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Financial Reform Bill Limps Toward Vote

By DAVID M. HERSZENHORN

WASHINGTON — It was supposed to be the one major piece of legislation this year that Republicans and Democrats could see eye to eye on, and vote aye on together in broad numbers. Instead, the sweeping overhaul of the nation's financial regulatory system, a response to the economic crisis of 2008, will barely squeak through the Senate.

Senate Democrats on Tuesday said they had cobbled together the bare minimum of 60 votes needed to close off debate and advance to a final vote later this week. Supporters included three Republican centrists from the Northeast, Senator Scott Brown of Massachusetts, Susan Collins of Maine and Olympia J. Snowe, also of Maine.

The three Republicans may be joined by others, but the bill is still certain to fall far short of the wide bipartisan majority that some Congressional leaders had predicted given the unanimous agreement among lawmakers in both parties that the rules for Wall Street needed to be rewritten.

In the House, only three Republicans supported the bill. "I think it's just the times we're in," said Senator Christopher J. Dodd, Democrat of Connecticut and chairman of the banking committee, a main author of the legislation along with Representative Barney Frank, Democrat of Massachusetts and chairman of the Financial Services Committee.

With a fiercely competitive midterm election cycle under way, the shared goal of tightening regulation of the financial industry gave way to charges by Republicans that Democrats were overextending the reach of government and failing to address the root cause of the crisis by not dealing with the mortgage giants Fannie Mae and Freddie Mac.

Democrats levied countercharges that Republican Congressional leaders were more interested in blocking President Obama's legislative agenda and denying Democratic lawmakers the ability to boast of another achievement during the fall campaign than they were in safeguarding the financial system and protecting consumers.

In the end, even lawmakers known for working across the aisle said they were perplexed — and discouraged — that the financial regulation bill ultimately did not generate wider bipartisan support.

"It's disconcerting," Ms. Snowe said. "It doesn't engender the kind of public confidence in an initiative of this scope without having broad support because it raises questions."

Instead of joint news conferences heralding passage of the bill, Senate leaders have bickered for weeks and engaged in protracted procedural skirmishing that delayed the measure, which Mr. Obama had hoped would be done before the Fourth of July.

Mr. Obama on Tuesday declared the securing of the needed Senate votes "a breakthrough" and praised the Republicans who agreed to support the bill.

"Three Republican senators have put politics and partisanship aside to support this reform, and I'm grateful," he said, adding "What members of both parties realize is that we can't allow a financial crisis like this one that we just went through to happen again."

But Democrats struggled even to hold their own ranks; Senator Ben Nelson, Democrat of Nebraska, seemed to waver at the last minute, after previously voting in favor of the bill. He later announced on Tuesday that his concerns had been addressed and that he would stand with his party in delivering the needed 60 votes to close debate.

A fourth Republican who voted for an earlier version of the bill, Senator Charles E. Grassley of Iowa, said in a Bloomberg television interview on Tuesday that he remained undecided.

The bill seeks to avert future crises by giving government regulators the power to seize control of failing financial institutions, break them apart, sell off the assets and put them out of business, with shareholders and creditors taking losses.

The legislation would create a system risk council comprising the most senior government regulators to try to identify potential dangers in the financial system. It would create a powerful consumer financial protection bureau to be housed in the Federal Reserve and would impose a new regulatory framework on the trading of derivatives, the complex instruments that were at the center of the 2008 downturn.

The bill would also strengthen the Securities and Exchange Commission by giving it new authority over credit rating agencies, hedge funds and private equity companies.

The Senate Republican leader, Mitch McConnell of Kentucky, said that Democrats were to blame for their unwillingness to compromise on numerous provisions in the bill, and that the legislation would still allow financial institutions to be so big and interconnected that their collapse could endanger the entire system.

"I think what happened with financial regulation is the bill stayed on the far left and therefore was not in the end appealing to most of my members," Mr. McConnell said at a news conference at the Capitol.

The Senate majority leader, Harry Reid of Nevada, said Republicans had turned their backs on Americans by voting against the financial regulatory bill and by blocking an extension of unemployment benefits.

"Wall Street reform is preventive care; unemployment insurance is emergency care," Mr. Reid said, adding, "I'm grateful that a few brave Republicans are doing the right thing for our country, but it's still disappointing that you can count on one hand the number of Republicans willing to fix the system that caused the recession.”

A procedural vote on ending debate is scheduled for Thursday morning, and Mr. Reid expressed hope that a final vote could be held later that day. If Republicans object, he said, the vote could be scheduled for Saturday — a highly unlikely prospect in the summer of a midterm campaign year.