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Lobbyists Swarm the Treasury for Piece of Bailout Pie

By [MARK LANDLER](#) and [DAVID D. KIRKPATRICK](#)

WASHINGTON — When the government said it would spend \$700 billion to rescue the nation's financial industry, it seemed to be an ocean of money. But after one of the biggest lobbying free-for-alls in memory, it suddenly looks like a dwindling pool.

Many new supplicants are lining up for an infusion of capital as billions of dollars are channeled to other beneficiaries like the [American International Group](#), and possibly soon [American Express](#).

Of the initial \$350 billion that Congress freed up, out of the \$700 billion in [bailout](#) money contained in the law that passed last month, the Treasury Department has committed all but \$60 billion. The shrinking pie — and the growing uncertainty over who qualifies — has thrown Washington's legal and lobbying establishment into a mad scramble.

The Treasury Department is under siege by an army of hired guns for banks, [savings and loan](#) associations and insurers — as well as for improbable candidates like a Hispanic business group representing plumbing and home-heating specialists. That last group wants the Treasury to hire its members as contractors to take care of houses that the government may end up owning through buying distressed mortgages.

The lobbying frenzy worries many traditional bankers — the original targets of the rescue program — who fear that it could blur, or even undermine, the government's effort to stabilize the financial system after its worst crisis since the 1930s.

Among the most rattled are community bankers.

“By the time they get to the community banks, there may not be enough money left,” said Edward L. Yingling, the president of the American Bankers Association. “The marketplace is looking at this so rapidly that those who have the money first may have some advantage.”

Adding to the frenzy is the possibility that the next Congress and White House could change the rules further. President-elect [Barack Obama](#) has added his voice by proposing that the struggling automakers get federal aid, which could mean giving them access to the fund — something the Treasury secretary, [Henry M. Paulson Jr.](#), has resisted.

Despite the line outside its door, the Treasury is not worried about running out of money, according to a senior official. It has no plans to ask lawmakers to free the second \$350 billion of the rescue package during the special session of Congress that could begin next week.

That could limit the pot of money available, at least until the next Congress is sworn in next January. Meanwhile, the list of candidates for a piece of the bailout keeps growing.

On Monday, the Treasury announced it would inject an additional \$40 billion into A.I.G., amid signs that the government's original bailout plan was putting too much strain on the company. American Express won approval Monday to transform itself into a bank holding company, making the giant marketer of credit cards eligible for an infusion.

Then there is the National Marine Manufacturers Association, which is asking whether boat financing companies might be eligible for aid to ensure that dealers have access to credit to stock their showrooms with boats — costs have gone up as the credit markets have calcified. Using much the same rationale, the National Automobile Dealers Association is pleading that car dealers get consideration, too.

“Unfortunately, I don't have a lot of good news for them individually,” said Jeb Mason, who as the Treasury's liaison to the business community is the first port-of-call for lobbyists. “The government shouldn't be in the business of picking winners and

losers among industries.”

Mr. Mason, 32, a lanky Texan in black cowboy boots who once worked in the White House for [Karl Rove](#), shook his head over the dozens of phone calls and e-mail messages he gets every week. “I was telling a friend, ‘this must have been how the Politburo felt,’ ” he said.

The Congressional bailout law gave the Treasury broad authority to decide how to spend the \$700 billion. Under the terms of the \$250 billion capital purchase program announced last month, cash infusions are available to “qualifying U.S. banks, savings associations, and certain bank and savings and loan holding companies, engaged only in financial activities.”

That definition has grown to include private banks and insurers like [Allstate](#) and MetLife, which own savings and loans. It may also encompass industrial lenders like GE Capital and GMAC, the financing arm of [General Motors](#), provided they win approval to reclassify themselves as a bank or savings and loan holding company.

The Treasury set a deadline of Friday for institutions to apply for capital investments, which has meant a grueling few weeks for already overworked officials like Mr. Mason.

“Jeb is like the customer service agent at [Verizon](#) when the power lines go down,” said Robert S. Nichols, president of the Financial Services Forum, a trade group for big institutions like [Citigroup](#), Fidelity and Allstate Insurance, some of which have received federal money.

The influential independent and community bankers group, which represents smaller institutions, won an extension of the deadline for privately held banks while the Treasury considers a way for them to participate in its program as well.

The Treasury, several industry executives said, wants to avoid too strict a definition of eligible institutions, in case the Obama administration decides it wants to tweak the requirements for an investment, or even overhaul the rescue program.

Several lobbyists said the Treasury’s model contract acknowledges the possibility that Congress could impose new requirements on recipients of the money, and some Democratic lawmakers have talked about further restricting [executive compensation](#), shareholder dividends or other uses of the money as part of the deal.

“We are like a tenant signing a lease contract with the landlord where the landlord can come back and change the terms after the fact, and in fact we are going to have a new landlord in a couple of weeks,” said Mr. Yingling of the bankers association.

The first wave of lobbying came in early October when Mr. Paulson announced the plan to buy troubled mortgage-related assets from banks. The Treasury said it would hire several outside firms to handle the purchases, and would dispense with federal contracting rules.

Law and lobbying firms that specialize in government contracting fired off dispatches to clients and potential clients explaining opportunities in the new program. Capitalizing on the surge of interest, several large firms, including Patton Boggs; Akin Gump; K&L Gates L.L.P.; Fried, Frank, Harris, Shriver & Jacobson; and Alston & Bird, have set up financial rescue shops.

Alston & Bird, for example, highlights its two biggest stars — former Senator [Bob Dole](#) and former Senator [Tom Daschle](#). Mr. Dole “knows Hank Paulson very well” and has been “very helpful” with the financial rescue groups, said David E. Brown, an Alston & Bird partner involved in its effort.

“And of course, Senator Daschle is national co-chair of the Obama campaign,” Mr. Brown added, noting that because Mr. Daschle is not a registered lobbyist, his involvement is limited to “high level advisory and strategic advice.”

Ambac Financial Group, in the relatively obscure bond insurance business, never needed lobbyists before, said Diana Adams, a managing director. But its clients persuaded the company to hire two Washington veterans — Edward Kutler and John T. O’Rourke — who helped arrange a recent meeting with Phillip L. Swagel, an assistant Treasury secretary. “We haven’t really asked for much in the past,” Ms. Adams said.

Initially, the banks reacted coolly to the prospect of the government taking direct stakes in them. They worried about restrictions on executive pay, and whether there would be a stigma attached. In conference calls with industry groups, Mr.

Mason helped explain the Treasury proposal — a job he and his colleagues did well, judging by the change of heart among banks.

“The biggest surprise was how quickly it went from ‘I don’t need this,’ to ‘How do I get in?’ ” said Michele A. Davis, the head of public affairs at the Treasury, who is Mr. Mason’s boss.

Underscoring the many ways companies can take part in the rescue fund, the Hispanic Chamber of Commerce and other Hispanic business groups met with Mr. Paulson to push for minority contracts in asset management, legal, accounting, mortgage services and maintenance jobs, like plumbing and masonry.

“They are going to need a lot of folks in minority communities that are able to service their own communities,” said David Ferreira, head of government relations for the Hispanic Chamber of Commerce.

As the automakers have pushed for federal help, the trade groups for car dealerships and even boat dealerships are pressing their own cases. They argue that showrooms are feeling a squeeze between higher borrowing costs to finance their inventory and slowing consumer sales to move it out the door.

“We have been encouraged by reports that Secretary Paulson is looking to broaden the program,” said Mathew Dunn, head of government relations for the National Marine Manufacturers Association.

On Friday, the automobile dealers sent Mr. Paulson a letter urging him to keep them in mind.

“A well-capitalized, financially sound dealer network is essential to the success of every automobile manufacturer,” wrote Annette Sykora, a car dealer in Slaton, Tex., and the chairwoman of the National Automobile Dealers Association. “Any government intervention should include provisions to preserve the viability of dealers.”

Some lobbyists, Mr. Mason said, had called him even though they did not have any clients looking to get into the program or worried about its restrictions. They were merely seeking intelligence on which industries would be deemed eligible for assistance. He suspects they were representing hedge funds that wanted to trade on that information.

This article has been revised to reflect the following correction:

Correction: November 13, 2008

An article on Wednesday about lobbying by companies over the government’s \$700 billion rescue of the financial industry misstated the name of one firm setting up a specialty practice in financial rescue. It is K&L Gates L.L.P., not P & L Gates. The article also misstated the given name of the managing director of the Ambac Financial Group, which recently hired two lobbyists. She is Diana Adams, not Diane.

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