CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 21, 1998

H.R. 4321
Financial Information Privacy Act of 1998

As ordered reported by the House Committee on Banking and Financial Services on August 5, 1998

SUMMARY

H.R. 4321 would prohibit obtaining or requesting a customer's personal financial information from a financial institution under false pretenses. For most purposes, the bill would be enforced by the Federal Trade Commission (FTC). The Office of the Comptroller of the Currency (OCC), the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the National Credit Union Administration (NCUA) would enforce H.R. 4321 as it applies to the financial institutions that those agencies regulate. The Federal Reserve System would issue regulations defining the phrase "financial institution" as directed by the bill. Finally, H.R. 4321 would allow states to bring legal actions in federal district court against violators of the bill.

CBO estimates that implementing H.R. 4321 would increase discretionary spending by less than $500,000 a year over the 1999-2003 period. Such costs would be subject to the availability of appropriated funds. H.R. 4321 could affect direct spending and revenues; therefore, pay-as-you-go procedures would apply, but CBO estimates that any such effects would be less than $500,000 in a year over the 1999-2003 period.

H.R. 4321 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

H.R. 4321 would make it a federal crime to obtain or request a customer's personal financial information from a financial institution under false pretenses. Subject to the availability of

appropriated funds, CBO estimates that implementing H.R. 4321 would increase the costs of the FTC and the NCUA by less than $500,000 a year over the 1999-2003 period. Violators would be subject to imprisonment and fines. As a result, the federal government would be able to pursue cases that it otherwise would not be able to prosecute. CBO expects that the government probably would not pursue many such cases, so we estimate that any increase in federal costs for law enforcement, court proceedings, or prison operations would not be significant. Any such additional costs would be subject to the availability of appropriated funds.

Because those prosecuted and convicted under H.R. 4321 could be subject to criminal fines, the federal government might collect additional fines if the bill is enacted. Collections of such fines are recorded in the budget as governmental receipts (revenues), which are deposited in the Crime Victims Fund and spent in the following year. CBO expects that any additional collections from enacting H.R. 4321 would be negligible, however, because of the small number of cases likely to be involved. Because any increase in direct spending would equal the fines collected with a one-year lag, the additional direct spending also would be negligible.

Both the OTS and the OCC charge fees to cover all their administrative costs; therefore, any additional spending by these agencies would have no net budget effect. That is not the case with the FDIC, however, which uses deposit insurance premiums paid by all banks to cover the expenses it incurs to supervise state-chartered banks. The bill would cause a small increase in FDIC spending, but would probably not affect its premium income. In any case, CBO estimates that H.R. 4321 would increase direct spending and offsetting receipts for those agencies by less than $500,000 a year over the 1999-2003 period.

Budgetary effects on the Federal Reserve are recorded as changes in revenues. Based on information from the Federal Reserve, CBO estimates that enacting H.R. 4321 would reduce revenues by less than $500,000 a year over the 1999-2003 period.

PAY-AS-YOU-GO CONSIDERATIONS

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you go procedures for legislation affecting direct spending or receipts. CBO estimates that enacting H.R. 4321 would affect direct spending and governmental receipts but that there would be no significant impact in any year.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4321 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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