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For All His Trouble, Dodd Stands Alone Again

BYLINE: Stacy Kaper

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WASHINGTON - The predictions proved right.

Senate Banking Committee Chairman Chris Dodd's decision to try to negotiate a bipartisan regulatory reform deal with Republican Sen. Bob Corker was a mistake.

The Connecticut Democrat found he had to negotiate away so much to gain just one GOP vote that he would jeopardize support from his own party.

Dodd vowed Thursday to release his own version of reform on Monday and hold a committee vote before Easter, but his turnabout left the fate of the reform effort in doubt.

"The prospects for the bill took a hit today," said Brian Gardner, an analyst at KBW Inc. "This was the risk that Dodd took with negotiating with Corker, that in some ways really complicated things. He's risked losing his own members."

Dodd told reporters the Senate legislative calender had forced his hand, warning that if he did not hold a committee vote before the two-week Easter recess, the odds of passing a bill would diminish.

Though Dodd tried to cast the development as a "positive and optimistic" step forward, "moving along very, very well," some of his other comments were more revealing.

Dodd acknowledged he needs strong support from both sides of the aisle and hinted he was concerned that the talks with Corker were not necessarily getting him there.

"It isn't just two of us here," Dodd said. "Obviously we are dealing with a lot of members who have a lot of ideas and who have a lot of interests, and as chairman of the committee I need to try to pull that together in a way that produces a consensus bill, and that means a consensus on all sides."

Several observers said Dodd may yet save regulatory reform.

By setting a deadline, Dodd can force members to focus on the bill and figure out where their objections lie. He can also keep enough Democrats together to get a bill out of the committee, which is split between the parties 13 to 10, and try to reach a deal with Sen. Richard Shelby, the panel's top Republican, whose support would guarantee significant GOP support for the bill.

"This certainly doesn't mean the bill is dead," said Jaret Seiberg, an analyst at Washington Research Group, a division of Concept Capital. "This is progress. This will get us through the Banking Committee and then the real negotiations can begin before the full Senate votes on the measure."

Seiberg said Dodd's reaching a deal with Shelby, not Corker, is the key to a bill's success.

"It's a lot easier to negotiate this once, and if you were going to need to cut a deal before the floor, it's better to do this comprehensively than piecemeal," he said. "I think Shelby was always the key player in this, so I think this gets us back on track."

Shelby, for his part, was careful to leave the door open to further talks.

"Republicans remain open to finding common ground with Chairman Dodd," said the Alabama Republican in a press release. "As long as we remain focused on policy and not politics, an agreement is still very possible."

Many observers said that Dodd may offer a more left-leaning bill than the one he had been negotiating with Corker and move it through committee on a party-line vote. He then could cut a deal with Shelby before the bill goes to the Senate floor that may lose some liberal support but gain him enough GOP support to overcome any veto threat.

But what that final bill would look like remains anyone's guess.

Corker said in a press conference Thursday that he and Dodd had reached a deal even on the most contentious part, consumer protection.

He and Dodd "were at the 5 yard line," Corker said, "and suddenly the lights went out."

Corker said that the only issues remaining unresolved were derivatives, proxy access, risk retention and some judicial issues.

Though Dodd said he would include negotiations with Corker in his revised reform bill, he added that, since there was no final deal with Corker, provisions may change.

Corker emphasized that he and Dodd had agreed on putting a consumer protection division within the Federal Reserve. This division would have a director, appointed by the president and confirmed by the Senate, and have the power to make rules for banks and nonbanks but no enforcement powers.

To satisfy Republican concerns that consumer protections not trump safety and soundness, Corker said the prudential regulators would have the power to veto rules before they were promulgated based on either safety and soundness or systemic-risk concerns.

Corker said he and Dodd had found common ground on every issue.

"The fact is that on the issue you all have focused on the most - consumer - we were there," he said.

Corker blamed White House "politics" for getting in the way.

Robert Gibbs, the White House spokesman, hinted at a press briefing Thursday that reports that the bill would not cover payday lenders had angered the administration.

"I think many of us read yesterday's newspaper about carving out payday lending from consumer financial protections," he said, "and I don't think many people in the White House or at the Treasury Department thought that was a great idea."

The bill's consumer division would have had rulewriting powers over nonbanks but would have focused on financial institutions. Banking and consumer groups began objecting last week, arguing that banks and nonbanks should be treated similarly.

Dodd is likely to deviate from his deal with Corker on the consumer issue and move to the left, which was strongly opposed to putting a consumer division in the Fed.

If Dodd does not propose a stand-alone consumer agency, he is likely to push for a consumer protection division within the Treasury Department.

"Dodd is getting tremendous pressure from a lot of the left who are setting him up to be the guy who sold out on CFPA. He's moving forward by himself to get himself some breathing room," said Mark Calabria, a former Shelby aide who is now director of financial regulation studies at the **Cato Institute.**