Politics

Obama aims lower for financial reform package

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The White House may be willing to compromise on creating a new consumer financial protection agency, as lawmakers debate watered-down alternatives to the administration proposal.

President Obama has been pushing to create the Consumer Financial Protection Agency to oversee credit cards and loans, as part of a larger overhaul of financial regulation in the wake of the 2008 banking meltdown.

The proposal is meeting tart resistance from the banking industry and many Republicans in Congress -- opposition that may force Obama to accept an alternative.

"I think most importantly the [agency] has to have strong independent authority, an independent head, an independent budget, independent authority to do what it needs to do," said White House press secretary Robert Gibbs.

Senate banking committee Chairman Chris Dodd, D-Conn., proposed moving the regulatory body into the Treasury Department.

Sen. Richard Shelby, ranking Republican on the banking panel, counterproposed creating the authority within the Federal Deposit Insurance Corp. Negotiations are expected to continue in Congress all week.

A central issue is how much the Obama administration is willing to compromise. The president wants the new agency in part to address perceptions that last year's financial services bailout helped banks at the expense of consumers.

With health care reform, emissions standards and other signature issues either delayed or worse, Obama also needs a legislative win -- ideally a consumer-friendly measure that Democrats can campaign on in the fall.

"My premise [is] that the president will sign whatever he gets on his desk and especially if it comes from the

Democratic Congress," said Mark Calabria, an expert on financial regulation at the Cato Institute.

Calabria, a former staffer on the banking committee, said the administration is "not likely to fall on their sword or fight that hard for a stand-alone" agency.

That's bad news for independent business and other groups closely watching the issue that feel strongly that extra consumer protections are needed.

"I don't see a compromise, really," said Margot Dorfman, chief executive officer of the U.S. Women's Chamber of Commerce. "I really believe we have to hold the banks accountable."

William K. Black, an associate professor of economics and law at the University of Missouri, called the proposal to create the regulatory agency within Treasury "a sick joke."

"The only reason we were successful in reregulating the [savings and loan] industry during the Reagan administration was because the Federal Home Loan Bank Board was an independent regulatory agency," said Black, who was a senior regulator and whistleblower during the 1980s S&L scandal.

David C. John, an economic policy expert at the Heritage Foundation, said the independent agency concept is inherently flawed because it is too big, too powerful and too amorphous.

"The problem is that Obama has made this issue a poster child, and the fact is that whatever happens with the consumer agency has absolutely nothing to do with whether we have another financial crisis like 2008," John said.

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