

## Senate to drive regulatory reform

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By Tom Braithwaite in Washington

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The US Senate will vote as early as tomorrow on regulatory reform, calling time on months of congressional wrangling over the response to the financial crisis.

Harry Reid, the Democratic majority leader in the Senate, yesterday laid the ground for a "cloture" vote, a procedure that limits further debate to 30 hours. He said amendments would continue to be considered today and tomorrow.

As senators voted on a handful of amendments, Democrats continued to work behind the scenes to modify a provision that would force banks to spin off their swaps desks. The proposal, from Blanche Lincoln, the chairman of the agriculture committee, is opposed by both banks and regulators.

Republicans and Democrats voted in favour of allowing the Federal Trade Commission to keep most of its consumer protection duties and work with a new Consumer Financial Protection Bureau.

"This amendment will preserve the core consumer protection functions of the Federal Trade Commission," said Kay Bailey Hutchison, the Republican senator from Texas. "It will also ensure there are no gaps in the enforcement of consumer protection laws, and that experienced enforcers remain on the job."

Republicans again tried yesterday to turn the spotlight on Fannie Mae and Freddie Mac, the mortgage guarantors that were seized by the government in 2008.

The extent and shape of government involvement in the housing market remains one of the great unanswered questions that Congress will take up in the next 12 months.

Mike Crapo, the Republican senator from Idaho, introduced a bill to put the two "government-sponsored enterprises" on to the US balance sheet, adding their debt to the national debt. "This amendment simply says let's be honest with the American taxpayer," he said. His proposal to modify the bill failed to gain the necessary support.

Arnold Kling, an adjunct scholar at the Cato Institute, the think-tank, said the failure to include reform of the GSEs was a mistake. "If I look at what I think are the big issues . . . [what] pops into my mind is housing policy and mortgage policy - nothing about that [in the bill]," he said.

Yesterday the Treasury released data showing its Home Affordable Modification Program, which incentivises mortgage servicers to ease repayment terms, had made 295,348 permanent modifications, up from 227,922 in March.

But the programme, which has reached fewer homeowners than intended when it was launched last year, saw a sharp increase in the number of cancelled modifications.

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