



**Opening Statement of Chairman Graves**  
**Know Before You Regulate: The Impact of CFPB Regulations on Small Business**  
**Committee on Small Business**  
**August 1, 2012**

Good afternoon. The hearing will come to order.

I want to thank our witness, Richard Cordray, the Director of the Consumer Financial Protection Bureau for appearing before our Committee today. We look forward to your testimony.

Today marks the Committee's first official look at the work of the CFPB, specifically as that work affects small businesses. The CFPB is drafting a number of regulations that will impose new requirements and compliance costs on broad segments of the United States economy. One of those regulations seeks to bring simplicity and transparency to real estate transactions.

For many years, consumers, industry, and regulators have recognized that the mortgage disclosure forms required by the Truth In Lending Act and the Real Estate Settlement Procedures Act overlap and are a source of confusion. The proposed rule, which is required by the Dodd-Frank Act, will integrate those disclosure forms. Integrating and simplifying the disclosures is a laudable goal, but these changes are going to affect small businesses.

Many of my colleagues here today, including myself, question the wisdom of the Dodd-Frank Act and many of the provisions within it, including the creation of the CFPB. However, those issues are not the subject of this hearing. Rather, we are seeking to determine the extent to which the CFPB is complying with another law meant to protect small businesses – the Regulatory Flexibility Act.

Much of the public attention on this rulemaking has been focused on the disclosure forms that consumers will see when they are taking out home mortgage loans. Our Committee is interested in how the regulations will affect small firms – those community banks, credit unions, mortgage brokers, mortgage companies, and settlement agents that will need to change business operations, upgrade software, and retrain their employees to comply. Furthermore, the Committee is looking at the quality of the CFPB's assessment of the likely impacts of the rule, as well as alternatives being considered to lower costs for small firms.

As the CFPB began developing this regulation, it determined that the changes would likely have a significant economic impact on a substantial number of small businesses under the RFA. As a result, the CFPB convened a Small Business Advocacy Review panel to receive input from affected small businesses and completed an initial regulatory flexibility analysis, as required by the RFA.

On July 9, 2012, the CFPB posted the 1,100 page proposed rule on their website. While the CFPB has followed the steps the RFA requires, there appear to be holes in the agency's assessment of the economic impact of the rule on small businesses and very little discussion of how the alternatives may reduce economic burdens.

Even with the sluggish economy, the CFPB is expected to issue many more rules, some as a direct mandate from the Dodd-Frank Act and others at its discretion. Despite our concerns with the latitude the CFPB has been granted, we hope they will honor the letter and spirit of the RFA, and become a model actor with respect to this law that seeks to protect small firms so they can thrive – something our economy sorely needs.

We appreciate the Director's participation in today's oversight hearing. I now yield to our Ranking Member for her opening remarks.