Congressional Budget Office
Cost Estimate

September 13, 2024

At a Glance

H.R. 7440, Financial Services Innovation Act of 2024

As ordered reported by the House Committee on Financial Services on April 17, 2024

By Fiscal Year, Millions of Dollars	2024	2024-2029	2024-2034
Direct Spending (Outlays)	0	25	59
Revenues	0	2	-13
Increase or Decrease (-) in the Deficit	0	23	72
Spending Subject to Appropriation (Outlays)	0	15	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2035?	**< $2.5 billion**	Statutory pay-as-you-go procedures apply?	**Yes**
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2035?	**< $5 billion**	Contains intergovernmental mandate?	**No**
		Contains private-sector mandate?	**Yes, Under Threshold**

The bill would
- Require nine federal agencies to establish offices to promote innovation in financial products and services
- Increase the cost of an existing private-sector mandate if federal financial regulators increase annual fees to offset the cost of implementing the bill

Estimated budgetary effects would mainly stem from
- Increases in direct spending, decreases in revenues, and increases in spending subject to appropriation for federal financial regulators to establish new offices

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 7440 would require nine federal agencies—the Consumer Financial Protection Bureau (CFPB), Department of Housing and Urban Development (HUD), Department of the Treasury, Federal Deposit Insurance Corporation (FDIC), Federal Housing Finance Agency (FHFA), Federal Reserve System, National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), and Securities and Exchange Commission (SEC)—to establish offices to promote innovations in financial services, defined by the bill as financial products and services delivered to consumers through technology. Among other directives, the bill would require those offices to support the development of innovative products and services, reduce the regulatory burden of offering such products and services to the public, and review petitions to modify or waive agency rules or statutes that may hinder innovation. H.R. 7440 would authorize the agencies to enter into agreements with petitioners that exempt those petitioners from agency rules and statutes.

The bill also would require each agency to publish a list of regulations that the agency would consider modifying or waiving under the new authority, report to the Congress on activities carried out under H.R. 7440, and participate in an interagency committee.

Finally, the bill would require the Financial Stability Oversight Council (FSOC) to report to the Congress annually on the effect of the enforceable compliance agreements.

Estimated Federal Cost

The estimated budgetary effect of H.R. 7440 is shown in Table 1. The costs of the legislation fall within budget function 370 (commerce and housing credit).

Basis of Estimate

For this estimate, CBO assumes that H.R 7440 will be enacted near the end of calendar year 2024.

Using information from the affected agencies, CBO estimates that enacting H.R. 7440 would, on net, increase direct spending by $59 million, decrease revenues by $13 million, and increase the deficit by $72 million over the 2024-2034 period. CBO also estimates that the bill would increase spending subject to appropriation by $15 million over the 2024-2029 period.

Several agencies already administer offices that are dedicated in whole or in part to promoting innovation, including the CFPB's Office of Competition and Innovation, the NCUA's Financial Technology and Access Team, and the SEC's Strategic Hub for Innovation and Financial Technology. However, CBO expects that implementing the bill's provisions, in particular the requirement to administer the process for exempting petitioners from agency rules and statutes, would lead to additional costs.

Table 1.
Estimated Budgetary Effects of H.R. 7440

	By Fiscal Year, Millions of Dollars												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2029	2024-2034
Increases in Direct Spending													
Estimated Budget Authority	0	3	6	6	6	6	7	7	7	7	7	27	62
Estimated Outlays	0	2	5	6	6	6	6	7	7	7	7	25	59
Increases or Decreases (-) in Revenues													
Estimated Revenues	0	*	*	*	1	1	-9	-1	-1	-2	-2	2	-13
Increase in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	0	2	5	6	5	5	15	8	8	9	9	23	72
Increases in Spending Subject to Appropriation													
Estimated Authorization	0	2	3	3	4	4	n.e.	n.e.	n.e.	n.e.	n.e.	16	n.e.
Estimated Outlays	0	1	2	4	4	4	n.e.	n.e.	n.e.	n.e.	n.e.	15	n.e.

n.e.= not estimated; * = between zero and $500,000.

CBO expects that most agencies would need three employees in 2025 and six employees in each year after 2025, at an average annual cost of $270,000 per employee in 2025, to administer the new offices. Among other duties, those employees would manage the application process for petitioners, review waiver applications, create agreements with petitioners, and report to the Congress.

Direct Spending

The operating costs for the CFPB, FDIC, FHFA, FSOC, NCUA, and OCC are classified in the budget as direct spending. The NCUA and OCC collect fees from financial institutions to offset their operating costs; those fees are recorded as offsetting receipts—that is, as reductions in direct spending. FHFA and the FSOC also are authorized to collect fees to offset their operating costs. Because those fees are recorded in the budget as revenues, they are discussed in the section below.

In total, CBO estimates that enacting H.R. 7440 would increase direct spending, on net, by $59 million over the 2024-2034 period. CBO estimates that the CFPB, FDIC, FHFA, NCUA, and OCC would spend a combined $95 million over that period to establish and maintain the new offices and that the fees collected by the NCUA and OCC would offset that total by $39 million over the same period.

CBO also expects that the FSOC would need two employees to issue recurring reports and we estimate that would cost $3 million over the 2024-2034 period.

Revenues

CBO estimates that enacting H.R. 7440 would decrease revenues, on net, by $13 million over the 2024-2034 period for the Federal Reserve, FHFA, and the FSOC.

Costs incurred by the Federal Reserve reduce remittances to the Treasury, which are recorded in the budget as revenues.[1] CBO estimates that requiring the Federal Reserve to establish and maintain an office to promote innovation in financial products and services would decrease revenues by $19 million over the 2024-2034 period.

Any costs incurred by FHFA to implement the bill would be partially offset by additional fees charged to the Federal Home Loan Banks. Those fees are classified in the budget as revenues. CBO estimates that FHFA would levy $5 million in fees over the 2024-2034 period. However, when such fees are imposed, taxable income for businesses and workers tends to decline, leading to reduced collections of income and payroll taxes. As a result, CBO expects that the additional fee collections would be partially offset by reductions in tax receipts of about 25 percent of the gross fee amount each year.[2] After accounting for that offset, CBO estimates that FHFA's fees would increase net revenues by $4 million over the 2024-2034 period.

The FSOC is authorized to assess fees on bank holding companies and nonbank financial institutions to offset its operating costs; those fees are recorded as revenues in the budget. CBO estimates that the FSOC would collect $3 million in additional fees over the 2024-2034 period to fulfill the bill's reporting requirements. After accounting for the income and payroll tax offset described above, CBO estimates that the FSOC's fees would increase net revenues by about $2 million over the 2024-2034 period.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 7440 would increase spending subject to appropriation, on net, by $15 million over the 2024-2034 period.

CBO estimates that it would cost HUD, the Department of the Treasury, and the SEC $23 million over the 2024-2029 period to establish and maintain offices to promote

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1. CBO estimates that under H.R. 7440, for several years, expenses would exceed income for most Federal Reserve banks and that remittances from those banks to the Treasury would largely be suspended until 2030. After remittances resume, most changes in costs incurred by the system would be recorded as changes in revenues. Consequently, changes in costs over the 2024-2029 period would not be fully reflected as changes in revenues until after that time. For more information, see Congressional Budget Office, *An Update to the Budget and Economic Outlook: 2024 to 2034* (June 2024), www.cbo.gov/publication/60039, and "Recent Changes to CBO's Projections of Remittances From the Federal Reserve" (presentation, February 2023), www.cbo.gov/publication/58913.

2. For more information, see Congressional Budget Office, *CBO's Use of the Income and Payroll Tax Offset in Its Budget Projections and Cost Estimates* (October 2022), www.cbo.gov/publication/58421.

innovation in financial products and services. The SEC is authorized to collect fees to offset its annual appropriations. Assuming appropriation action consistent with that authority, CBO estimates that the SEC's cost to implement H.R. 7440 would be offset by $8 million in fees.

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 Table 1.

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 7440 would not increase net direct spending by more than $2.5 billion in any of the four consecutive 10-year periods beginning in 2035.

CBO estimates that enacting H.R. 7440 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2035.

Mandates

If federal financial regulators increase annual fees to offset the costs of implementing the bill, H.R. 7440 would increase the costs of an existing private-sector mandate on entities required to pay those fees. CBO estimates that the incremental cost of the mandate would be small and would fall well below the annual threshold established in the Unfunded Mandates Reform Act (UMRA) for private-sector mandates ($200 million in 2024, adjusted annually for inflation).

The bill contains no intergovernmental mandates as defined in UMRA.

Estimate Prepared By

Federal Costs:

Julia Aman (for the Federal Deposit Insurance Corporation, National Credit Union Administration, and Office of the Comptroller of the Currency)

Nathaniel Frentz (for the Federal Reserve)

David Hughes (for the Consumer Financial Protection Bureau, Department of the Treasury, and Financial Stability Oversight Council)

Zunara Naeem (for the Department of Housing and Urban Development and the Federal Housing Finance Agency)

Aurora Swanson (for the Securities and Exchange Commission)

Mandates: Rachel Austin

Estimate Reviewed By

Justin Humphrey
Chief, Finance, Housing, and Education Cost Estimates Unit

Josh Shakin
Chief, Revenue Projections Unit

Kathleen FitzGerald
Chief, Public and Private Mandates Unit

H. Samuel Papenfuss
Deputy Director of Budget Analysis

Chad Chirico
Director of Budget Analysis

Estimate Approved By

Phillip L. Swagel
Director, Congressional Budget Office