

Note:. *= between -$50 million and $50 million. Components may not sum to totals because of rounding.

a. Positive numbers indicate increases in deficits; negative numbers indicate decreases in deficits.

b. The legislation could affect federal tax receipts under the Internal Revenue Code. However, there are a number of uncertainties regarding potential effects of the use of a bridge financial company by the Federal Deposit Insurance Corporation on the tax attributes of a failed financial institution. It is not possible to determine whether the use of a bridge financial company would provide a tax result that is more or less favorable than bankruptcy, which is the current-law alternative. Therefore, the staff of the Joint Committee on Taxation is not currently able to estimate the changes in tax revenue that would result from this provision of the act.

c. While the legislation would expand the authorities of the FDIC, the use of that new authority would be contingent on the enactment of future legislation. The resulting costs of triggering the use of the new authority are shown here and are not included in the totals above.

## BASIS OF ESTIMATE

For this estimate, CBO assumes that H.R. 4173 will be enacted before the end of fiscal year 2010 and that spending will follow historical patterns for activities of the FDIC, the Federal Reserve, and other agencies.

CBO estimates that enacting the legislation would increase revenues by $26.9 billion over the 2011-2020 period. About $13.5 billion of those revenues would be generated by an assessment on certain firms with assets over $50 billion; the remaining revenues would arise from other activities under the act. Several provisions of the act, most importantly those establishing the BCFP and reassigning supervisory responsibilities over financial institutions among the various regulators, would increase the net earnings of the Federal Reserve, which are recorded in the budget as revenues. The SEC would receive permanent authority to collect certain fees, which would be recorded as revenues. Under current law, these fees are collected subject to appropriation. Assessments imposed by the FDIC as part of the orderly liquidation authority also would increase revenues, as would additional fees collected by the Public Company Accounting Oversight Board (PCAOB) and the Securities Investor Protection Corporation (SIPC).

CBO estimates that enacting the legislation would increase direct spending by $26.9 billion over the 2011-2020 period. Most of that amount would result from provisions that would establish a program for resolving certain financial firms that are insolvent or in danger of becoming insolvent. Additional costs would be incurred to establish the BCFP, the Financial Stability Oversight Council, and the OFR; broaden the regulatory duties of the PCAOB; increase the amount the SIPC may borrow from the Treasury; and provide funding for programs to provide mortgage relief to certain homeowners and to provide grants to state and local governments to purchase and redevelop abandoned properties. Some of that spending would be offset by a reduction in net outlays of the FDIC resulting from changes in deposit insurance and the agency's loan-guarantee programs.

## PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

**CBO Estimate of Pay-As-You-Go Effects for the Conference Agreement for H.R. 4173, the Dodd-Frank Wall Street Reform and Consumer Protection Act, as Reported on June 26, 2010**

| | By Fiscal Year, in Millions of Dollars | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2010-2015 | 2010-2020 |
| **NET INCREASE OR DECREASE (-) IN THE DEFICIT** | | | | | | | | | | | | | |
| Statutory Pay-As-You-Go Impact | 0 | 3,480 | 1,147 | -964 | -3,282 | -2,658 | 533 | -29 | -353 | 882 | 1,244 | -2,277 | 0 |
| **Memorandum:** Net Deficit Effects of H.R. 4173, Excluding the Special Financial Crisis Fund Assessments Imposed Under Sections 1601 and 1602[a] | | | | | | | | | | | | | |
| Net Deficit Impact | 0 | 3,480 | 4,511 | 2,400 | 82 | 707 | 533 | -29 | -353 | 882 | 1,244 | 11,180 | 13,457 |

a. Under section 1601, the amount of the Financial Crisis Special Assessment is the lesser of $19 billion and the product of 1 1/3 and the amount necessary to offset the net deficit effects of the provisions of the act, excluding the effects of sections 1601 and 1602 for the period starting on the date of enactment of the act through September 30, 2020. CBO estimates that the Financial Crisis Special Assessments would total $17,943 million. That gross increase would be partially offset because the fees would become an additional business expense for the companies required to pay them, resulting in a net revenue increase of $13,457 million over the 2010-2020 period.

## PREVIOUS CBO ESTIMATES

On May 3, 2010, CBO transmitted a cost estimate for S. 3217, the Restoring American Financial Stability Act of 2010, including amendment number 3739 in the nature of a substitute for S. 3217. CBO estimated that the amendment in the nature of a substitute to S. 3217 would reduce budget deficits over the 2011-2020 period by $19.5 billion; about $17.6 billion of that reduction would stem from a program to facilitate the resolution of certain financial institutions that are insolvent or in danger of becoming insolvent. Funding for the program would come from fees assessed on large financial companies. Other provisions that contributed to the reduction in budget deficits included reclassifying the collection and spending of fees collected by the SEC and changing the regulatory regime for supervising banks, thrifts, and related holding companies.

S. 3217 was amended by the Senate, substituted for the text of H.R. 4173, and passed by the Senate on May 20, 2010.

On June 9, 2010, CBO transmitted a cost estimate for H.R. 4173, the Restoring American Financial Stability Act of 2010, as passed by the Senate. CBO estimated that the Senate-passed version of H.R. 4173 would increase budget deficits by $19.7 billion over the 2011-2020 period. That increase in budget deficits would largely stem from changes to the program that would establish a fund to liquidate systemically important financial firms that are insolvent or are in danger of becoming so.

H.R. 4173 was further amended in the conference between the House and Senate. CBO estimates that the resulting conference agreement, as reported on June 26, 2010, would have no net effect on budget deficits over the 2011-2020 period. The major differences between the Senate-passed version of H.R. 4173 and the version reported by the conference committee arise from the following changes:

- Provisions in title III regarding the level and scope of federal deposit insurance would reduce net direct spending by an estimated $8.8 billion over the 2011-2020 period, CBO estimates. Increasing the amount of insured deposits would increase the FDIC's and NCUA's liabilities for failed institutions, but those costs would be offset over time by higher insurance premiums. Insured depository institutions also would be required to pay additional premiums to increase the size of the insurance funds in proportion to the increase in the amount of insured deposits. For this estimate, CBO projects that that enacting these changes would increase insured deposits at the FDIC by about 10 percent by 2020.

- Title XIV that would reauthorize the Emergency Mortgage Relief Program (EMRP) and provide funding for the Neighborhood Stabilization Program (NSP). The act would provide authority to make $1 billion in loans or loan guarantees under the EMRP to homeowners who are delinquent on their mortgage because of a substantial reduction in income as a result of involuntary unemployment or under-employment. The act would provide $1 billion in funding for the NSP make grants to states and local governments to be used for the purchase and redevelopment of foreclosed and abandoned residential properties. CBO estimates that these two provisions would increase budget deficits by $1.5 billion over the 2011-2020 period.

- Title XVI would require certain large financial firms to pay fees sufficient to collect the lesser of $19 billion or an amount determined by a formula based on the net deficit effects of this act, excluding the net federal proceeds from the fee. Because the fees would be compulsory, the amounts collected would be classified as revenues. Based on the estimated impact of enacting this legislation on the budget deficit, CBO estimates that the special assessments would total about $17.9 billion over the 2012-2015 period; however, the net revenues received by the government would be less than that amount—an estimated $13.5 billion—because the fees would become an additional business expense for companies required to pay them. Those additional expenses would result in decreases in taxable income somewhere in the economy, which would produce a loss of government revenue from income and payroll taxes (estimated to total about 25 percent) that would partially offset the revenue collected from the fees themselves. Income from fees would be deposited in a new Financial Crisis Special Assessment Fund and would not be available to be spent for any purpose.

- Title XVI would exempt swaps and other derivative contracts from the tax consequences of section 1256 of the Internal Revenue Code. As a result, JCT estimates that the derivative provisions would increase revenues by $120 million over the 2010-2020 period, rather than reduce revenues by $1.3 billion as in the Senate-passed version of the legislation.

- Title IX would require that certain fixed-indexed annuities would be exempt from regulation by the SEC and thus would be regulated solely by the states. CBO estimates that the provision would result in more income being earned from tax-deferred annuities rather than from other taxable instruments, resulting in a revenue loss of about $1 billion over the 2013-2020 period. The provision was not in the Senate-passed version of the legislation.

- The Senate-passed version would establish a new entity that would be responsible for assigning approved credit rating agencies to produce credit ratings for new issuances of certain securities; CBO estimated that establishing the new entity would increase budget deficits by $0.1 billion over the 2011-2020 period. The conference agreement does not include this provision.

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