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Fight looms over Obama pick

July 19 2011 at 11:36am

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US President Barack Obama's choice to head the Consumer Financial Protection Bureau only inflamed a political battle over whether the new agency is a defense against big-business abuses or represents the worst of big-government meddling.

Obama accompanied his official announcement on Monday of former Ohio attorney general Richard Cordray to be the new chief with a warning to the financial industry to stop fighting his administration's reforms.

Although not as recognisable a Wall Street critic as Elizabeth Warren, who helped set up the agency that will police mortgages and credit card practices, Cordray has his own reputation as a consumer advocate.

His nomination is expected to face tough resistance in the US Senate, where Senate Republican leader Mitch McConnell said his party will demand "serious reforms" to the new agency before considering any nominee to head it.

Given the impasse, some Democrats are pushing Obama to bypass the Senate and appoint Cordray to the job when the Senate goes on recess - the next congressional break is scheduled for August.

The drawback to this approach is he could only hold the job for about 1-1/2 years as opposed to five, a schedule that may fit Cordray's previously stated ambition to move back into Ohio politics.

Republicans have focused their attacks on the structure of the agency, created by last year's Dodd-Frank financial oversight law. They say it has virtually unchecked power and could restrict banks' ability to lend.

Republicans also are likely to target Cordray's record of suing financial institutions, including Bank of America, and his strong language condemning bank practices.

Cordray has referred to the US housing boom that helped cause a deep recession as a "Roman orgy" of debt.

Conservatives and the financial industry dispute any idea that Cordray is a compromise pick. "His background and philosophy is not a compromise at all," said Mark Calabria, a former Republican aide on the Senate Banking Committee who is now with the libertarian Cato Institute.

ARMY OF LOBBYISTS

Obama, during a White House ceremony to mark Cordray's nomination, said that there is "an army of lobbyists and lawyers" trying to water down the provisions of financial reform that his administration passed.

"They've already spent tens of millions of dollars this year to try to weaken the laws that are designed to



US President Barack Obama makes a point about the status of efforts to find a balanced approach to deficit reduction at the White House in Washington July 5, 2011.

protect consumers, and they've got allies in Congress who are trying to undo the progress that we've made," Obama said.

"We're not going to let that happen," he added. "I will fight any efforts to repeal or undermine the important changes that we passed."

Obama and officials of the CFPB met later on Monday with officials from the Treasury Department, Federal Reserve Board, Federal Deposit Insurance Corp, Securities and Exchange Commission and other agencies to discuss implementation of Dodd-Frank.

The campaign feel to the nomination battle is only heightened by speculation that Warren, a Harvard law professor who faced fierce opposition to her getting the CFPB job, will run for Senate against Republican US Senator Scott Brown in 2012 when she returns home to Massachusetts.

Warren stood at Obama's side along with Cordray during the ceremony.

"It's part of the larger argument that Democrats can make in the next election that they are fighting for regular folks," said a Washington based Democratic consultant.

'ACCOUNTABILITY AND TRANSPARENCY'

Obama's fellow Democrats control the Senate, but Republicans could use a procedural move to block a confirmation vote.

Republicans have demanded that the agency's leadership be changed to a board instead of a single director, the agency's budget be subject to congressional approval, and other financial regulators have a greater say in the agency's oversight of banks.

"We'll insist on serious reforms to bring accountability and transparency to the agency before we consider any nominee to run it," McConnell said.

The agency will open its doors on Thursday, the one-year anniversary of Obama's signing of the Dodd-Frank financial oversight law.

The US Chamber of Commerce, a business lobby group, said Cordray would have too much power in his new job.

"The director is the only Senate-confirmed position at this new federal agency, putting unprecedented powers to regulate a large part of our economy in the hands of a single individual with virtually no checks and balances," David Hirschmann, president and CEO of the Chamber's Center for Capital Markets Competitiveness, said in a statement.

Obama said his reforms would make it easier for consumers to get protection from abusive financial products.

"For years the job of protecting consumers was divided up in a lot of different agencies," he said.

"We changed that. We cut the bureaucracy and put one consumer watchdog in charge with just one job: looking out for regular people in the financial system." - Reuters

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