

Obama To Appoint Financial Regulator - Mortgages And Mutual Funds

The discussions are in flux but at an advanced stage. It is unclear if the administration will propose creating a new federal agency or place new powers within an existing agency. The scope of the new powers also isn't settled, including whether they would cover insurance, which isn't currently regulated at the federal level.

The Obama administration is expected to roll out its new plan in the next two or three weeks, and then it will have to work its way through Congress.

In addition to mortgages, the new agency might also have oversight of mutual funds. Government officials had considered including the oversight of credit cards within the new entity, but the Senate passed beefed-up consumer protection in this area on Tuesday. Now it appears less likely that the Obama administration will try to fold credit cards into the financial-product agency, one person familiar with the matter said.

Under the patchwork of regulation that presently exists, oversight of financial products is now split between a myriad of state and federal agencies, including the Fed, the Securities and Exchange Commission, the Federal Trade Commission, and others.

One possible scenario is that officials consolidate some government agencies, such as the Office of Thrift Supervision, and strip some powers from the Federal Reserve and others to centralize the policing of financial products within a new body. The Fed has been widely criticized for failing to use its powers to regulate mortgages during the housing boom.

President Obama has made a broad overhaul of financial-markets regulation one of his top priorities since taking office. Treasury Secretary Timothy Geithner has already pushed for Congress to empower a federal agency with the authority to monitor systemic risks to the economy. He has also called for the Federal Deposit Insurance Corp. to have the power to take a broker dealer or bank holding company into receivership.

Congress is expected to fold most or all of these proposals into one major legislative package, and the Obama administration is hoping that a major bill will pass by the end of the year.

Treasury Secretary Timothy Geithner, National Economic Council Director Laurence Summers, and former Fed Chairman Paul Volcker had dinner Tuesday night to discuss the regulatory revamp plans.

The creation of a financial product regulator would match a theme that Mr. Geithner has suggested is central to his vision of financial supervision. Instead of having regulators that look at specific companies, he has suggested having regulators that look horizontally at products and practices.

The advanced nature of the discussions was reported earlier by the Washington Post.