

Democrats Are Divided Over Biden's Coming Pick of a Top Bank Regulator

Obama alum Michael Barr is the leading contender, but some progressives favor Mehrsa Baradaran, an Iranian-born law professor

By Andrew Ackerman and Ben Eisen, The Wall Street Journal, February 8, 2021

WASHINGTON—A dispute over the choice of a top banking regulator is highlighting fault lines among Democrats—on issues from racial diversity to ties to the Obama administration—as President Biden fills out his leadership team.

Michael Barr, an Obama and Clinton administration alumnus who leads the University of Michigan's public policy school, is the leading contender to head the Office of the Comptroller of the Currency, which oversees companies including [JPMorgan Chase & Co.](#) and [Wells Fargo & Co.](#)

But some progressive Democrats are making a last-ditch effort to install Mehrsa Baradaran, an Iranian-born law professor at the University of California, Irvine and author of "The Color of Money: Black Banks and the Racial Wealth Gap."

Their records suggest that Mr. Barr and Ms. Baradaran are likely to pursue racial equity and expand financial services in low-income communities. Several progressives, including Ohio Sen. Sherrod Brown, have lined up to support Ms. Baradaran, while others back Mr. Barr. Mr. Brown chairs the Senate Banking Committee, which will have to green-light the eventual nominee.

Mr. Biden has emphasized building a diverse leadership team that "looks like America" and has made a number of barrier-breaking selections, including former Federal Reserve Chairwoman Janet Yellen as the first woman to lead the Treasury Department.

Progressives have been pushing candidates for several key posts with some, but not complete, success—looking for diversity and left-leaning records or skepticism of business and finance. Their focus on financial regulatory posts stems from their view that the Obama administration's response to the financial crisis did too little to help homeowners and relied heavily on people from Wall Street to fill top posts.

Appointing Ms. Baradaran would help Mr. Biden deliver on his diversity objectives and mark [a break from picking white men](#) to run the 3,500-strong agency [since Abraham Lincoln signed it into law in 1863](#).

"An immigrant of color is key, and particularly in this moment," said freshman Rep. Jamaal Bowman (D., N.Y.). "When you look at the ideals of our country, we are a nation of immigrants. We're a democracy and we are a nation of supporting those who have been historically disenfranchised."

Yet Mr. Biden's other appointments—including Obama and Clinton alumnus Gary Gensler to head the Securities and Exchange Commission—suggest he favors experience in Washington. Ms. Baradaran hasn't previously had a regulatory role in Washington, while Mr. Barr served in the Treasury under President Obama and helped craft the 2010 Dodd-Frank Act, which was intended to fortify the financial system after the crisis of 2008.

Sen. Elizabeth Warren (D., Mass.), in a 2014 book, described Mr. Barr as a “hero” for helping create the Consumer Financial Protection Bureau as part of the legislation.

“Michael has consistently come down on the side of the underserved,” said Bill Bynum, the chief executive of Hope Credit Union in Jackson, Miss., who has known Mr. Barr since the 1990s, when they worked together to boost investment in impoverished communities when Mr. Barr served in the Clinton Treasury.

The OCC is an independent bureau of the Treasury. It oversees about 1,200 banks with total assets of about \$14 trillion, some two-thirds of the total in the U.S. banking system, making it one of the most powerful regulators alongside the Fed and the Federal Deposit Insurance Corp.

After The Wall Street Journal reported that [Mr. Barr was the likely pick to lead the OCC](#), progressive politicians and activists organized on social media to raise questions about his record dealing with the 2008 financial crisis and its aftermath.

In [op-ed articles](#) and [letters to President Biden](#), lawmakers promoted Ms. Baradaran's credentials, including her calls to offer financial services through post offices to reach people who lack bank accounts or credit cards. Though banking-industry groups oppose the idea, [Mr. Biden embraced it on the campaign trail](#).

[Netflix](#) Inc. said last year that publication of Ms. Baradaran's book “The Color of Money” was instrumental in its decision to shift 2% of its cash holdings—or about \$100 million—to [banks and credit unions that primarily serve Black communities](#).

The contest also reflects growing attention to the burgeoning financial-technology industry. Mr. Barr served as an adviser to financial-technology firms Ripple Labs Inc. and [LendingClub](#) Corp. Some critics on the left say he is too close to the industry and that his ties could conflict with the OCC's supervision as fintech firms consider whether to apply to become banks or form partnerships with existing banks.

“We need to close that revolving door,” said Vasudha Desikan, political director at Action Center on Race and the Economy, a racial-justice organization, calling Mr. Barr's ties to financial-technology firms “problematic.”

Mr. Barr's defenders say the alleged conflicts are contrived. He advised both firms on consumer protection and financial inclusion and had no responsibility for running the firms, they say.

“You have to look at his overall record,” said Benson Roberts, president and CEO of the National Association of Affordable Housing Lenders. “This guy has an incredible track record.”

Ms. Baradaran could end up in a top financial post, even if she isn’t chosen to lead the OCC, say people familiar with the process. In an interview, Ms. Baradaran said that she has “nothing but respect,” for Mr. Barr’s academic work, including research on financial inclusion that she cited in her own work.