

# FDIC's No. 2 a Top Contender to Succeed Bair

By [VICTORIA MCGRANE](#)

The Federal Deposit Insurance Corp.'s No. 2 official, Martin Gruenberg, has emerged as a top contender to succeed Sheila Bair as chairman, people familiar with the matter said, a move that could be part of a broader push by the White House to fill top bank-regulatory posts.

Ms. Bair, a Republican who has led the agency since 2006, plans to step down when her term expires in a few months. Mr. Gruenberg has been the FDIC's vice chairman since 2005, having served briefly as acting chairman before Ms. Bair took the helm in 2006.

Before joining the FDIC, he was a longtime aide to former Sen. Paul Sarbanes (D., Md.). Mr. Gruenberg, a Democrat, is known as an expert on banking law who believes strongly in robust financial regulation. He helped craft the Sarbanes-Oxley accounting rules that many Republican lawmakers and businesses opposed as too onerous. He took a lead role in helping design a new division of depositor and consumer protection last year.

He is known as a quiet but strong advocate for the Community Reinvestment Act, which encourages banks to make a portion of their loans in low- to moderate-income communities, and similar community-development initiatives. Republicans have criticized the CRA law as helping to cause the 2008 financial crisis. His potential nomination could roil some bankers who believe the government has become too aggressive in enforcing certain lending rules.

Officials at the American Bankers Association and Independent Community Bankers of America trade groups declined to comment.

Mr. Gruenberg has kept a mostly low profile during his time at the FDIC, though he played a key role in the agency's handling of the financial crisis and its aftermath. He hasn't clashed with the banks since he has been at the FDIC, in part because Ms. Bair has been the public face.

A White House spokeswoman and Mr. Gruenberg declined to comment.

The FDIC chairmanship often was seen as a marginal government job, but Ms. Bair transformed it into a muscular post with an international profile. She played a central, and at times controversial, role in the government's response to the financial crisis.

The agency insures deposits at 7,615 banks, which combined have \$13.4 trillion in assets. More than 300 have toppled since 2008, depleting the agency's fund that backstops deposits. The FDIC has had to change the way it charges assessments to bring in more cash, forcing banks to prepay premiums in some cases and charging larger banks more money.

At its lowest point in the fourth quarter of 2009, the fund dropped to a negative balance of \$20.8 billion, though it has since recovered from that level. Ms. Bair said in a speech Tuesday that she expects the fund to enter the black before the end of the year.

The FDIC emerged from the Dodd-Frank financial-overhaul law with new powers, including expanded authority to take over and liquidate failing financial firms that aren't banks. Most Republican lawmakers opposed the creation of the Dodd-Frank law and are likely to scrutinize how any new bank regulator might try to implement it.

If nominated, Mr. Gruenberg's appointment would be subject to Senate confirmation. Typically, former Senate aides enjoy friendly treatment during nominations, but Mr. Gruenberg could face tough scrutiny because of the FDIC's expanded powers. A spokesman for the panel's ranking Republican, Richard Shelby of Alabama, declined to comment. Still, Mr. Gruenberg's network of contacts on the Hill, both Democrat and Republican, could help him.

A spokesman for Sen. Tim Johnson (D., S.D.), chairman of the Senate Banking Committee, declined to comment.

Mark Calabria, a former aide to Mr. Shelby who worked with Mr. Gruenberg on the Senate Banking Committee, said he expects Mr. Gruenberg to be confirmed unanimously by the Senate if he is nominated.

"He can be tough and he can be partisan," said Mr. Calabria, who is now director of financial regulation studies at the libertarian Cato Institute in Washington. "But he's worked with a lot of people on both sides of the aisle over the years. He's someone who will listen to the other side."

John Dugan, a Republican who served as comptroller of the currency and was on the FDIC's board with Mr. Gruenberg until last year, said he would be a "great choice" to lead the agency.

"He has been an exceptionally conscientious board member and knows the organization really well," Mr. Dugan said.

The White House could try to package Mr. Gruenberg's potential nomination with appointments to a number of other posts. The Office of the Comptroller of the Currency, which regulates national banks, and the Federal Housing Finance Agency, which regulates Fannie Mae and Freddie Mac, are both being run by acting directors, which haven't been confirmed by the Senate.

The White House hasn't picked someone to run the new Consumer Financial Protection Bureau when it becomes fully operational in July. Senate Republicans could try to force the White House to include nominees they pick for some of these vacant jobs in order to confirm a package of nominees.