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Bennett's Loss Likely to Hurt ILCs, Affect Banking Panel**BYLINE:** Joe Adler**SECTION:** WASHINGTON; Pg. 3 Vol. 175 No. 72**LENGTH:** 961 words

WASHINGTON -The haywire politics of 2010 has upended prospects for industrial loan companies and the GOP's future leadership on the Senate Banking Committee.

Sen. Bob Bennett, the second-ranking Republican on the panel, lost his Utah seat in stunning fashion Saturday, defeated in the wave of Tea Party sentiment threatening many incumbents.

But the result had narrower yet significant implications for banking. The loss of ILCs' prime defender in Congress cast a shadow on their fight against extinction, and shuffled the line of Republicans who could end up leading the committee in the future.

"It's really an outrage what happened here," said George Sutton, a former banking commissioner in the state and now a partner at Jones Waldo.

Bennett, targeted by the Tea Party mainly for his 2008 support of the Troubled Asset Relief Program, lost in a peculiar convention format. He either had to win a supermajority of 3,500 delegates to become the nominee, or finish in the top two to advance to a June primary.

Two political newcomers - the lawyer Mike Lee and the businessman Tim Bridgewater - will now enter the runoff. (Republican candidates in Utah are usually assured victory in the general election.)

Though there has been some speculation Bennett may attempt a write-in campaign, he made no mention of it after the vote.

"The political atmosphere obviously has been toxic and it's very clear that some of the votes that I have cast have added to the toxic environment," he told reporters.

He added, however, that he did not regret his votes.

"Looking back on them with one or two very minor exceptions, I wouldn't have cast any of them any differently even if I had known at the time they were going to cost me my career," he said.

The loss was seen as a vivid sign of the Tea Party's clout, but bankers in Utah - which has been the center for ILCs for decades - were evaluating how the outcome will affect their influence in Washington.

"We're hopeful that the candidates that defeated" Bennett on Saturday "will seriously consider serving on the Banking Committee, making that a priority given the importance of the banking industry to Utah," said Howard Headlee, the president of the Utah Bankers Association. "But of course they would not have the seniority and respect that Sen. Bennett had garnered."

Before the financial crisis, a controversy surrounding ILCs - and the ability of commercial firms to provide banking services through the ILC charter - was a key policy debate in Washington.

The issue came to a head in 2002 and 2005, when Wal-Mart Stores Inc. - stopped earlier from owning a thrift - attempted to get into banking first by buying an ILC in California, and then chartering one in Utah.

Although Wal-Mart and other large retailers ultimately pulled their applications, lawmakers have repeatedly failed to enact legislation restricting commercially owned ILCs. The House passed a bill in May 2007 that would have limited ILC ownership, but the legislation never gained traction in the Senate - at least partly as a result of Bennett's fervent opposition. (Bennett was bolstered by Senate Majority Leader Harry Reid, whose home state of Nevada also supports ILCs.)

Although the Obama administration called for the elimination of all ILCs in its regulatory reform proposal, the bill by Banking Committee Chairman Chris Dodd does not go that far. The legislation would study the issue while placing a three-year moratorium on commercial ownership of ILCs.

Mark Calabria, a former Republican staffer on the committee, said Bennett's loss - as well as the negative poll numbers for Reid, who is also running for re-election - does not bode well for the sector.

"Those two have essentially been the blockers for the industrial loan companies," said Calabria, now the director of financial regulation studies for the **Cato Institute**. "With those two gone, it would certainly be open season on industrial loan companies."

Bennett, who was first elected in 1993, essentially inherited the ILC issue from his predecessor, Sen. Jake Garn, also a senior Banking Committee member. Before Garn, it was Bennett's father, Sen. Wallace Bennett, who carried the mantle.

Sutton pointed out that Bennett and his father came to politics after long careers in business, which helped develop their focus on financial issues.

Both men "came in with a strong interest in financial issues. The candidates who opposed Bennett ... neither of them have that kind of a background," Sutton continued. "Utah emerged as a significant banking center primarily because we had senators back in Washington who really understood these issues."

But Bennett's defeat also called into question who would lead the Banking Committee should the GOP take back the Senate.

Calabria said Sen. Richard Shelby, R-Ala., now the ranking member, is nearing the six-year limit that any one senator may chair a committee, and he may want to move to another panel. (Shelby chaired Banking when the GOP controlled the Senate.)

With Bennett gone, and Sen. Jim Bunning, R-Ky., not running for re-election, the next line of seniority is Sen. Mike Crapo, R-Idaho. "If Bennett had retained his seat, sometime within his next term of six years, he would have been ranking member of Banking, if not chair," Calabria said.

He added that while there was "a good chance" the eventual winner of the Utah seat would sit on the committee, it was unlikely they would carry Bennett's clout. "They would be starting at the bottom," he said.

Bennett's campaigning during the past few weeks effectively sidelined him from the regulatory reform debate. He missed four separate votes last month on beginning debate on the bill (Republicans blocked debate three times) as well as the six votes held last week on amendments to the legislation.

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