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Democrats Corral Votes on Bank Bill

By DAVID M. HERSZENHORN

WASHINGTON — Final passage of sweeping legislation to overhaul the nation's financial regulatory system is now a question of when — not if — according to Senate Democrats. Yet, there still seem to be a lot of questions about when.

As in: When will the Senate majority leader, Harry Reid of Nevada, be confident enough that he has the 60 votes needed to overcome any Republican filibuster and bring the legislation the Senate floor?

And that question could hinge on another: when will Gov. Joe Manchin III of West Virginia name a replacement for Senator Robert C. Byrd, a Democrat and supporter of the legislation, who died recently at the age of 92?

Yet another question is when the few Republicans who previously supported the bill will join Democrats on a motion to end debate and proceed to a final vote.

At the glittery Aria Casino in Las Vegas on Thursday night, Mr. Reid proudly told thousands of supporters waiting to see President Obama, "We're going to finish that conference report!"

Despite the enthusiasm behind the words, Mr. Reid's use of cryptic Washingtonese to describe the most far-reaching restructuring of the financial regulatory systems since the Great Depression drew no applause.

For now, it seems that the earliest the bill could win final approval is Thursday. But Mr. Reid has contingency plans to work on other legislation, including an extension of unemployment benefits and a bill to bolster lending to small businesses.

Democrats already have been asking “when” about the financial regulatory bill far longer than they intended. Their struggle to complete a measure that was expected to pass with wide bipartisan support has become a symbol both of the success of Senate Republican leaders in stalling the Democrats’ agenda and the political gridlock that is likely to persist through the November elections.

Mr. Obama had wanted the financial regulation bill completed and sent to him for his signature before Congress left for the Fourth of July recess.

But the Senate Republican leader, Mitch McConnell of Kentucky, who opposes the measure, persuaded colleagues likely to vote for it to at least slow things down. Mr. McConnell has worked aggressively to deny Democrats the time needed to rack up legislative accomplishments before the midterm elections.

In response, Senate Democratic leaders are considering staying in session during the second week of August — delaying their summer recess by one week — in an attempt to pass an energy bill and finish other work. But more time in Washington may only deepen the partisan paralysis.

The final legislation largely mirrors the regulatory policies initially sought by the White House, including a powerful new consumer financial protection bureau at the Federal Reserve, a tough regulatory framework for derivatives, and tighter rules and requirements for big banks.

But there are also some provisions deeply opposed by the White House, including an exemption for car dealers so they are not overseen by the new consumer protection bureau. And with the economy still struggling, the Obama administration has found itself on the defensive, amid claims that it is pursuing policies hostile to businesses.

In an interview on ABC's "This Week," David Axelrod, the president's senior adviser, said that the lax regulatory climate during the Bush administration had led to "financial disaster."

"Our financial system is now stable instead of collapsing, which would have been a devastating thing for every business in this country, large and small," Mr. Axelrod said. "We're working closely with business and want to continue to work closely with business, but working closely doesn't mean that we simply turn away from the kinds of corrective measures that are necessary to prevent that kind of disaster from happening again.

While the House approved the final financial regulatory bill this month, Senate Democrats were not able to, in part because one Republican supporter, Senator Scott Brown of Massachusetts, expressed a last-minute objection to a proposed tax on big banks and hedge funds.

Democrats reopened the House and Senate conference process to replace the bank tax with a plan to end the Troubled Asset Relief Program early, freeing $11 billion in spending authority, and to increase the reserve requirements for the Federal Deposit Insurance Corporation to help cover the bill's projected $20 billion administrative cost.

Between that and the death of Mr. Byrd, whose coffin occupied the Senate chamber for much of the day before the recess, there was no way to finish the bill before Independence Day.

That evening, Senator Maria Cantwell, Democrat of Washington, who originally opposed the regulatory overhaul, announced that she would support the final version. The move came after she received a letter from the Commodity Futures Trading Commission about provisions relating to new regulation of derivatives, the complex financial instruments that were at the heart of the 2008 crisis. Ms. Cantwell had been concerned about potential loopholes but said she was reassured that the bill would impose a tight regulatory framework.

Even with Ms. Cantwell's support, Democrats needed the backing of at least three Republicans — or two, once a replacement is named in West Virginia, but Governor Manchin, a Democrat, has said that will not happen this week. (Senator Russ Feingold, Democrat of Wisconsin, has opposed the bill and said he would vote against the final version.)

Mr. Brown, while professing satisfaction with the removal of the bank tax, said he wanted to study the final legislative language over the holiday break.

Mr. Brown is expected to vote for the measure, along with the Republican senators from Maine, Susan Collins and Olympia J. Snowe. But so far only Ms. Collins has committed her vote. And with Mr. Feingold in opposition and Mr. Byrd's seat vacant, the math for passage is still tricky.

Another Republican who supported the Senate version of the regulatory overhaul, Senator Charles E. Grassley of Iowa, has expressed some reservations about the final version, including the very change made to get Mr. Brown's support, by ending the TARP program.

An aide said Mr. Grassley was concerned about those changes because Mr. Grassley has long called for any money left over from TARP to be returned to the Treasury. Mr. Grassley was also concerned that money paid to the F.D.I.C. would be used only for dealing with future bank failures.

Democrats have said they are not counting on Mr. Grassley's vote. But until a successor for Mr. Byrd is named, they have no margin of error.