Fed Accountability Act
Summary

In the Dodd-Frank Act, Congress gave the Board of Governors of the Federal Reserve System critical new responsibilities in regulating and supervising the country's biggest financial institutions. The Fed Board is now our first line of defense against another financial crisis. But Dodd-Frank did little to improve the process by which the Board reaches important regulatory and enforcement decisions. As a result the Board is now empowered to make momentous decisions about the safety and soundness of our financial system without appropriate transparency and accountability for the politically appointed members of the Board.

With the bipartisan Fed Accountability Act, Senators Warren and Vitter aim to improve the Board's decision-making process – and thus its oversight of the financial system – by making two straightforward changes. Specifically, the Act:

- ***Provides up to – but not more than – four personal staffers for each member of the Board of Governors, and allows each Governor to choose the staffers and set their salaries.*** Currently, the members of the Board of Governors share a single staff, which operates at the behest of the Fed's Chair.[1] The use of a shared staff undermines the independence of the individual Governors, who lack the resources to produce their own analyses of complicated regulatory, enforcement, and monetary policy matters. That lack of independence raises concerns about groupthink – a concern manifested in the relative lack of disagreement among Board members on thorny decisions, including during the financial crisis and its aftermath. According to research by the Federal Reserve Bank of St. Louis, there have been zero dissenting votes on monetary policy in almost a decade from a Member of the Board of Governors and there have only been two dissents by a Fed Governor in any instance since 1996.[2] Giving each member of the Board his or her own staff will help address this problem, allow for more robust discussion of complex matters, and put the Governors on similar footing as Commissioners of the SEC and FDIC – each of whom have their own independent staff.

- ***Requires a publicly recorded vote by the members of the Board of Governors on the resolution of any enforcement action that includes $1 million or more in payments.*** Currently, the Board of Governors is not required to vote on whether to enter a settlement or otherwise resolve any enforcement actions – no matter what the size. For example, in 2013, the Board of Governors and the OCC entered into a massive, $8.5 billion settlement agreement with ten mortgage servicing companies accused of improper foreclosure practices.[3] It later emerged that the Board of Governors had not even voted on whether to accept that settlement – the decision had been left instead to the Fed's staff.[4] Requiring a public vote on major enforcement decisions ensures that the politically appointed members of the Board – not the unaccountable Fed staff – must review enforcement matters carefully before making agreements on behalf of US taxpayers.

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[1] The Chairman serves as public spokesperson and representative of the Board and manager of the Board's staff, *see* http://www.federalreserve.gov/faqs/about_12591.htm.

[2] Daniel L. Thornton and David C. Wheelock, *Making Sense of Dissents: A History of FOMC Dissents*, Federal Reserve Bank of St. Louis Review, 96, no.3 (2014): 216.

[3] Board of Governors of the Federal Reserve System and Office of Comptroller of the Currency, *Independent Foreclosure Review to Provide $3.3 Billion in Payments, $5.2 Billion in Mortgage Assistance* (Jan. 7, 2013), at http://www.federalreserve.gov/newsevents/press/bcreg/20130107a.htm.

[4] Alan Zibel and Michael R. Crittenden, *Fed Board Didn't Vote on Foreclosure Pact*, Wall Street Journal (June 12, 2013), at http://www.wsj.com/articles/SB10001424127887324188604578541883976317510.