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Consumer Advocate Warren Reaches Out to Banks, Senators in Quest for Post

By Lorraine Woellert and Alison Vekshin - Jul 29, 2010

Supporters of Harvard law professor [Elizabeth Warren](#) to lead the new consumer financial bureau have picked up endorsements from lawmakers, political websites and newspaper editorials. Their success may depend on whether a quieter campaign Warren has been waging can win over detractors.

Warren, chairman of the congressional panel overseeing the Troubled Asset Relief Program, has dined with banking lobbyists, explained the financial regulatory bill to Wall Street analysts and met privately with Republican senators including [Susan Collins](#) of Maine and [Bob Corker](#) of Tennessee, Bloomberg Businessweek reports in its August 2 issue.

If President [Barack Obama](#) nominates Warren to head the Bureau of Consumer Financial Protection, the relationships she's been building could blunt a Senate confirmation battle by countering criticism that her consumer crusading would make it hard to negotiate fairly with business groups.

"It's perfectly natural that she would reach out to different industry groups and see what makes them tick," said [Camden Fine](#), president of the Independent Community Bankers of America, who has met with Warren half a dozen times over the past year, including over lunch at a Capitol Hill restaurant as the regulatory bill neared passage last month.

Fine said he told Warren that community banks were subject to excessive regulation and urged her to make non-bank financial firms the focus of the consumer bureau. "She was receptive to it," Fine said.

\$400 Million Budget

The consumer bureau is one of the largest elements of the financial overhaul, an independent entity that will live within the Federal Reserve and have more than 1,000 employees, a \$400 million budget and power to impose federal rules on mortgages, credit cards and layaway plans. Obama proposed the bureau in response to criticism from lawmakers and others that existing federal regulators failed to protect home buyers from subprime mortgage abuses during the [housing](#) bubble.

Richard Hunt, president of the Consumer Bankers Association, an Arlington, Virginia-based trade

group that represents 60 banks, said Warren agreed to meet on July 20 to talk about small-business lending.

“I think she will be nominated to be the first head of the consumer financial protection bureau,” Hunt said. “It’s important for us to establish relationships with all the players in town.”

Warren has met with lobbyists as part of her job overseeing TARP and as an advocate for regulatory reform in general as well as to discuss the consumer bureau. She is credited with coming up with the idea for the agency.

Short List

White House officials have said Warren is on Obama’s short list. Also being considered, they said, are Assistant Treasury Secretary Michael Barr and [Gene Kimmelman](#), a former director of Consumers Union who is chief counsel for competition policy at the Justice Department. Others mentioned include [Sheila Bair](#), chairman of the Federal Deposit Insurance Corp.

While White House spokesman [Robert Gibbs](#) has said that Warren is a “terrific candidate” who is “very confirmable for this job,” Senate Banking Committee Chairman [Chris Dodd](#) on July 27 again questioned whether Warren could garner the 60 votes needed in the Senate.

“She’s qualified. No question about it. But the question is whether she’s confirmable,” Dodd told reporters.

Warren declined to be interviewed for this story. Asked about her candidacy, White House spokesmen pointed to their earlier statements in support of her qualifications. The main business lobbying groups wouldn’t be interviewed either. “We’re not commenting on any appointees right now,” said [Elise Brooks](#), spokeswoman for the Financial Services Roundtable.

Election Year

Analysts said that in making his choice, Obama must weigh Warren’s popularity with the party’s left wing, the political fallout of a confirmation battle in a difficult election year for Democrats and the administration’s tattered relationship with business. If he tries to avoid a fight by naming his candidate during the Senate’s August recess, the president risks the ire of Republicans who have been helpful to his legislative agenda.

On July 22, three Senate Republicans who crossed party lines to vote for the financial overhaul -- [Collins](#) and [Olympia Snowe](#) of Maine and [Scott Brown](#) of Massachusetts -- told Obama they expected

him to allow the Senate a say in who runs the bureau.

Dodd said a recess appointment of Warren would be “a huge mistake.”

[Mark Calabria](#), director of financial regulation studies at the Cato Institute, a free-market policy group in Washington, said it is “very much in doubt” whether Warren can get 60 votes. “I don’t think it’s a fight Obama wants to wage if he doesn’t think he can win it,” Calabria said.

Beyond politics, Obama also must calculate whether his choice has the management and leadership skills to unite employees from seven agencies.

Kennedy’s SEC

“The first director will set the direction and tone for the agency for decades,” said [Travis Plunkett](#), legislative director at the Consumer Federation of America. “Look at Joe Kennedy and the SEC in the 1930s. He established that agency as a vigorous Wall Street overseer.” Though Plunkett’s group has made no endorsements, Warren would be a “terrific” choice, he said.

Warren began publishing scholarly works on bankruptcy and consumer debt in the 1980s. The book she wrote with her daughter in 2003, “The Two-Income Trap: Why Middle-Class Mothers and Fathers Are Going Broke,” thrust her into the public eye. She has published two books since, hitting the best-seller lists and making TV appearances, including on the “Dr. Phil Show.”

In her 2007 essay that inspired the consumer bureau, Warren, 61, [wrote](#) that kitchen appliances were better regulated than mortgages and credit cards.

Exploding Toasters

“Consumers can enter the market to buy physical products confident that they won’t be tricked into buying exploding toasters,” Warren wrote in *Democracy*, a Washington-based quarterly journal. “By comparison, innovation in financial products has produced incomprehensible terms and sharp practices that have left families at the mercy of those who write the contracts.”

That essay, and Warren’s consistent criticism of big banks, inflamed some on Wall Street. “Does water-boarding the financial sector build confidence and create jobs?” an investor asked Warren during a May conference call hosted by [Mike Mayo](#), an analyst with Credit Agricole Securities USA Inc.

In her response Warren revisited her kitchen analogy, saying that federal regulators should protect consumers from dangers in the fine print of a financial product just as they would from flaws in the

wiring of a toaster. “That’s where government regulation supports private markets,” she said, according to a transcript of the call.

Mayo, in a note to investors on May 7, said Warren had made “the best argument that we have heard yet” for a consumer agency. “Her logic was clear.”

Front Row

When [Obama](#) signed the regulatory overhaul law on July 21, Warren sat in the front row before joining White House senior adviser [Valerie Jarrett](#) for lunch.

Warren continues to face substantial opposition from congressional Republicans. “I would not support her for that job,” [Richard Shelby](#) of Alabama, Dodd’s Republican counterpart on the Senate Banking Committee, said in an interview. “She would have no real check on her, only her imagination.”

In other quarters her stock has been rising. House Financial Services Committee Chairman [Barney Frank](#) of Massachusetts and 56 other House Democrats last week wrote to Obama in support of Warren. The New York Times and Boston Globe followed with editorial-page endorsements.

Fever Pitch

Warren’s chorus reached a fever pitch on July 24, with repeated ovations at Netroots Nation, a convention of left- leaning bloggers held this year in Las Vegas. Warren explained her vision without making an explicit pitch for the job.

“We have an opportunity to pick up the tools that were laid out in this new financial protection bureau,” Warren said. “Unused tools don’t do any good.”

The banks “fought us every single inch of the way,” Warren told the crowd. “We scratched and we bit and we hung on.”

Then, with a smile and a wave, Warren closed with a campaign promise: “Here’s what I want to say: One way or another, I’ll keep pushing for the middle class.”

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