

Banks throwing more cash at fighting new restrictions

Lobby spending up after sweeping federal changes

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Charlotte, N.C. — The money banks spend on lobbying is on pace to reach a record high again this year as the industry battles to weaken or repeal hundreds of rules being crafted by federal regulators.

Lobbying outlays by the five biggest spenders in the commercial banking sector increased 12% in the first three quarters of 2011 over the same period last year, a Charlotte Observer analysis of federal lobbying disclosure records shows.

Wells Fargo & Co., in particular, is turning into a major player in Washington. The San Francisco-based bank's spending on lobbying is up 80% in the first three quarters of the year, compared with the same period in 2010.

"If these firms and these organizations keep spending money at the rate they've been spending it, they will shoot through the ceiling again this year," said Michael Beckel, spokesman for the research group Center for Responsive Politics, which tracks federal lobbying.

At this time last year, the commercial banking industry had spent about \$42 million on lobbying, the center's data show. So far this year, the figure stands at nearly \$47 million.

At this pace, 2011 will be the sixth straight year that commercial bank lobbying has set a record, according to the center.

A Wells Fargo spokeswoman said that while the bank is transparent with the figures it must disclose, it doesn't comment on lobbying strategy or philosophy.

What's driving banks' increased spending is a growing array of new federal regulations, mostly stemming from the Dodd-Frank finan-

cial reform law. Since it passed last year, federal agencies have been scrambling to write more than 300 new rules, from the cap on swipe fees merchants pay on debit transactions to the terms of a ban on proprietary trading known as the Volcker Rule.

"What you're seeing are dramatic shifts," said Marty Mosby, an analyst with financial services firm Guggenheim Securities. "It was a time to be out there explaining the story."

But consumer advocates decry the banking industry's influence on the legislative process.

"Most ordinary Americans don't have lobbyists that they're sending a paycheck to, but all of the major banks and financial institutions do," Beckel said.

Campaign hot button

After the 2008 financial crisis that thrust the country into recession, Congress began to develop legislation to strengthen consumer protections and lessen the systemic risk of bank failure. The result was Dodd-Frank, which President Barack Obama signed in July 2010.

Even as agencies hammer out the details, the law has emerged as a hot topic on the campaign trail, with candidates for the Republican presidential nomination arguing the government overstepped its authority.

At the same time, U.S. and international regulators are drawing up new capital requirements for banks. Mortgage servicing issues have come to the forefront as banks fight legal proceedings.

And seizing on the anti-bank sentiment epitomized by the Occupy Wall Street movement, some Democratic lawmakers have introduced bills that would cap loan interest rates and mandate a standardized fee disclosure form.

That all leaves the banks anxious to be heard.

"They are trying to slow

new regulations down, sometimes nip them in the bud before they are even floated as an idea," Beckel said. "There's a lot that these banks are interested in, and they want to make sure that they get as favorable treatment as possible."

Those lobbying for the banks included staffers from Washington lobbying firms as well as government relations staff at the banks, who kept busy preparing for congressional hearings or talking with regulators while rules were being drafted.

Much of the lobbying took place in the first half of the year as the Federal Reserve weighed the caps on swipe fees.

Educating lawmakers

While the banks are hesitant to comment, industry analysts say the spending is vital to mitigate the heat of public discontent with major banks stemming from the financial crisis and government bailouts.

"You really have to go through and educate legislators," Mosby said. "There's just so much discussion and banter and misinformation going around, it helps for industry leaders to be involved in the process and be sure there's some kind of tieback to what's really happening."

Opponents, however, see the lobbying as a calculated business decision.

"That lobbying and political spending is a large figure, but it's a small investment to protect half a billion dollars," said Bartlett Naylor, financial policy advocate for consumer group Public Citizen. His organization has reported spending \$150,000 on lobbying so far this year.

"You would argue from a cold business standpoint that you would expect them to spend that kind of money."

He said the bank lobbyists have undue influence partly because the industry's issues are so complex that they don't generally get played out in the public arena.