Obama passes over Elizabeth Warren to head Consumer Financial Protection Bureau

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President Barack Obama on Monday nominated Richard Cordray, the former attorney general of Ohio, to head the new Consumer Financial Protection Bureau (CFPB), passing over Elizabeth Warren, who had been appointed by Obama on an interim basis to set up the agency.

The president's decision not to nominate Warren as permanent head of the CFPB is yet another demonstration of his subservience to Wall Street, which has lobbied fiercely against the largely toothless body and targeted Warren for her occasional criticisms of banking practices. Warren was championed by Democratic liberals, who hailed her as a crusader for consumer rights. In ditching her, Obama also bowed to congressional Republicans, who had pledged to block her nomination.

The consumer agency, which was established by the Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law in July 2010, is nominally tasked with overseeing banking practices in various forms of consumer credit, including mortgages, credit cards, and payday and student loans.

The CFPB was devised to provide a "consumer-friendly" gloss to the Dodd-Frank bill, which does nothing to rein in the excesses of the banks that triggered the Wall Street financial crisis.

Republicans in the House and Senate have opposed the CFPB, which will become an arm of the Federal Reserve Board after July 21. According to the Dodd-Frank law, the consumer agency cannot write new rules or oversee any financial institutions without a director.

Warren, who previously headed the congressional panel set up to oversee the bank bailout program (the Troubled Asset Relief Program—TARP) lacked the support of some senior White House advisers, particularly Treasury Secretary Timothy Geithner. The former president of the New York Federal Reserve Bank echoed the complaints of the banking industry over Warren's carping about the banks' refusal to account for their use of taxpayer funds.

Last September, Obama sidestepped the Senate confirmation process by appointing Warren to oversee the establishment of the CFPB, while not actually nominating her for the director position. At the time, Obama praised Warren as "one of the country's fiercest advocates for the middle class," and pledged that the fledgling agency would champion the rights of consumers.

In fact, Warren's criticisms of the banks have been relatively mild, she has never called for the prosecution of banking executives involved in criminal fraud, and she has spent a good deal of her time in recent months seeking to placate Wall Street CEOs.

The powers of the CFPB itself were watered down in the course of the drafting of the Dodd-Frank bill, to the point where any decisions it makes are subject to veto by the Fed, the Treasury Department and the Securities and Exchange Commission. The abandonment of Warren underscores the hollowness of Democratic attempts to portray the CFPB as a serious reform of the banking system and boon to consumers.

Even with Obama's bowing to Wall Street and ditching Warren, it is by no means assured that the nomination of Cordray, who currently heads the enforcement division at CFPB, will be confirmed by the Senate. He has earned the disfavor of big banking interests because of investigations of mortgage foreclosure practices he carried out as Ohio attorney general.

Forty-four Republican senators have signed a letter saying they would refuse to vote to confirm anyone Obama nominates to lead the consumer bureau, demanding instead that the CFPB replace its individual leader with a board of directors.