Congressional Budget Office
Cost Estimate

January 11, 2022

H.R. 2516, Promoting Diversity and Inclusion in Banking Act of 2021

As ordered reported by the House Committee on Financial Services on April 21, 2021

By Fiscal Year, Millions of Dollars	2022	2022-2026	2022-2031
Direct Spending (Outlays)	*	2	3
Revenues	*	-2	-4
Increase or Decrease (-) in the Deficit	1	4	7
Spending Subject to Appropriation (Outlays)	0	0	not estimated

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 2032?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold

* = between -$500,000 to $500,000.

Under current law, the Federal Reserve, Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), and Office of the Comptroller of the Currency (OCC) supervise depository institutions and evaluate their financial condition and operations under the Uniform Financial Institutions Ratings System (UFIRS). That system assigns composite ratings in six areas to uniformly assess the safety and soundness of financial institutions. H.R. 2516 would direct those agencies to add a new component to the ratings to assess practices aimed at promoting diversity and inclusion.

The operating costs of the FDIC, NCUA, and OCC are classified in the federal budget as direct spending. Using information from some of those agencies, CBO estimates that under the bill administrative costs would total about $1 million annually to update the UFIRS and broaden the scope of financial institution examinations. CBO expects that those activities would require two additional staff members per agency and estimates that gross direct spending would increase by $12 million over the 2022-2031 period. However, the NCUA and OCC collect fees from financial institutions to offset their operating costs; those fees are considered reductions in direct spending. Therefore, CBO estimates, the net effect on direct spending would be $3 million over the 2022-2031 period.

Costs incurred by the Federal Reserve reduce remittances to the Treasury, which are recorded in the budget as revenues. CBO estimates that enacting H.R. 2516 would increase the Federal Reserve's administrative costs by $4 million over the 2022-2031 period, thus decreasing revenues by that amount.

Ratings issued under the UFIRS can affect depository institutions in several ways. For example, banks with a certain rating may qualify for 18-month rather than annual review cycles. In addition, the amount they pay in premiums to the Deposit Insurance Fund depends, in part, on their composite ratings under the UFIRS. However, CBO has no basis to predict how institutions' composite ratings might change under H.R. 2516 or how any resulting changes would affect direct spending or revenues.

If federal financial regulators increased fees to offset the costs associated with implementing the bill, H.R. 2516 would increase the cost of an existing mandate on financial institutions that are required to pay those assessments. CBO estimates that the mandate's cost would be small and fall below the annual threshold established in the Unfunded Mandates Reform Act for the private sector ($170 million in 2021, adjusted annually for inflation).

The bill contains no intergovernmental mandates as defined in that act.

The CBO staff contacts for this estimate are Stephen Rabent (for federal costs), Nathaniel Frentz (for federal revenues), and Fiona Forrester (for mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Director of Budget Analysis.