

# Supreme Court will rule on the constitutionality of the CFPB's funding structure

Article

**The news:** The Supreme Court agreed to hear a case regarding the constitutionality of the Consumer Financial Protection Bureau's (CFPB's) funding mechanism, [per](#) PYMNTS.

**Funding frenzy:** The case is an appeal to reconsider a [Fifth Circuit ruling](#) that the CFPB's funding through the Federal Reserve Board, rather than through annual congressional appropriations, is unconstitutional.

- The CFPB has defended its funding mechanism, pointing to other federal agencies like the US Postal Service and the Office of the Comptroller of the Currency (OCC) that are funded outside of the appropriations process.
- Republicans are unwavering in their stance that the funding is unconstitutional. House Financial Services Committee Chairman Patrick McHenry said the structure “improperly insulates [the CFPB] from Americans’ representatives in Congress.”

Oral arguments will begin in October, with a decision expected by the end of this year or early 2024.

**Possible outcomes:** Though some banks believe the CFPB should be abolished, few industry experts believe that will happen. Instead, many banks hope the case will lead to [reforms](#).

- One obvious reform would be to subject the agency's funding to congressional appropriations. This change would hamper the CFPB's [aggressive crackdown](#) on banks' actions it sees harmful to consumers, as the agency's funding allocation would face a more politicized approval process.
- Another potential reform would be to update the agency's leadership structure to include a five-member committee rather than a single director. CFPB chief Rohit Chopra has come under intense criticism from members of the finance industry over the past year for pushing what they call “[radical](#)” reforms to the industry.

**The bigger picture:** Even if the Supreme Court upholds the CFPB's funding structure, the agency won't be entirely out of hot water.

Late last year, the American Bankers Association and other [industry trade groups sued](#) the CFPB for updates it made to the Unfair, Deceptive, or Abusive Acts or Practices (UDAAP) section of its exam manual, saying the agency overstepped its bounds. As 2023 unfolds, it looks like the CFPB will have its hands full—and not just with consumer protections.