CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

May 23, 2016

H.R. 4166
Expanding Proven Financing for American Employers Act

As ordered reported by the House Committee on Financial Services on March 2, 2016

H.R. 4166 would modify the regulatory standards that govern the sales of securities that are backed by a pool of financial assets. Under current law, the federal banking agencies—the Federal Reserve, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC)—and the Securities and Exchange Commission (SEC) require firms that issue asset-backed securities to retain an economic interest in a portion of the credit risk stemming from those assets, a feature known as risk retention. This bill would allow firms to meet some of those requirements by retaining a financial interest in certain qualified collateralized loan obligations (a type of debt security), including assets primarily backed by commercial loans.

Implementing H.R. 4166 would require the SEC and the federal banking agencies to revise current regulations concerning exemptions to risk-retention requirements. Based on information from those four agencies, CBO estimates that the costs of revising the regulations would not be significant. The SEC is authorized to collect fees sufficient to offset its annual appropriation; therefore, CBO estimates that the net effect on discretionary spending would be negligible, assuming appropriations actions consistent with that authority.

Costs incurred by the FDIC and the OCC are recorded in the budget as increases in direct spending. Those two agencies are authorized to collect premiums and fees from insured depository institutions to cover administrative expenses. CBO expects that they would do so to recover any costs associated with amending current regulations under the bill. Costs to the Federal Reserve System are reflected on the federal budget as a reduction in remittances to the Treasury (which are recorded in the budget as revenues). Because enacting H.R. 4166 would affect direct spending and revenues, pay-as-you-go procedures apply. However, CBO estimates that the net effects would be insignificant for each year. CBO estimates that enacting H.R. 4166 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2027.

H.R. 4166 contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments

If the SEC, FDIC, or OCC increase fees to offset the costs of implementing the bill, H.R. 4166 would increase the cost of an existing mandate on private entities required to pay those fees. Based on information from the affected agencies, CBO estimates that the incremental cost of the mandate, if imposed, would be minimal and would fall well below the annual threshold for private-sector mandates established in UMRA ($154 million in 2016, adjusted annually for inflation).

The CBO staff contact for this estimate is Stephen Rabent. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.