GOP uses budget, other tools to sap financial law

By ALAN FRAM, Associated Press – 7 hours ago

WASHINGTON (AP) — President Barack Obama's financial overhaul law is nearly a year old. For congressional Republicans, the fight to weaken it is just starting.

Wary of trying to repeal the entire statute and being portrayed as Wall Street's protectors — banks rank among the country's least popular institutions — GOP lawmakers are trying to nibble away at the behemoth measure. It's a crusade they're waging despite lacking the White House and Senate control they need to prevail.

Days ago, one Republican-run House committee approved bills diluting parts of the law requiring reports on corporate salaries and exempting some investment advisers from registering with the Securities and Exchange Commission. Another House panel voted to slice $200 million from Obama's $1.4 billion budget request for the SEC, which has a major enforcement role.

Meanwhile, Senate Republicans are continuing a procedural blockade that has helped prevent Obama from putting Elizabeth Warren or anyone else in charge of the Consumer Financial Protection Bureau, which opens its doors in two weeks.

The law hurts "the formation of capital, the cost of capital and access to capital, and you can't have capitalism without capital," said Rep. Jeb Hensarling, R-Texas, a leader of the House Financial Services Committee. "So Republicans in the House will be examining each and every one of the 2,000-plus pages" of the law, which he called "a job creator's nightmare."

Confident that Obama and the Democratic-controlled Senate can prevent the House from doing major damage, Democrats view the Republican drive as a political exercise — for now.

"It's mostly setting a marker for the election. And it helps with their campaign contributions," said Rep. Barney Frank, D-Mass., who chaired the Financial Services Committee last year and was a chief author of the law. "But it also tells people in the financial community that if they win the next election, they'll be able to undo it all."

The financial industry leans Republican in its campaign contributions but not overwhelmingly. Sixty-one percent of the $9 million that commercial banks gave federal candidates for the 2010 elections went to Republicans, while 54 percent of the securities and investment industry's $9 million went to Democrats, according to the nonpartisan Center for Responsive Politics.

Democrats are using the GOP drive for their own fundraising.

In one email sent last week under Frank's name soliciting money for House candidates, the party wrote that Republicans want to "bring back the days of unrestrained excess, deception and de-regulation of Wall Street." The mailing called it "payback to their big contributors in the financial services industry."

Obama signed the banking and consumer protection measure last July 21, a keystone achievement that responded to the biggest financial crisis and most severe recession since the 1930s. It passed Congress with solid Democratic support and near-uniform GOP opposition.

Among its provisions, the law:

— Created the consumer protection agency to oversee mortgages, credit cards and other financial products.

— Established a body of regulators to scan the economy for threats to the financial system.

— Required banks to hold back money for protection against losses.

— Curbed the trading of derivatives, speculative investments partly blamed for the 2008 financial crisis.

— Gave the Federal Reserve powers to oversee huge companies whose failures could jeopardize the entire financial system.

Yet the law was just a start, since it ordered federal agencies to craft rules to enforce it. As of July 1, out of an estimated 400 regulations to be written, 38 are complete. That leaves 362 proposed, facing a future deadline or having missed due dates for completion, according to the law firm Davis Polk.

Republicans say the overhaul went too far and has saddled banks and other companies with requirements that harm their competitiveness. The House Financial Services panel alone has held more than a dozen hearings on the law, in part to underscore to administration witnesses that some provisions — like forcing banks to hold back capital as a hedge against losses — will hurt business, according to the committee's chairman, Rep. Spencer Bachus, R-Ala.

"What we are doing is rational, it is sensible, it is entirely practical, it is compassionate," said Rep. Nan Hayworth, R-N.Y., a tea party-backed freshman on that panel. "So we are doing the right thing, and it behooves the Senate and the administration to follow suit."

The highest-profile fight has been over Warren, picked by Obama to set up the new consumer bureau. Many Democrats and liberal groups want her to become its first director.

Following a May clash between Warren and a House subcommittee chairman, House Oversight Committee Chairman Darrell Issa, R-Calif., plans to question the Harvard law professor and long-time consumer activist at a July 14 hearing about her role shaping the new agency.

Meanwhile, 44 GOP senators have promised to block a vote on any nominee unless the bureau is made "accountable to the American people" by replacing the director with a board of directors and giving Congress control over its budget. Forty-one senators can prevent a nomination from coming to a vote.

"You try to get leverage where you can. In the Senate, nominations are your leverage," said Mark A. Calabria, who monitors financial regulation at the conservative-leaning Cato Institute.

On another front, Republicans want to cut the budgets of agencies that are supposed to enforce the overhaul.

Besides denying the SEC extra money next year, the House Appropriations Committee would limit the consumer protection bureau to $200 million, well below the $329 million Obama wants. The full House has voted to hold the Commodity Futures Trading Commission, which oversees derivatives, to $171 million, short of this year's total and less than two-thirds of what Obama wanted.

Republicans cast the cuts as part of their deficit-cutting drive, but Democrats say the reductions are designed to obstruct the new law.

SEC Chairwoman Mary Schapiro said in a speech this spring that budget cuts would mean "an investor protection effort hobbled."