CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 20, 2018

H.R. 4861
EQUAL Act of 2018

As ordered reported by the House Committee on Financial Services on March 21, 2018

H.R. 4861 would nullify guidance issued in 2013 by three financial regulators—the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), and the Federal Reserve—about certain short-term loans, known as deposit advance products, that banks offer to their customers. The bill also would require the Consumer Financial Protection Bureau (CFPB) to alter some current regulations.

CBO estimates that those financial regulators and the CFPB would need a total of three to five employees for about a year, with an average annual compensation of $250,000 each, to complete the rulemaking required by the bill regarding deposit advance products.

CBO expects that enacting the bill would not change the risk that a federally insured financial institution would fail because we estimate that the size of the deposit advance market would continue to be small under H.R. 4861. In 2013, deposit advance products amounted to less than 0.05 percent of the assets held by banks, and the loss rate of about 5 percent on those products was similar to that for other unsecured credit. Also, for the roughly 900 banks regulated by the OCC, H.R 4861 would have no effect on their operations because the OCC has already rescinded the 2013 guidance on deposit advance products.

CBO estimates enacting the bill would increase the deficit by $1 million over the 2019-2028 period; therefore, pay-as-you-go procedures apply. That increase comprises increased direct spending by the FDIC and the CFPB and decreased revenues from the Federal Reserve.

CBO estimates that enacting H.R. 4861 would not significantly increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 4861 would preempt state laws and regulations that govern bank's short-term lending when those laws conflict with federal regulations issued under the bill. Although the preemption would limit the application of state laws and regulations, CBO estimates that H.R. 4861 would impose no duty on state, local, or tribal governments that would result in additional spending or a loss of revenues. Consequently, the cost would not exceed the threshold established in the Unfunded Mandates Reform Act (UMRA) for intergovernmental mandates ($80 million in 2018, adjusted annually for inflation).

CBO expects the FDIC and OCC would increase fees or premiums to offset the costs of rulemaking activities required by the bill. Therefore, H.R. 4861 would increase the costs of an existing mandate on private entities required to pay those fees. However, CBO estimates that the incremental cost of the mandate would fall well below the annual threshold established in UMRA for private-sector mandates ($160 million in 2018, adjusted annually for inflation).

The CBO staff contacts for this estimate are Sarah Puro and Stephen Rabent (for federal costs) and Jon Sperl (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.