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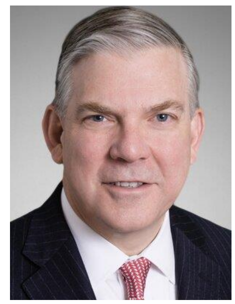
What's Next For CFPB After 'Big Beautiful' Funding Cuts

By **Eric Mogilnicki and Lucy Bartholomew** (July 28, 2025, 5:03 PM EDT)



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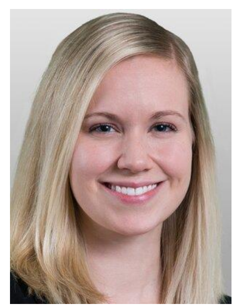

Lucy Bartholomew

On July 4, President Donald Trump signed a budget reconciliation act, known as the One Big Beautiful Bill Act, that will sharply reduce the funds available to the Consumer Financial Protection Bureau.

While this action reframes the CFPB's overall size, it is unlikely to have an independent effect on the bureau in the short run — the Trump administration was already planning to substantially decrease the bureau's size and scope. In the longer run, however, a Democratic administration would have several fixes available to it.

The Dodd-Frank Act

The Dodd-Frank Act established that the CFPB could requisition funding directly from the Federal Reserve, with a cap of 12% of the Fed's earnings.[1] As Sen. Elizabeth Warren, D-Mass., explained in 2023, "Congress decided to protect the integrity of these regulators from the chaos and politicking of the annual appropriations process by giving them independent structures."[2]

Without this funding mechanism, she warned, "[i]f Republicans control Congress, they could starve the CFPB of resources."[3] Conversely, Republicans have maintained that this funding mechanism made the CFPB unaccountable to Congress.[4]

The amounts available to the CFPB under this cap have increased considerably over time, from under $500 million in fiscal year 2011 to over $800 million in fiscal year 2025.[5]

While the funds available have steadily increased, the funds requested by CFPB directors have fluctuated widely.

The CFPB requested only $381 million against a cap of $663 million in fiscal year 2018 under former acting Director Mick Mulvaney.[6] Six years later, in fiscal year 2024 under former Director Rohit Chopra, the CFPB requested almost $730 million against a cap of $785 million.[7]

The Reconciliation Act

Earlier this year, Senate Republicans proposed zero funding for the CFPB for fiscal year 2025.[8] After the Senate parliamentarian ruled that such complete defunding was not appropriately included in a budget reconciliation package, where it would not be subject to a Senate filibuster, the Senate included and passed a reduction in the cap from 12% to 6.5%.[9]

The House concurred, and the new limit became law with Trump's signature. This limit means that the maximum the CFPB could requisition from the Fed in fiscal year 2025 has dropped from about $823 million to about $445 million.

Republicans described this change in the cap as a measure to "rein[] in the unaccountable Consumer Financial Protection Bureau and decreas[e] its mandatory funding cap by 46%, which will save over $2 billion and require the Bureau to be fiscally responsible,"[10] without affecting statutory functions of the CFPB.[11]

Democrats disagreed, characterizing the act as an effort to "kill" the agency by "slash[ing] the CFPB's modest funding cap almost in half."[12]

Short-Term Consequences

In the short run, this substantial cut in CFPB funding will not, standing alone, affect the bureau. Regardless of the maximum amount the CFPB can request, the Trump administration was already committed to a much less expansive and expensive CFPB.

The administration has twice attempted mass layoffs of the CFPB workforce,[13] and set priorities that include reducing both supervision and enforcement.[14] Even without the reduction in the cap on CFPB funding, it was already unlikely that the CFPB would spend anywhere near the new cap of $445 million in fiscal year 2025.

Indeed, the new administration has informed the Fed that the CFPB needs no new funds for fiscal year 2025.[15].

Medium-Term Consequences

The next Democratic administration is likely to have plans for the CFPB that require more funding than the new cap allows. However, even if a Democratic president is elected in 2028, it is unlikely that the CFPB would feel the pinch caused by the new cap in fiscal year 2029 or 2030.

First, it appears likely that the next administration will inherit a hollowed-out CFPB. Even the most ambitious rebuilding of the bureau will take time, making it difficult to spend to the cap for a year or two.

Second, the bureau may hold onto funds from year to year, and so requisitioning all available funds in the first year of a new administration could yield a surplus to be spent in the following year.

Third, continued growth in the Fed's earnings is likely to raise the cap to over $500 million by fiscal year 2029.

Fifth, the CFPB can still seek supplemental appropriations from Congress to "carry[] out the authorities granted in Federal consumer financial law."[16]

Sixth, if Democrats were to control the Senate and House as well as the presidency, a reconciliation bill in early 2029 could restore, or increase, the 12% cap.

Long-Term Consequences

The cuts to the CFPB's funding cap in the reconciliation act undermine one key objective of the Dodd-Frank Act, which was to protect the bureau's funding from rising and falling with political tides.

While it appears that it would require a filibuster-proof majority in the Senate to change the CFPB's funding mechanism itself, the reconciliation act demonstrates that funding levels may be changed by a bare majority — and without the compromises between parties that the appropriations process typically requires — if one party controls both houses of Congress and the presidency.

In other words, this latest development may serve to exacerbate an existing problem with the CFPB, which is that its regulatory, supervisory and enforcement efforts have fluctuated widely in successive administrations.[17]

Alternatively, gorging and starving the bureau's resources will inevitably contribute to an uneven, inconsistent approach to the regulation of consumer financial services, the supervision of large financial institutions, and the enforcement of the law.

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[1] 12 U.S.C. § 5497(a).

[2] Keynote Speech by Senator Elizabeth Warren at the Center for American Progress (Sept. 28, 2023), https://www.warren.senate.gov/newsroom/press-releases/icymi-warren-delivers-keynote-speech-on-consumer-financial-protection-bureau-ahead-of-supreme-court-case.

[3] Id.

[4] See, e.g., U.S. Senate Committee on Banking, Housing, and Urban Affairs, Minority Press Release, Scott, Hagerty, Colleagues Introduce Legislation to Subject CFPB to Regular Congressional Appropriations Process (June 13, 2024), https://www.banking.senate.gov/newsroom/minority/scott-hagerty-colleagues-introduce-legislation-to-subject-cfpb-to-regular-congressional-appropriations-process ("Under Director Chopra, the CFPB continues to brush aside congressional concerns, forge ahead with political agendas, and push past the boundaries of its authority—all to the detriment of the consumers it's supposed to protect. By subjecting the CFPB to the congressional appropriations process, this legislation will increase accountability and help Congress ensure the agency stays true to its mission.").

[5] Congressional Research Service, The Consumer Financial Protection Bureau Budget: Background, Trends, and Policy Options, at 3 (updated June 16, 2025), https://www.congress.gov/crs-product/R48295.

[6] Consumer Fin. Prot. Bureau, Financial Report of the Bureau of Consumer Financial Protection: Fiscal Year 2018, at 10 (Nov. 15, 2018), https://files.consumerfinance.gov/f/documents/bcfp_annual-financial-report_fy-2018.pdf.

[7] Consumer Fin. Prot. Bureau, Financial Report of the Consumer Financial Protection Bureau: Fiscal Year 2024, at 9 (Nov. 14, 2024), https://files.consumerfinance.gov/f/documents/cfpb_financial-report-fy-2024.pdf.

[8] SIL25700 76C, Title III — Committee on Banking, Housing, and Urban Affairs, Sec. 30001, available at https://www.banking.senate.gov/imo/media/doc/obbb_-_banking_textpdf.pdf.

[9] SIL25789 LDN, S.L.C., Title III — Committee on Banking, Housing, and Urban Affairs, Sec. 30001, available at https://www.banking.senate.gov/imo/media/doc/obbb_-_updated_banking_textpdf.pdf. Senator Tim Scott (R-SC) indicated that the Senate parliamentarian approved the inclusion of this cut in CFPB funding in the reconciliation process, and suggested that this approval reflected a view that the reduction was possible "without affecting the statutory functions of the Bureau." U.S. Senate Committee on Banking, Housing, and Urban Affairs, Majority Press Releases, Scott Releases Updated Banking Committee Provisions in the One Big Beautiful Bill (June 26, 2025), https://www.banking.senate.gov/newsroom/majority/scott-releases-updated-banking-committee-provisions-in-the-one-big-beautiful-bill#:~:text=Scott%20Releases%20Updated%20Banking%20Committee%20Provisions%20in%20the%20One%20Big%20Beautiful%20Bill.

[10] U.S. Senate Committee on Banking, Housing, and Urban Affairs, Majority Press Releases, Scott Applauds Senate Passage of the One Big Beautiful Bill (July 1, 2025), https://www.banking.senate.gov/newsroom/majority/scott-applauds-senate-passage-of-the-one-big-beautiful-bill.

[11] Id.

[12] U.S. Senate Committee on Banking, Housing, and Urban Affairs, Minority Press Releases, Warren, Banking Committee Democrats Introduce Amendment to Big, Ugly Bill to Strip Out Republican Attack on CFPB (June 30, 2025), https://www.banking.senate.gov/newsroom/minority/warren-banking-committee-democrats-introduce-amendment-to-big-ugly-bill-to-strip-out-republican-attack-on-cfpb.

[13] Ben Miller, CFPB Mass Layoffs Paused as Emails Show Rush To Fire Staff, Bloomberg Law (Apr. 28, 2025), https://news.bloomberglaw.com/banking-law/cfpb-mass-layoffs-paused-again-as-emails-show-rush-to-fire-staff.

[14] Memo from Mark R. Paoletta, Chief Legal Officer, Consumer Fin. Prot. Bureau, to CFPB Staff, 2025 Supervision and Enforcement Priorities (Apr. 16, 2025), https://www.consumerfinanceandfintechblog.com/wp-content/uploads/sites/58/2025/04/CFPB-Memo.pdf (". . . Supervision shall decrease the overall number of 'events' by 50%.").

[15] See Consumer Fin. Prot. Bureau, Fund Transfer Requests (last visited July 11, 2025), https://www.consumerfinance.gov/about-us/budget-strategy/funds-transfer-requests/. In a February 8, 2025, letter requesting no additional funds, Acting CFPB Director Russell Vought told the Federal Reserve that the Bureau's current funding is "excessive" and that "the Bureau's new leadership will run a substantially more streamlined and efficient bureau . . . ." Letter from Russell T. Vought, CFPB

Acting Director, to Jerome H. Powell, Chairman, Board of Governors of the Federal Reserve System (Feb. 8, 2025), https://files.consumerfinance.gov/f/documents/cfpb_letter-from-frb-to-cfpb_2025-02.pdf.

[16] 12 U.S.C. § 5497(e).

[17] Eric J. Mogilnicki & Lucy C. Bartholomew, A Decade at the Consumer Financial Protection Bureau, 77 The Business Lawyer 2 (Spring 2022).