

Why Bankers Need to Know North Dakota's Freshman Senator

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WASHINGTON - When a fellow senator compares you to "battery acid," it's not usually meant as a compliment.

But for Sen. **Heidi Heitkamp**, it was another sign of how quickly she's made a name for herself in the banking world despite being in the Senate less than a year.

The North Dakota Democrat has emerged as a key player on the Banking Committee, helping to work on a bipartisan housing finance reform bill and championing legislation to provide relief to small banks. In doing so, she has impressed bankers in her home state and her fellow legislators with her commitment to financial issues and willingness to work across the political aisle.

"I'm a major fan," said Sen. Bob Corker, R-Tenn., who publicly praised Heitkamp as "stronger than battery acid" for her work and support on his bill to reform the government-sponsored enterprises.

In an interview, he cited both her knowledge and "her strength of commitment."

"When we've had people try to take potshots at [the bill] " she's one of the first to show the strength that I feel senators should show when they are advocating a position. It's candidly very enjoyable to watch her when something like that is occurring."

Ironically, the freshman lawmaker admitted in a wide-ranging interview earlier this month that the banking panel wasn't her first choice.

"I was pushing pretty hard for [the Senate Committee on Energy and Natural Resources], but as it turns out, when you look at infrastructure and North Dakota's current needs, it's a perfect fit," she said, pointing to her years working on tax and economic issues, along with her experience overseeing the state-owned Bank of North Dakota as part of her duties as state attorney general. "I started looking at the issues that they deal with, including housing, and said, this is really important stuff and this fits with my background."

The Democratic lawmaker launched her career onto the national stage with a narrow, come-from-behind win over GOP Rep. Rick Berg last fall, helping her party strengthen its majority in the Senate. Heitkamp, 57, has had an on-again, off-again relationship with public office over the past three decades, after first being urged to run by her long-time mentor, former Democratic Sen. Kent Conrad, who initially hired her to work in the state tax department.

"I knew after our first meeting that this is somebody with enormous potential, who could make a difference in whatever organization she was a part of," said Conrad in an interview. "She's smart, she's well motivated and she's charismatic - you know when Heidi's in a room."

She lost her first major race for state auditor in 1984, before being appointed as the state tax commissioner in 1986, when Conrad left for the Senate. Heitkamp later went on to win the election for that position in 1988, before becoming the state's attorney general in 1992. In 2000, she ran an unsuccessful bid for governor, losing to Republican Sen. John Hoeven, with whom she now serves.

"I just didn't think I'd get back into politics" after the gubernatorial race, she said.

Indeed, Heitkamp spent the next 12 years pursuing a variety of projects, including serving as director of the Dakota Gasification Company's synfuels plant, and working on several successful ballot initiatives dealing with the use of tobacco settlement funds, eminent domain and consumer privacy in banking.

"The hallmark of her career has been as an extremely hardworking, intelligent, down-to-earth individual, who wants to get something done," said Edward Mills, a policy analyst at FBR Capital Markets.

The lawmaker said she decided to run for the Senate in 2012 in response to a growing concern over partisan dysfunction in Washington.

"I thought it was really important that we have more moderate voices in DC," she said, ultimately filling the seat vacated by Conrad, who retired.

Heitkamp, a short, energetic redhead raised in a rural North Dakota town that still boasts fewer than 100 residents, has proven quick to hold that moderate line, drawing both criticism and praise for her approach. She's been an adamant supporter of the controversial Keystone XL pipeline project and was one of just four Democrats who voted to block legislation expanding background checks for gun purchasers earlier this year - a move that spurred a scathing Washington Post editorial by former White House Chief of Staff Bill Daley, in which he asked her to return his \$2,500 contribution to her campaign.

But Heitkamp, who holds a law degree from Lewis & Clark Law School and is the first woman to be elected to the Senate from her state, has also been quick to forge alliances on both sides of the political aisle, particularly on the Banking Committee, which could help her to carve out a role as a dealmaker in an increasingly divided Congress.

"I think a lot of people will look at **Sen. Heitkamp** as someone who they can work with on either side, because she's not coming to the committee with a preset agenda," said Mills. "In the future, you're going to look at her to be in some of the deals that come out of the committee where there can be a bipartisan consensus."

That includes work with a diverse group of lawmakers, including Corker and Mark Warner, D-Va., on legislation to overhaul the mortgage finance system, introduced in June. She said that she is particularly interested in ensuring that mortgages remain affordable, insisting on the need for a 30-year, fixed-rate mortgage and a down payment requirement that doesn't exclude worthy borrowers.

"One of the overarching themes of how I look at stuff is, how is this going to affect that future generation, what does this mean for the middle class of America?" she said.

Corker said he's been struck by her ability to dive into the specifics of the bill.

"I could not be more impressed with the way she knows the details and gets into the issues that matter on this piece of legislation," he said. "So many senators up here rely in many cases on their staff to really do the heavy lifting" She has taken it upon herself to master the details and understand the nuance and that has had a big impact on the outcome of where this legislation is."

Heitkamp has also cosponsored legislation by Kansas Republican Sen. Jerry Moran to reduce the regulatory burden on community banks and worked with liberal Democrat Sen. Sherrod Brown of Ohio on a bill to allow borrowers to refinance private student loans. High levels of student debt, she said, will be "one of the single crippling factors for the future."

"Things that this generation should be doing right now, which is innovate, begin their families - [doing] all of the things that I did when I was their age that I think created a productive unit, economically, for this country, they aren't doing because they are underwater on student loan debt," said Heitkamp, who is married with two children.

Heitkamp is thought to be the first senator from North Dakota to serve on the banking panel, and has also sought to bring that work back home.

"It's a very important committee for the banking industry, and it's important for a small state like North Dakota to have a voice on that," said Rick Clayburgh, president and chief executive of the North Dakota Bankers Association. "To be able to approach a senator and have that line of communication is a little more difficult when you get into a larger state with a bigger population and more demands."

Over the summer, she hosted Federal Deposit Insurance Corp. Chairman Martin Gruenberg to hear directly from community bankers in the state. She also led a housing summit to discuss issues like affordable housing and infrastructure - efforts that local bankers and industry officials have praised.

"She's accessible - that's one of the greatest things I like. She'll hear your questions and get back to you," said Timothy Karsky, market president for Bismarck-based Starion Financial, who previously served as the state's top banking regulator. "She certainly seems very eager to work with the banking industry, especially the North Dakota banking industry."

Heitkamp said she remains particularly concerned that regulations coming out of the Dodd-Frank Act and other laws "does not take into consideration long-term relationship banking," adding that the industry "isn't just about numbers."

She quickly ticked off a host of related worries that bankers in her state have shared, including "overregulation, concerns about 'gotcha' audits, concerns that people will get so discouraged that they will back out of markets and not come back."

Still, in keeping with her measured approach, Heitkamp said she does not necessarily see eye-to-eye with Senate colleagues urging new provisions to end "too big to fail," arguing instead that Dodd-Frank should be fully implemented before additional rules are enacted.

"You passed a whole big bill that has yet to be completely implemented and you don't know what the consequences are going to be of complete implementation," she said. "Until you get there, I don't know that passing mandates in terms of breakups is the way to go."

Notably, however, Heitkamp doesn't always counsel such patience. She acknowledged that she sometimes struggles with the glacial pace of Washington and suggested that she'd like to see big issues like housing finance reform get solved quickly.

"My big concern is that if we take our eye off the ball in this town, it doesn't get done," she said. "I think that the challenge for me, although it's probably not fair, is that things don't move fast enough - you know, let's get 'er done! We've got this great idea, and people are coming up with great ideas for amendments. Let's sit down and talk about it."