

21 of 100 DOCUMENTS

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ELECTION 2010: Reshaping Of Senate Panel Is A Certainty

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WASHINGTON - Whether or not Republicans succeed in taking control of the Senate in the November elections, one thing is clear: the Banking Committee is going to look a lot different next year.

Chairman Chris Dodd and four other panel members are set to leave at the end of this Congress, while likely Republican gains are expected to change the balance of power at the committee and the chamber at large.

Few expect the GOP to capture the Senate outright, but estimates suggest Republicans will win between six and nine races, giving them more seats on the banking and other panels. Given that situation and the expectation that the business-friendly Sen. Tim Johnson, D-S.D., will become chairman, many experts see a more moderate committee for the next two years.

"It's really a very high-stakes time for the financial services industry and it's a very, very uncertain time," said Kenneth Guenther, the former president of the Independent Community Bankers of America. "The bottom line is that the Senate Banking Committee is just going to be a less effective place with this enormous, enormous turnover."

In addition to Dodd, Democrat Evan Bayh of Indiana and Republicans Jim Bunning of Kentucky and Judd Gregg of New Hampshire are retiring. Also not returning is the panel's No. 2 GOP lawmaker, Sen. Robert Bennett, who lost his primary race this spring to a Tea Party candidate in part because of his support for the Troubled Asset Relief Program.

Observers said that, no matter which party is in charge, slimmer margins of control will make it harder than it is now for much legislating to happen. "Whoever is in the majority is going to have a smaller majority than the majority today. There's no way the Republicans are going to pick up so many seats that they'll have the numbers that the Democrats do today," said Mark Calabria, the head of financial regulation studies for the Cato Institute and a former GOP Senate aide. "Things will be a lot tougher to do, particularly as you go into a presidential election. There is a real risk that the next Congress just ends up being nasty partisan gridlock regardless of who is in the majority."

While the leadership on the Democratic side appears relatively set, Sen. Richard Shelby, the committee's ranking member, is expected to seek other opportunities when they become available. Several observers have said the Alabama Republican would seek the top spot on the Senate Appropriations Committee if its current top Republican, Thad Cochran of Mississippi, retires. (Rumors that Cochran is on the verge of retirement surface intermittently, but he is not expected to step down anytime soon.)

If Shelby surrenders his leadership post, next in line would be Sen. Mike Crapo of Idaho, whom the banking industry generally favors. Although Crapo is up for re-election this year, his seat is considered safe.

COMPETITIVE RACES

Other panel members are in tougher races, including Democrat Michael Bennet of Colorado, who won his closely contested primary but still faces a battle against Weld County District Attorney Ken Buck.

"I think it's going to be a very tight race," said Don Childears, the president and chief executive of the Colorado Bankers

Association. "Michael's been a friend of mine for some time. From our perspective, he has an understanding of banking that we really appreciate, and we've had great dialogue with him. But nonetheless, we're quite disappointed with his votes uniformly for the reg reform package and for what we regarded as damaging amendments to it, and I've been politely direct about that with him."

Childears said Bennet enjoyed the support of banking industry political action committee contributions early on, but that support has waned because of the lawmaker's support for financial reform.

"It's going to be up to individual bankers how they perceive this, but I don't think they view his voting record as helpful," Childears said. "The bank PAC affiliated with the ABA gave money to Bennet in the past - not recently - when he was first appointed as a senator, and that's about it. But no recent support in light of those votes."

Childears said that the Colorado Bankers PAC recently contributed to Buck even though he does not appear to have any particular connection to banking or any interest in the industry. "I wouldn't say he has tight connections to banking, but he does know a number of individual bankers very well," Childears said. "He does have attitudes about general economic issues that we find appealing."

According to data collected by the nonpartisan Center for Responsive Politics, as of Aug. 22 Bennet had raised roughly \$7.7 million, almost seven times as much as Buck. Of that, he generated nearly \$70,000 in contributions from the banking industry, including commercial bank PACs and individuals who work at banks. Buck has raised just \$16,250 from bankers.

One bank ranked among Buck's top 25 contributors, including Colorado Community Bank, which was seventh, with \$9,600.

Several law firms, but no banks, were among Bennet's top contributors.

SEN. VITTER

Also facing a competitive campaign is Louisiana Republican David Vitter, who has received \$123,925 from commercial banks, including \$16,900 from Capital One, his 14th-largest contributor, according to the Center for Responsive Politics.

Some industry groups, however, have also given to Vitter's opponent, Rep. Charles Melancon, a fiscally conservative Democrat. The Independent Community Bankers of America gave \$5,000 to Vitter but the maximum \$10,000 to Melancon.

Camden Fine, the ICBA's president, said the group would be happy with either candidate.

"We are a bipartisan association; we don't take a partisan side. We look at those candidates who are running for elected office, if they have a good understanding of community banks and small business," Fine said. "Charlie Melancon is a Blue Dog Democrat, a small-business man himself, who happens to know banks locally. At the same time, Sen. Vitter has been supportive of our issues. In our estimation we can't go wrong either way."

Several other members, including Shelby, Sen. Chuck Schumer, D-N.Y., and Sen. Jim DeMint, R-S.C., are up for re-election, but all three are considered safe.

THE FORMER BANKER

While a simple majority can control the agenda safely in the House, every seat in the Senate can have a profound impact on a bill or a nomination. That's why bankers are closely watching races outside the banking committee, with many hoping the GOP will gain seats to make it harder for Democrats to push legislation through.

"The question is going to be whether you put another Democratic vote in the U.S. Senate or not, and I think that is a big concern," said John Cooper, a legislative consultant for the Kentucky Bankers Association.

Ed Yingling, president of the American Bankers Association, said his group plans to "max out" on contributions it can give to open Senate races. (A political action committee can give up to \$5,000 per candidate per election, which could mean \$5,000 for a primary, \$5,000 for a general election and another \$5,000 should there be a runoff. Individuals can give a candidate up to \$2,400 per election.)

Although the ABA's giving tilts to Republicans - at about 61% - Yingling said "we really look at it race by race. All politics is local. We are fairly evenly balanced; I think it's a little more to the Republican side than we have been in recent elections."

Still, as was the case with the House races, support for Dodd-Frank is a factor for Senate campaigns, Yingling said. "Probably there is going to be a move toward the middle. ... There is real concern about the impact of the legislation," he said.

North Dakota Gov. John Hoeven is one of the open-seat candidates the ABA and other bankers are rooting for, though he is considered to be a shoo-in. Hoeven, a Republican, had received nearly \$56,000 from the commercial banking industry in PAC and individual contributions as of Aug. 22, according to the Center for Responsive Politics. He is favored to win the seat held by Democrat Sen. Byron Dorgan, who announced his retirement plans this year.

"It's not really a close race," Yingling said. Hoeven "is a former banker and well known. He's up 47 points."

Hoeven was executive vice president of First Western Bank in Minot from 1986 to 1993 and president and CEO of Bank of North Dakota from 1993 to 2000. During that time, Bank of North Dakota's assets grew from \$900 million to \$1.6 billion, according to his campaign office.

TOOMEY VS. SESTAK

In Pennsylvania, bankers are backing Pat Toomey, a former investment banker who has been decried as a derivatives trader in ads from the Democratic Senatorial Campaign Committee. He is in a competitive race against Rep. Joe Sestak for the seat currently held by Sen. Arlen Specter.

James Biery, the president of the Pennsylvania Bankers Association, said he was encouraged that Toomey, unlike Sestak, has said he would like to repeal Dodd-Frank.

"Sestak did not pay attention to our position and did not support our position," Biery said. "Pat Toomey comes from an investment banking background."

The Pennsylvania group had given \$5,000 to Toomey but nothing to Sestak as of Aug. 22.

SEN. LINCOLN

Arkansas bankers said they are disappointed Sen. Blanche Lincoln supported financial reform, and that they are considering donating to her opponent, Republican Rep. John Boozman.

"Congressman Boozman, as far as I know, does not have a banking background. But he does have a business background and certainly understands business," said Charles Miller, the chief lobbyist for the Arkansas Bankers Association. "He has been with us every time we've asked him to look at issues from our perspective."

Miller said Lincoln had worked with his trade group to make changes to the financial reform legislation, but "unfortunately, she also supported amendments that made the bill worse in our mind."

"In the end, she voted for the legislation, which is certainly not what we hoped," Miller said. "At this point we have not donated any PAC money to Congressman Boozman, but that is certainly a very real possibility. ... I would have to say I haven't talked to anyone who appreciated her vote in the end for Dodd-Frank."

BUNNING'S SUCCESSOR

In Kentucky, a red state, the Kentucky Bankers Association is still getting to know both candidates battling for Bunning's seat.

Tea Party candidate Rand Paul beat out an established Republican in the primary. Democrat Jack Conway, a moderate state attorney general who eschewed taking an aggressive approach for AG powers in the Dodd-Frank Act, could be a decent choice, Cooper said.

"This race is going to be ugly and there is going to be a lot of money spent in the race and it will go all the way down to the wire," Cooper said. "Jack Conway is a Democratic attorney general. He's been fairly moderate. But at the same time, I think the race in Kentucky will be more about Barack Obama and Nancy Pelosi and Harry Reid and probably less about Jack Conway, if you want to know the truth."

"Jack Conway would be all right," Cooper said, "but the difference is that with the Democrats in control, what happened to

the banking industry?"

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