

## [Forget the Primaries — Here's the Contest Banks Should Watch](#) (American Banker – January 30, 2012)

By Kevin Wack

The election season, already off to a fascinating start, will have an added twist for high-ranking members of the House Financial Services Committee. Top Republicans on the committee will be positioning themselves to succeed Chairman Spencer Bachus, whose six-year term as the panel's top GOP member ends in January, while the impending retirement of Rep. Barney Frank may spark a leadership grab among Democrats. Though the contests in large part will play out behind the scenes, they could have a significant impact on the panel's handling of financial services issues — especially its influence on how federal banking agencies implement the next batch of rules in the Dodd-Frank Act.

The committee's GOP leadership race no doubt will be shaped by whether the Republicans are able to retain their House majority, and the gavel of the Financial Services Committee. Rep. Jeb Hensarling of Texas, the Financial Services Committee's vice chair and a Tea Party favorite, appears to be in the best position to succeed Bachus. But as the House's fourth-ranking Republican, he may wind up having to choose between committee chair and perhaps an even higher spot in party leadership. Hensarling has a long-standing interest in financial policy, and despite his rising profile in the House Republican leadership, he has so far remained an active contributor on the committee. But some in the housing industry, critical of a Hensarling-sponsored bill that would sharply reduce the government's role in the mortgage market, see him as too much of an ideological hardliner. Also in the running is Rep. Ed Royce of California, who already has declared himself next in line for the job. Royce challenged Bachus for the committee chairmanship in 2010 and received support from some conservatives. Rep. Scott Garrett of New Jersey, who chairs the subcommittee on Fannie Mae and Freddie Mac, also is said to be interested in chairing the full committee. Garrett is a member of the party's conservative wing on financial policy, and he is seen as someone with a keen interest in the nuts and bolts of policymaking. Dark-horse contenders could include Rep. Shelley Moore Capito of West Virginia, who chairs the consumer credit subcommittee and has a more moderate profile than some other potential candidates, and Rep. Randy Neugebauer of Texas, who chairs the subcommittee on oversight and investigations. "It's way too early to start speculating," Neugebauer said in a recent interview. "We'll see what the elections yield in 2012. And that'll be a discussion for those days." An equally long shadow has been cast on the Democratic side by the long-running House ethics case involving Rep. Maxine Waters.

The case, tied to allegations that during the 2008 financial crisis Waters improperly advocated on behalf of a bank in which her husband owned stock, is expected to drag well into 2012. Waters denies any wrongdoing, and the general consensus on Capitol Hill is that if the

California Democrat emerges

unscathed from the ethics case, she will snag her party's top seat on the Financial Services Committee. So far, no Democrat has challenged her claim on the role. "She has to be out of the way before anyone would vocally make a play," a House Democratic staffer said. "And because of the timing, every member can just sit back and wait." Waters has the most seniority, she's the top Democrat on the subcommittee overseeing the GSEs, and her public persona as a liberal firebrand is tempered by her reputation away from the cameras as a practical legislator. In an apparent signal of moderation to the financial industry, Waters has recently toned down her sometimes confrontational rhetoric. **But if the ethics case were to make Waters unviable, New York Rep. Carolyn Maloney and Rep. Melvin Watt of North Carolina may be among the candidates waiting in the wings.**

Other challengers might include Illinois Rep. Luis Gutierrez and New York Rep. Nydia Velazquez, but both of them have higher profiles on issues other than financial policy-Gutierrez's signature issue is immigration reform, while Velazquez is the top Democrat on the House Small Business Committee-and that could hurt their chances. Maloney, next in line after Waters in seniority, was passed over last time for the top Democratic seat on the House Oversight Committee. She is, however, the ranking Democrat on the consumer credit subcommittee and a sponsor of the 2010 credit card reform law, and would likely tout herself as someone who can balance consumer rights with an ability to work with the financial industry. Her congressional district is in Manhattan, and she recently introduced bipartisan legislation on bank examinations that has strong industry support.

**Watt's district includes part of Charlotte, one of the nation's big banking centers.**

**Although Watt is not the ranking Democrat on any of the House financial services subcommittees, he has made financial policy one of his signature issues in Congress.**

Both Waters and Watt are members of the Congressional Black Caucus, one of the most unified caucuses on Capitol Hill. That could benefit Watt if Waters gets knocked out of the race.

**But for now, Watt is backing Waters' candidacy and predicts she would handle the leadership responsibility well.** "I think she'll continue to be, in her individual capacity, as out front and outspoken about some of the issues she cares about. But as chair of the committee, I think she'll be just as balanced as Barney Frank has been."