

Financial Overhaul on Track in House, Lags in Senate, National Public Radio, Morning Edition, December 1, 2009 11:00 AM ET.

STEVE INSKEEP, host:

Congress is moving a little closer to changing regulation to the financial system. Tomorrow the House Financial Services Committee is expected to approve the final piece of its package.

RENEE MONTAGNE, host:

That's considered a big step, but lawmakers are still debating just how they want to prevent a repeat of last year's crisis. NPR's John Ydstie reports.

JOHN YDSTIE: The final piece of overhaul legislation expected from the committee tomorrow would, among other things, create an oversight council to monitor threats to the financial system. It would give greater power to the Federal Reserve to limit the risks financial firms take and it would provide a way to safely wind down large firms that fail. It would also subject the Fed to greater congressional scrutiny. But despite the progress, there's a lot more to do, says the Obama administration's Michael Barr.

Mr. MICHAEL BARR (Assistant Treasury Secretary): There's a danger that the public and the Congress forget the urgency of reform.

YDSTIE: The impressive rally in the stock market is one thing that could cause complacency and delay action. But Barr, an assistant secretary of the Treasury, warns there won't be a sustainable financial recovery until Washington puts in place new rules of the road.

Mr. BARR: And we don't have those now. We still have today the system that caused the collapse of our financial system.

YDSTIE: But Travis Plunkett of the Consumer Federation of America says the House is well on the way to changing that.

Mr. TRAVIS PLUNKETT (Consumer Federation of America): Certainly the House is poised to pass a piece of legislation that overall is very strong for consumers and for financial protection.

YDSTIE: Plunkett especially likes the new Consumer Financial Protection Agency proposed by the administration and approved by the Financial Services Committee in October. It will be part of the big financial overhaul bill that will likely go to the House floor next week. Plunkett says his group would like to see the bill strengthened in several areas, including oversight of auto loans and regulations of derivatives.

In a phone conversation with NPR, House Financial Services Committee Chairman Barney Frank said he'd like to see that too, and expressed confidence that that could happen on the House floor. The Massachusetts Democrat said he expects the House to pass its financial regulatory package by the end of the year.

But the Senate is a different story. There be dragons, said Frank, in a reference to the notations on unexplored territories of ancient maps. The Consumer Federation's Plunkett agrees.

Mr. PLUNKETT: The last potential roadblock for sweeping financial regulatory reform is action in the Senate.

YDSTIE: The roadblock became apparent during a meeting of the Senate Banking Committee two weeks ago. It was the first discussion of a Senate draft put together by the committee's

chairman, Christopher Dodd of Connecticut. During the meeting, the ranking Republican on the committee, Richard Shelby of Alabama, made clear in an 18-minute speech that he was conceptually opposed to Dodd's bill, particularly the creation of a new Consumer Financial Protection Agency. That's something that the financial industry opposes too, but Treasury's Michael Barr makes it clear it's a priority for the Obama administration.

Mr. BARR: I think this is something, John, that we've got to fight for. I think that it's outrageous that you've got, you know, Wall Street firms and lobbyists arguing against basic fundamental protections for consumers. It's just outrageous.

YDSTIE: Industry representatives say they're for consumer protections - just not for another regulatory agency. Chairman Dodd has asked bipartisan groups of senators on his committee to come up with an approach on this and a number of other issues that could get Republican support.

Despite the hurdles, former investment banker Douglas Elliott is optimistic.

Mr. DOUGLAS ELLIOTT (Former Investment Banker): I personally think financial reform is on a realistic track.

YDSTIE: Elliott, now a fellow at the Brookings Institution, thinks Congress will manage to achieve about two-thirds of what ought to be done.

Mr. ELLIOTT: I think we're going to have quite significant financial reform. I think it'll mostly be right and it'll move us most of the way to where we want to be, which for something this complicated and politicized in our system is very difficult to achieve.

YDSTIE: But Elliott doesn't think this will happen quickly. He predicts the task will drag on well into next year.

John Ydstie, NPR News, Washington.