Main Street Rescue Plan
Supplemental Recess Packet

Main Street Rescue

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October 2008

republican.senate.gov

SENATE REPUBLICAN CONFERENCE
Lamar Alexander, Chairman
John Cornyn, Vice Chairman

<u>Main Street Rescue</u>

<u>All About Main Street</u>

- Affects every American with a savings account, 401(k), pension, car loan, student loan, or mortgage
- If credit markets freeze, then banks stop lending, businesses can’t make payroll, workers don’t get checks, and families can’t pay bills
- [Focus on local stories about the credit crunch]

<u>Bipartisan Action</u>

- No time for the "blame game"
- Inaction was not an option
- Republicans and Democrats came together to find a solution

<u>Protected Taxpayers</u>

- No “golden parachutes” for executives
- Real oversight by Congress and independent experts
- Assets bought by the Treasury will be resold – recovering money for the taxpayer
- Every dollar recovered goes to pay down the national debt – not to new spending

<u>What's Next?</u>

- Hold accountable those who created this mess
- <u>Refocus on solving our nation’s energy crisis</u>

Find More, Use Less

To Get America Moving Again
• Stabilize financial markets
• Stop spending money we don't have on projects we don't need
• Solve our nation's energy crisis

$4 per gallon gasoline hurts Americans
• Squeezing family budgets
• Stressing communities and businesses
• Threatening jobs

Find More American Energy
• Deep sea exploration
• Western oil shale
• Advanced biofuels
• Renewables: wind, solar, geothermal

Use Less
• Plug-in electric and hybrid cars and trucks
• Fuel efficiency standards
• Green buildings
• "Smart" electric meters

Real Results
• Lower gas prices
• More energy independence
• Stop sending billions of dollars to the Middle East

A Rescue Plan for Main Street

Let's Get America Moving Again

- This economic recovery plan gives us an opportunity to halt an immediate crisis that will hurt millions of families, retirees, and businesses. By stopping the Wall Street meltdown from spreading to Main Street, we can prevent long-term damage to Americans' savings, home values, and livelihoods.

- If credit markets freeze, banks stop lending, businesses can't make payroll, workers don't get paychecks, and families can't pay bills.

- The American people who were not involved in creating this mess need to be protected from the mistakes of those who were.

- We must put politics aside and act immediately to get America moving again.

- The plan will help restore confidence and prevent a worsening spiral by turning around the troubled assets at the root of the problem.

- This plan will help provide security for all Americans with home mortgages, bank accounts, small businesses, credit card debt, educational loans, or retirement investments.

- We're not really talking about the stock market. We're talking about the credit market -- whether Americans are going to be able to get an auto loan, or a mortgage loan or a student loan or a farm credit loan or whether they will be able to cash their payroll checks.

Imminent Danger to the Economy

- Our financial system is in imminent danger. This is a serious problem.

- According to investor Warren Buffett: In a Reuters article, Buffett called government action "absolutely necessary" to help pull the financial system out of an "economic Pearl Harbor." He said the plan "is absolutely necessary, in my view, to really avoid going over the precipice."

- According to Jim Cramer, MSNBC Wall Street analyst: "This plan is about stopping foreclosures, which are happening, according to the Senate, at about 10,000 a day in our great country. This is why this Paulson plan is such a must ... That's why the stock market tanks whenever it seems stalled or watered down ... This plan must be passed, if we are to avoid the Great Depression 2."

- According to Federal Reserve Chairman Bernanke, 100 banks are on the brink of failure, and if we don't act we will be in a recession. He testified before the Senate Banking Committee: "I believe if the credit markets are not functioning, that jobs will be lost, that our credit rate will rise, more houses will be foreclosed upon, GDP will contract, that the economy will just not be able to recover in a normal, healthy way."

- According to Treasury Secretary Hank Paulson: "The market turmoil we are experiencing today poses great risk to US taxpayers. When the financial system doesn't work as it should, Americans' personal savings, and the ability of consumers and businesses to finance spending, investment and job creation are threatened."

A Wreck on the Financial Highway

- Think of the credit crunch as a big wreck on the interstate with traffic backed up about 40 or 50 miles.

- Your payroll check and your car loan and your mortgage loan are all in the traffic jam.

- Then what you do is call the sheriff to come get the wreck off the interstate, and that's what we're going to do here.

- The American people, who take credit for granted, don't expect us to sit here and rubberneck at the wreck on the highway.

- They expect us to get it off and fix the problem now before it gets worse.

- That's how we get the economic traffic flowing again.

- After that's done, we can start looking at how to fix the regulatory structure or finding out if anyone did anything wrong to cause the wreck.

Real Impact on Main Street if We Fail to Act

- Families and businesses alike rely heavily on financial markets.

- Families borrow to purchase homes, cars, appliances, furniture, and other consumer durables (or simply to go out to dinner).

- And families invest in financial markets, in pension funds, 401k's, and other retirement accounts that seniors, especially, depend on.

- Businesses borrow for various essential reasons as well—for everything from overcoming short-term cash flow problems (like making payroll) to investing in new workers, new equipment, or new ideas.

- A collapse of the financial markets would prevent consumers and businesses from getting the funds they need to consume and invest—undermining two key drivers of the U.S. economy. The impact?
  - dramatic reduction in standard of living;
  - harder to pay for gas, food, and utilities;
  - workers and families would earn less;
  - inability to save for retirement;
  - inability to pay for college;
  - loss of savings;
  - loss of retirement funds;
  - new home mortgages unavailable; and
  - home prices fall and property tax receipts decline, leading to dramatic cuts in funding for schools.

An Investment, Not a Bailout

- Under Secretary Paulson's proposal, the government would purchase foreclosed mortgages and mortgage-related securities and thereby free financial institutions to start lending again and grow our economy. Later, with confidence restored, we will resell these mortgages.

- According to Congressional Budget Office Director Peter Orszag: "Over time, the net cash disbursements under the program would be substantially less than $700 billion because, ultimately, the government would sell the acquired assets and thus generate income that would offset at least much of the initial cost."

- The 2009 deficit is <u>not</u> going to increase by $700 billion if we pass this plan to grant this new authority to the U.S. Treasury.

- It will be some time – years – before we know whether this action will result in a loss or even a profit to the government. That's because the assets acquired by the government may go up in value as confidence in our financial markets increases.

- If there is a loss, it will only be a percentage of the assistance the government provides.

- In the S&L crisis, the federal government through the Resolution Trust Corporation – RTC – recovered nearly 80 cents on each dollar of assistance that it had to lay out initially.

Plan Includes Taxpayer Protections, Oversight, and No "Golden Parachutes"

- Republicans worked hard to include taxpayer protections.
- This is no time to play politics. The plan needed to be simple, clean, and bold – free of the typical Washington goodie bag of pet projects.
- The plan must includes greater oversight and transparency.
- Corporate executives who got us into this mess won't be allowed to pad their pockets while taxpayers foot the bill.
- This crisis shows the need for Washington to tighten its belt and undertake real fiscal reform.
- No one is happy about this situation. But this is the only plan we have seen so far that aims to protect Americans on Main Street — to protect their homes, their savings, their retirement plans – and protect endangered jobs and small businesses.

BUDGET COMMITTEE
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EMERGENCY ECONOMIC STABILIZATION ACT:

A Bipartisan Plan to Stabilize the U.S. Financial System,
Protect Taxpayers and Implement Strong Oversight

The Emergency Economic Stabilization Act of 2008 is designed to immediately address the web of complex and broken financial relationships that are choking the economy, and avoid a systemic financial collapse that would devastate the economy and have severe consequences for all Americans. The centerpiece of the bill is the Troubled Asset Relief Program (TARP), which will allow the federal government to purchase up to $700 billion in distressed assets from institutional investors in order to stabilize the financial sector.

Highlights of the plan:

Cost is Substantially Less Than $700 Billion. The bill gives the Treasury Secretary the authority to purchase troubled assets – many of which are mortgage-related assets due to the decline in housing markets – from financial institutions, thus freeing up their capital so that they can begin to lend to businesses and individuals again. The government would then hold these troubled assets temporarily while the financial sector stabilized, **later selling the assets (for a possible profit) and using the money from those sales to pay down the national debt.**

The non-partisan Congressional Budget Office (CBO) reports that the "**net cost is likely to be substantially less than $700 billion**." While CBO continues that the cost "is more likely than not to be greater than zero," CBO's estimate does allow for the possibility that the Treasury will get more money back from holding and selling the assets than it will have to pay to obtain them.

Taxpayers Will Be Protected. The bill protects taxpayers by prohibiting "unjust enrichment" – an institution will not be able to sell an asset to Treasury for more than they paid for it. Further, certain institutions selling assets to Treasury will be limited in the amount of compensation they can pay to executives – no golden parachutes and a disincentive on pay in excess of $500,000.

Proceeds Will Pay Down Debt. After the Treasury purchases an asset, it will get income from holding the asset (for example, people making monthly principal and interest payments on their mortgages) as well as for selling it down the road when the market recovers and the asset appreciates in value. All this income to the Treasury will go to pay down the debt that Treasury incurred to make the purchases in the first place. Further, any profit that the government might make on particular purchases would also go to pay down the debt.

Recoupment. The bill requires OMB to take a snapshot of the program five years after it is enacted to determine whether the program is on its way to losing money or making money. If OMB reports that, despite the protections, the program appears to be losing money, then the President will be required to submit a legislative proposal that would recoup from the financial industry an amount equal to the projected deficit shortfall.

Many Eyes on the Process. Though the Treasury will have a lot of authority, the bill creates substantial oversight mechanisms to make sure the Treasury is using the authority wisely: an executive branch Financial Oversight Stability Board that will review Treasury's actions, identify fraud, and make recommendations; a Congressional Oversight Panel in the legislative branch; auditing by the Government Accountability Office; a Special Inspector General at the Treasury solely for this program, and reporting on the program's results and costs by the Office of Management and Budget (OMB) and CBO.

Temporary, Not Permanent. This is not a permanent new program. Exactly two years after the bill is enacted, the Treasury's authority to purchase troubled assets will expire.

The Financial Crisis on *Main* Street

47 Examples of How the Financial Crisis Is Impacting Businesses and Individuals Across America

The Credit Crunch and Small Business
Business Week
September 26, 2008

There's no question some companies are having credit cut off. In Ohio, banks are refusing to renew lines of credit and calling in loans made to decades-old family businesses that are current on payments, according to Dayton bankruptcy and workout attorney John Rieser. He says it's the worst borrowing environment he has seen in 20 years. The pullback began early in 2008 and accelerated in the last four or five months. "They're pulling the triggers and saying you're done," Rieser says. "It's not just sick businesses. These are healthy businesses, and that's the surprising thing."

Bankruptcy filings surge in Georgia
The Atlanta Journal-Constitution
September 28, 2008

As the mortgage meltdown persists, most experts expect bankruptcy filings to continue to rise. The latest figures support those predictions. Chapter 13 filings in the Northern District of Georgia jumped from 1,261 in July to 1,964 in August, according to Yvonne Evans, the court's clerk.

Caterpillar bond sale illustrates credit crunch
Reuters, Chicago
September 26, 2008

When Caterpillar entered the market on Tuesday, it was the first major issuer to retest the waters. A lot of people were watching -- and holding their breath. . . . To no one's surprise, the interest rates Caterpillar Financial was asked to pay were higher -- a lot higher.

Business Slow For Remodeler During Credit Crunch
Minneapolis/St. Paul, Minnesota WCCO
September 26, 2008

In fact, one home remodeler in the Twin Cities has seen a significant slowdown in what used to be a building boom.

Credit crunch hurting entrepreneurs who seek financing
The Dallas Morning News
September 27, 2008

Dallas — The capital markets crunch has hit Main Street, leaving many entrepreneurs in need of financing in the lurch.

Times Herald-Record, Minneapolis-St. Paul, MN. Management Company & Nonprofit-Credit crunch knows no bounds
Star Tribune
September 21, 2008

Lenders are "definitely more conservative," Soderling said. "The amount of capital they're willing to lend these businesses is not as abundant as it once was. I think what happened [last week] probably will exacerbate that, but time will tell."

Lehman fallout hurts Ariz. governments
Cities, counties could lose $40 mil in investments
The Arizona Republic
September 25, 2008

"Dozens of Arizona communities, counties, school districts and other government entities could lose nearly $40 million combined as a result of the collapse of Wall Street investment bank Lehman Brothers, according to state records released this week."

Financial tremors felt locally
Gunnison Times (Colorado)
September, 2008

Will life on Main Street be impacted by the financial tremors that are shaking the foundation of Wall Street?

That's a question that's been on a lot of locals' minds lately, several county financial leaders reported this week. The answer is obviously "yes," there will be impacts. In fact, there already are -- from a generally weak real estate market and much higher-than-average pace of local foreclosures to individuals seeing the value of their investment accounts sink.

Tennessee's cost to borrow has doubled, Long-term impact could threaten projects
Tennessean
September 25, 2008

The state of Tennessee's short-term borrowing costs have more than doubled in the past week amid global financial turmoil, making some government officials worry about the long-term impact on state and local projects.

Credit crunch makes cities' borrowing more costly
Anchorage Daily News
September 26, 2008

The fear of lending that has gripped Wall Street is making it more expensive - or impossible - for state and local governments to borrow money needed for schools, road improvements and other projects.

Financial meltdown could affect U.S. Sugar buyout for Everglades restoration
Sun-Sentinel (Florida)
September 25, 2008

Wall Street's financial meltdown could threaten Florida's $1.75 billion bid to buy out U.S. Sugar Corp. to make way for Everglades restoration.

The South Florida Water Management District proposes borrowing the money to buy U.S. Sugar's 187,000 acres, sugar mill, railroad and other assets

Credit crunch makes municipal borrowing more costly
The Associated Press
September 26, 2008

Kent County, Michigan will pay $750,000 more on a $15 million 10-year bond issue. It would have been impossible to get the money for anything longer:

Mississippi-based banks' losses expected to be small, expert says
Clarion Ledger
September 27, 2008

Biloxi-based Peoples Bank this week announced an expected $3.5 million loss this quarter, largely its stake in preferred stock in financially troubled home mortgage buyer Freddie Mac, and Banking Commissioner John Allison said as many as 10 to 12 Mississippi-based banks are expected to follow.

Municipalities Also Find Credit Is Scarce
New York Times
September 26, 2008

Wall Street had a short response to anyone who wanted to borrow money this week: Come back later.

Companies that issue bonds and short-term debt were largely shut out of the credit markets. But so were cities and counties that rely on short-term notes to pay for routine operations while waiting for tax revenues to arrive, leaving them to search for other financing.

Credit crunch is new item at McDonald's
Store financing tightens amid coffee rollout
Chicago Tribune
September 23, 2008

Bloomberg News reported Monday that the company had issued a memo to franchisees explaining that a credit line from Bank of America has been exhausted and the Charlotte-based bank would not be extending further financing while it hashes out the details of its acquisition of Merrill Lynch & Co.

What´s At Stake With the Credit Crunch
The American Chronicle
By Senator Larry Craig
September 27, 2008

A 41-year-old family-owned printing business was forced to shut its doors in March, leaving 19 workers unemployed, when its bank slashed its line of credit, forcing the company out of business.

A general store owner has had to cut his operating costs by shortening store hours and stopping the sale of fuel until he learns whether he´ll receive a deferral on loan payments he needs to stay in business

Credit crunch puts SH 161 toll road in jeopardy
The Dallas Morning News
September 18, 2008

Radically shifting fortunes on Wall Street have left the North Texas Tollway Authority scrambling to keep a key promise it made last year when it won the right to pay $3.2 billion for the State Highway 121 toll road.

Small Businesses Weigh In On National Financial Crisis
Overwhelming Majority Negatively Affected, Want Action
Detroit Chamber of Commerce
September 25, 2008

Today, the Detroit Regional Chamber polled its small business members on the current crisis gripping Wall Street and the credit markets. Over 75 percent of the survey respondents are being negatively affected by such outcomes as higher interest rates for borrowing money, less access to capital and a decline in business as consumers adjust to the economic downturn. Almost 90 percent believe the financial crisis will have a harmful impact on their small businesses in the next six to 12 months.

[The Battle Over the $700B Bailout Rolls Into The Weekend]
PBS Nightly Business Report
September 26, 2008

DARREN GERSH, NIGHTLY BUSINESS REPORT WASHINGTON BUREAU CHIEF: You know, Susie, we just heard a lot from Washington, but I want to tell you something that I heard from Ohio today. When I was there for the primaries, I met a machinist named Ron Gewax (ph). Well, I talked to Ron this morning and he told me that his boss came to him in tears and said, look, Ron, you know, our customers' loans have dried up, we can't -- we're not getting business and we have to let you go. So this credit crunch is now hitting home. That's evidence of how it's hitting home on Main Street.

Carmakers In The Credit Coalmine
Forbes
September 26, 2008

If you want to know what impact the banking crisis is having on the overall American economy, look no further than automakers, who say they are facing "horrific" sales this month because customers can't get credit--or are afraid to buy amid the uncertainty.

Goodyear cash frozen in market fund
U.S. economic crisis temporarily blocks Akron company's access to $360 million
Akron Beacon Journal
September 26, 2008

If you are trying to figure out how the global financial crisis can affect everything from Wall Street to Main Street, look no further than East Market Street in Akron.

Goodyear Tire & Rubber Co. announced Thursday that $360 million of its cash is frozen in one of the nation's oldest money-market funds, the nearly $63 billion Reserve Primary Fund; the company has tapped money from a line of credit to meet its needs.

Financial Crisis Local Impact
WLNS TV (Lansing, Michigan)
September 18, 2008

Wall street might be hundreds of miles away, but it's effecting you right here on Main Street. With the stock market going up and down, your 401k is being impacted.

Doug Roberts, economist: "The decline in the market is going to have an impact upon people in more than one way, investments, if you have a 401k it's obviously declining, but it's not just that, it's things like pension funds, pension funds will also be declining."

Bad Economy Means Getting Car Loans Tougher
WCCO (Minnesota)
September 30, 2008

The credit crisis is hitting home at car dealerships, like Metro Mitsubishi and Kia, where they're struggling to find loans for customers with any kind of credit troubles and stuggling to explain that new reality.

Credit Crunch Dampening Student Loans
UPI
September 30, 2008

The U.S. credit crunch has pushed dozens of banks out of the tuition loan business, forcing many potential students to look for work, advocates said.

Credit Vise Limits Local Growth
Raleigh-Durham News Observer
September 27, 2008

Kevin and Stacey Jennings have built several successful restaurants in the Triangle, but a bank recently denied them $2 million to finance one in Charlotte. The lender had no appetite for another restaurant on its books, said Kevin Jennings, who wants to replicate Raleigh's Vivace in the Queen City. He expects a second bank to approve the loan -- with stricter requirements.

Central Ohioans Express Economic Woes
10TV.com
September 30, 2008

The stock market's 777 point drop on Monday caused concern for many people in central Ohio. Chris Henderson recently moved to Columbus for a job. He said the middle class is now on the front lines, 10TV's Lindsey Seavert reported. "I have three kids, very young children," Henderson said. "It's kind of scary. It's hard enough to get a job as it is." Arthur Chapman battles a lung condition, but works two jobs to keep his feet on the ground. "Sometimes I have to, you know, go without food to pay bills and get my medicine, so things are kind of tough right now," Chapman said.

Indiana Town Shows Economic Woes Weighing on Election
Associated Press
September 30, 2008

Battered by tightening credit, soaring fuel prices and slumping sales, RV companies have laid off thousands of workers in the last several months, many here in north-central Indiana. And Brink — part of the closely watched blue-collar voting bloc in the presidential race — is now trying to figure out how survive.

Credit Crunch Squeezes Franchisees
WSJ.com/Small-Business
September 29, 2008

Lenders are tightening credit to restaurant franchisees in a shift that could make it harder for owners to remodel existing locations and buy new restaurants. It is a sign of how the turmoil on Wall Street is spreading to large companies and small business owners. Panera Bread Co., Yum Brands Inc., Sonic Corp. and DineEquity Inc., owner of Applebee's and IHOP, each rely to some degree on bank financing to build new restaurants or sell company-owned locations to franchisees.

Chambliss Pushes Bailout, Says Banks are Not Making Loans
Atlanta Journal-Constitution
September 30, 2008

"There are some banks in Atlanta not making auto loans today," Chambliss told reporters at a 10 a.m. press conference at Peachtree-DeKalb Airport.

Wall Street Woes Ripple Through Local Economies
The News Hour, PBS
September 24, 2008

But here on Main Street, in southern Ohio, many people are worried about their jobs and their investments, their 401(k)s.

Chicago Area Feels Credit Crunch
WLS
September 16, 2008

"We're struggling trying to pay these bills and you turn for help and everybody is like, well, you can't do this or we can give you an interest rate of something that's ridiculous. It's discouraging," said Leonia Hopkins, homeowner, who has been trying to get out of a mortgage she couldn't afford, but banks wouldn't work with her because of poor credit.

Missouri's Route to Fixing 800 Bridges Won't Be Trailblazing
Kansas City Star
September 30, 2008

. . . the plan [to improve 800 bridges] is not the one that received national acclaim after it was announced in 2006. The culprit: the credit crunch that is strangling the country.

Wall Street Bust Deflates Market, Our Savings
Kansas City Star
September 30, 2008

"Where they'll see it is going to be the pink slip at the end of the week, when people get laid off because business has fallen off a cliff," said Gary Cloud, a bond portfolio manager for Financial Counselors Inc. in Kansas City.

Ripple Effects on Main Street
Miami Herald
September 30, 2008

Lenders also are turning away prospective car buyers with decent credit. The credit crunch has become the No. 1 problem for customers of Fort Lauderdale-based AutoNation, spokesman Marc Cannon said.

Market Chaos Thwarts Maine's Attempt to Float $50M Bond
Kennebec Journal Morning Sentinel
September 26, 2008

The state of Maine could not float a $50 million transportation bond this week because traders told officials there was "no market" at all for large financial transactions such as this one. The state hopes the national financial crisis will resolve itself by next week, when it again tries to access capital, likely at a higher interest rate than had been expected.

Why the Credit Crunch is About More than Wall Street
Cnet.com
September 29, 2008

[C.H. Low, CEO of software start-up Orbius] noted that the main beneficiary is not Wall Street. "As an early stage start-up, we rely on venture investments to carry us through a few more stages before we can be self-sustaining," Low said. "With turmoil, smaller venture funds which fund many early stage companies themselves get anxious and their own investors may be affected and may affect their capital call. We ourselves planned for a rainy day but even we don't have that much for a prolonged monsoon."

Suze Orman: Financial Light at the End of the Tunnel Could be 2015
CNN.com
September 29, 2008

Q: How worried should people be right now? Not only about stocks but mutual funds, portfolios, 401(k)s, jobs?

They should be worried about everything. And they should be so worried, not that we should start a panic, that they really start to truthfully change their behaviors.They have to realize that nobody is joking here. They can't continue to go out to eat, charge it on a credit card and then just pay the minimum at the end of the month. They have got to go into a different type of financial mentality.

Auto dealers find loans are harder to get
Tennessean (Nashville)
October 1, 2008

The worsening credit crunch has automobile dealers scrambling to find loans for their customers, and some banks that offer auto credit are basing loan decisions on the size of the vehicle and its fuel economy, dealers say. "I've been in the business for over 12 years and I've never seen it this bad," said Rob King, finance manager for Downtown Nashville Nissan. "The banks are just finding ways to turn deals down. Even Nissan Motor Credit has tightened its requirements. It's across the board, not just Nissan."

Main Street Hunkers Down Amid Uncertainty
Detroit News
September 30, 2008

[Small business owner Neil] Moore, 40, already has secured his own home in Westland with a fixed-rate loan three years ago, but still worries more about the future than the present… This is supposed to be his company's busy time but, "The economy is affecting everyone's bank account," he said. "There's less income and people are pinching pennies more."

Main Street America angry over credit crisis
Reuters
September 30, 2008

Auto salesman Ryan Thomas is watching the credit crisis hit Main Street America. On Monday, as Congress rejected a bailout plan and stock markets plummeted, Thomas had to turn away a customer with $3,000 in his hand who wanted to buy a new vehicle." He wanted to get into a bigger truck for his job, he was a union worker," Thomas said. But the man still owed money on the vehicle he was trading in, so his loan request was denied.

Westgate Resorts to lay off hundreds of workers
September 27, 2008
The Orlando Sentinel

Caught in the nation's credit crunch, Orlando-based Westgate Resorts, one of the nation's largest time-share companies, is shutting down much of its sales and preparing to lay off hundreds of people. Company President David Siegel said Friday that Westgate is facing a financing squeeze that came on with the suddenness of a "heart attack." He blamed the national financial meltdown and said until the situation in Washington straightens out, Westgate and all other time-share companies likely are in for very hard times.

Financial Crisis Hits Home
Oshkosh (WI) Northwestern
October 1, 2008

Popular lunchtime spot Lara's Tortilla Flats also has seen a change in business in recent months, and especially the last few weeks. "We can just kind of tell when we don't see our regulars as much; we used to get a lot more out-of-towners and now maybe they limit that to coming once a month or every other weekend," manager Britani Cram said. Lara's has tweaked its staffing to reflect slower lunch hours and slightly busier weekends, but Cram said wait staff also are feeling the effects of the overall budget crunch. "The girls have noticed since the economy started going down; tips aren't as good," Cram said. "Unfortunately that's the downfall of all this … Everybody's panicking."

Order Code RS22963
September 29, 2008

CRS Report for Congress

Financial Market Intervention FAQ

Edward V. Murphy
Analyst in Financial Economics
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Summary

Financial markets continue to experience significant disturbance and the banking sector remains fragile. Efforts to restore confidence have been met with mixed success thus far. After attempting to deal with troubled institutions on a case-by-case basis, Treasury has proposed a plan to purchase mortgage-related assets to alleviate stress in financial markets and in the banking system. This report provides answers to some frequently asked questions concerning the financial disruptions of September 2008 and the Troubled Asset Relief Program (TARP) in H.R. 3997.

Frequently Asked Questions

What, if anything, is wrong with the financial system? Banks and other financial institutions have been reluctant to lend or otherwise engage with other institutions for fear of exposure to the bad assets of troubled counterparties. That is, a relatively healthy bank is afraid to sign a contract with other institutions because of the fear that the other institution will not be able to fulfil its obligations. For similar reasons, banks that need to raise capital have had trouble doing so because potential investors are afraid that the full extent of damage to banks' assets has not yet been revealed. Under these conditions it is difficult for people who depend on regularly accessing credit markets to get loans, which in turn can affect the broader economy. Often, this lack of confidence in other financial institutions expresses itself in wide spreads between market interest rates and the yield on Treasury securities. These spreads have been relatively wide for the past year. They spiked following recent interventions intended to prevent disorderly bankruptcies, an indication of significant loss of confidence.[1]

When did trouble in the financial markets start? Loss of market confidence can be proxied by spreads in interest rates between Treasury securities and riskier assets

[1] CRS Report RS22956, *The Cost of Government Financial Interventions, Past and Present*, by Baird Webel, N. Eric Weiss, and Marc Labonte.

of similar maturities. These spreads first spiked in August 2007.[2] Although spreads declined following policy responses by the Federal Reserve, the Treasury, and the passage of the stimulus package, the spreads did not return to their pre-August 2007 level. The persistence of historically wide spreads during 2007-2008 suggests that full confidence has not been restored.

What caused financial market turmoil? Although there are several contributing elements, most observers agree that rising defaults among residential mortgage borrowers sparked the initial loss in financial market confidence.[3] Various observers place different emphasis on low interest rates that caused a housing bubble that in this view was bound to eventually burst, insufficient regulation of subprime mortgage lending practices, and insufficient monitoring of complex financial products and services, especially rating agencies and derivatives markets.[4]

If 97% of borrowers are still current on their mortgage, why is the financial turmoil so large? Several factors magnify the effects of loan defaults on the financial system. First, banks are leveraged, which means that for a given dollar reduction in the value of their assets they must either raise additional capital or reduce their lending by a multiple of the loss.[5] Second, banks have become less transparent because of changes in accounting and risk management. This lack of transparency has made it more difficult for banks to raise additional capital as an alternative to reducing lending or selling assets. Third, the use of financial derivatives that should have reduced risk in the banking system may have had the effect of increasing leverage and making it even harder to identify sound counterparties.

Where are the problem loans located? Two of the problem loan categories, subprime and Alt-A, are disproportionately located in areas that had previously experienced rapid price appreciation. This includes Florida, California, Arizona, and Nevada. In addition, subprime loans are disproportionately located in relatively low income and minority neighborhoods across the country.[6]

Why did the financial shocks happen? Reasonable people will continue to disagree as to the root cause of the turmoil. The following factors are not mutually exclusive. Some believe that low interest rates and loose monetary policy caused a housing bubble that was bound to burst when interest rates rose.[7] Others place more

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[2] CRS Report RL34182, *Financial Crisis? The Liquidity Crunch of August 2007*, by Darryl E. Getter, Edward V. Murphy, Marc Labonte, and Mark Jickling.

[3] CRS Report RL33775, *Alternative Mortgages: Causes and Policy Implications of Troubled Mortgage Resets in the Subprime and Alt-A Markets*, by Edward V. Murphy.

[4] CRS Report RS22932, *Credit Default Swaps: Frequently Asked Questions*, by Edward V. Murphy.

[5] CRS Report RL34412, *Averting Financial Crisis*, by Mark Jickling.

[6] CRS Report RL34232, *Understanding Mortgage Foreclosure: Recent Events, the Process, and Costs*, by Darryl E. Getter.

[7] CRS Report RL33666, *Asset Bubbles: Economic Effects and Policy Options for the Federal Reserve*, by Marc Labonte.

emphasis on loose lending standards that may have been fostered by a lack of regulation of non-bank lenders and a lack of market discipline by mortgage-backed securities issuers who sold the loans to other investors.[8] Another group places the blame on the failure of officials to regulate relatively recent innovations in finance. Still others emphasize potentially irresponsible marketing practices or fraud by subprime lenders. Some observers blame investors and borrowers who did not adequately investigate the risks of their decisions.

Who is affected by the financial turmoil? The financial turmoil also affects anyone seeking credit, including troubled home owners who wish to refinance out of a troubled mortgage. Restrictions in credit have contributed to a downward spiral in home prices. The people most directly affected by financial market turmoil are investment bankers and investors. These people may lose their jobs and livelihood. Business firms are also affected because their cost of financing possible projects has risen, which in turn can hurt the broader economy.

How have policymakers responded to financial turmoil? Many modern macroeconomists believe that there are two basic policy responses to avoid an economic slowdown.[9] First, the Federal Reserve can provide expansionary monetary policy by lowering interest rates, as it did starting in the fall of 2007.[10] Second, the government can provide expansionary fiscal policy by spending more than it collects in taxes, as it did with the stimulus package.[11] In addition to pursuing both of these responses, policymakers have also sought to prevent the financial sector from ceasing to function. Liquidity was increased by expanding the range of collateral accepted at the Federal Reserve's discount window and by holding regular liquidity auctions.[12] Policymakers at the Federal Reserve and the Treasury have also tried to overcome collective action problems among private investors to help arrange buyers of distressed firms, as it did for Bear Stearns and Lehman Brothers (even though the government was unwilling to also provide funding to facilitate a purchase of Lehman Brothers).[13]

Policymakers have also sought to help stabilize mortgage markets. In addition to Treasury, the Department of Housing and Urban Development (HUD), and the Federal Deposit Insurance Corporation (FDIC) efforts to help organize loan servicers through the HOPE Now program, the Securities and Exchange Commission (SEC) and Internal Revenue Service (IRS) have issued rules clarifying the ability of loan servicers to modify

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[8] CRS Report RS22722, *Securitization and Federal Regulation of Mortgages for Safety and Soundness*, Edward V. Murphy.

[9] CRS Report RL34349, *Economic Slowdown: Issues and Policies*, by Jane G. Gravelle, Thomas L. Hungerford, Marc Labonte, N. Eric Weiss, and Julie M. Whittaker.

[10] CRS Report RS22371, *The Pattern of Interest Rates: Does It Signal an Impending Recession?* by Marc Labonte and Gail E. Makinen.

[11] CRS Report RS22850, *Tax Provisions of the Economic Stimulus Package*, by Jane G. Gravelle.

[12] CRS Report RL34427, *Financial Turmoil: Federal Reserve Policy Responses*, by Marc Labonte.

[13] CRS Report RL34420, *Bear Stearns: Crisis and 'Rescue' for a Major Provider of Mortgage-Related Products*, by Gary Shorter.

loans held in securitized trusts.[14] The government also enacted (P.L. 110-289) a voluntary plan to allow banks to write down the balance of existing loans so that borrowers can refinance into FHA to avoid foreclosure.[15] The act also provided some Community Development Block Grant (CDBG) funds to allow local communities to acquire and redevelop vacant and foreclosed properties.[16] The act also created a new regulator for the government-sponsored enterprises (GSEs), Fannie Mae, Freddie Mac, and the Federal Home Loan Banks.[17] The act gave Treasury the temporary authority to purchase debt and equity securities of the GSEs.

September 2008 saw a series of financial market interventions. First, the newly reorganized Federal Housing Finance Agency (FHFA) placed the GSEs in a conservatorship with agreements by the Federal Reserve Bank of New York to assure liquidity and by the Treasury to purchase enough preferred stock and securities to ensure adequate capitalization.[18] On a single weekend, policymakers helped broker a deal to sell investment bank Merrill Lynch to Bank of America and failed to broker a similar deal for Lehman Brothers, reportedly because the government declined to provide financial support. Lehman Brothers subsequently declared bankruptcy. A policy of no financial support did not survive the week, as insurer AIG was granted a bridge loan three days later.[19] The next day financial markets froze up and Treasury announced a proposal to buy mortgage-related assets from financial institutions.

Why has the Federal Reserve not restored order in financial markets? The Federal Reserve's primary tools help provide liquidity but do not restore capital levels. Liquidity generally refers to the ability to access markets, either as a firm issuing bonds or as a person selling a good, without suffering "fire-sale" prices. An adequate capital level is generally determined as a relation between assets and liabilities. All of a firm's assets can be completely liquid (cash) but the firm can remain undercapitalized if small losses can reduce its capital to near insolvency. These concepts are related. Even if a firm has liquid assets, it may have difficulty accessing credit markets to borrow more funds because it is too close to insolvency to be perceived as a good credit risk. Complexities of mortgage-related securities have made it difficult to ascertain their value, thus those assets have become less liquid. Furthermore, investors know that some banks have suffered loan losses that reduced their capital, but the complexities of the mortgage-related assets have made it difficult to identify which banks are undercapitalized. As a result, the liquidity of mortgage-related assets has been reduced, and the liquidity of financial firms has been reduced. The Federal Reserve has taken steps to increase the

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[14] CRS Report RL34372, *The HOPE NOW Alliance/American Securitization Forum (ASF) Plan to Freeze Certain Mortgage Interest Rates*, by David H. Carpenter and Edward V. Murphy.

[15] CRS Report RL34623, *Housing and Economic Recovery Act of 2008*, by N. Eric Weiss, Darryl E. Getter, Mark Jickling, Mark P. Keightley, Edward V. Murphy, and Bruce E. Foote.

[16] CRS Report RS22919, *Community Development Block Grants: Legislative Proposals to Assist Communities Affected by Home Foreclosures*, by Eugene Boyd and Oscar R. Gonzales.

[17] CRS Report RL33940, *Reforming the Regulation of Government-Sponsored Enterprises in the 110th Congress*, by Mark Jickling, Edward V. Murphy, and N. Eric Weiss.

[18] CRS Report RS22950, *Fannie Mae and Freddie Mac in Conservatorship*, by Mark Jickling.

[19] CRS Report RS22956, *The Cost of Government Financial Interventions, Past and Present* Baird Webel, N. Eric Weiss, and Marc Labonte.

liquidity of particular assets, for example, by expanding the categories of assets that it will accept as collateral for loans, but the Federal Reserve has not restored bank capital.

What does Treasury propose to do? The Department of the Treasury proposed replacing the case-by-case approach to interventions in the financial markets that had prevailed from summer 2007 through summer 2008 with a systemic program.[20] Some believe that intervening on behalf of some ailing financial institutions but not others contributes to investor uncertainty. Treasury proposed a program similar to the Resolution Trust Corporation (RTC) that could acquire $700 billion of mortgage-related assets from the banking system. The original proposal gave the Secretary of the Treasury broad discretion to determine the terms of asset acquisition and the operations of the program. Some policymakers have suggested that any program provide greater management oversight, limits on the executive pay of participating financial institutions, and other conditions to monitor the use of taxpayer funds. Some policymakers have also suggested that bankruptcy judges be granted the authority to modify loans of troubled borrowers under some circumstances. Another possibility is providing a government guarantee of payment on the assets rather than government acquisition.

What were some of the additions and deletions to the proposal offered in H.R. 3997? The expressed purpose of the Emergency Economic Stabilization Act of 2008, H.R. 3997, was to "...provide authority and facilities that the Secretary of the Treasury can use to restore liquidity and stability to the financial system."[21] This measure, voted down on September 29, 2008, addressed some of the concerns that some policymakers may have had regarding the three-page Treasury plan. A short description of some of the provisions of the Troubled Asset Relief Program (TARP) follows.

- It excludes foreign central banks from the definition of eligible financial institutions but includes institutions in U.S. territories, such as Guam and the Virgin Islands.
- It provides for insurance of some troubled assets as an alternative to, or in addition to, purchasing troubled assets.
- It creates a Financial Stability Oversight Board to review the exercise of authority under the program. The board will be made up of the Chairman of the Federal Reserve, the Secretary of the Treasury, the Secretary of the Department of Housing and Urban Development, the Director of the Federal Housing Finance Agency, and the Chairman of the Securities and Exchange Commission.
- The Treasury will manage the acquisition and sale of assets with any proceeds accruing to the general fund for reduction of the public debt.
- The measure instructs the Secretary of Treasury to implement a plan to maximize assistance for homeowners and to encourage loan servicers to participate in the Hope for Homeowners program. Assistance to homeowners includes consent to reasonable loan modification requests.

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[20] CRS Report RS22957, *Proposal to Allow Treasury to Buy Mortgage-Related Assets to Address Financial Instability*, by Edward V. Murphy and Baird Webel.

[21] H.R. 3997 was originally introduced as a tax relief measure to assist service members. The present discussion is based on a draft (as of 9:10 p.m., Sep. 28, 2008) offered by the House in the nature of a substitute.

- The measure puts limits on executive compensation of institutions that participate. Under certain circumstances, these limits include limits on incentive compensation for risk-taking during the period that the program has an equity or debt position in the firm, recovery of incentive bonuses paid to senior executives based on financial statements that are later shown to be false, and a prohibition of golden parachutes.
- The Comptroller General has ongoing oversight of TARP management and activities.
- There is to be a study of excessive leverage in financial institutions.
- The President will appoint a special inspector for TARP, with Senate confirmation.
- The debt limit is raised to $11.3 trillion.
- A Congressional Oversight Panel is created in the legislative branch to monitor financial markets and make regular reports to Congress, and to provide a report on financial market regulatory reform by January 20, 2009.
- There is no provision for allowing bankruptcy judges to reduce mortgage debt.

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WHY ACT?

We are in the Midst of a Serious Financial Market Crisis

- Financial markets and banks depend on confidence. The markets are in the midst of a severe crisis of confidence. Last week, extreme risk aversion resulted in investors pulling billions in deposits from money market funds that are widely seen as safe, liquid investments. More troubling, major providers of critical short-term financing for financial and non-financial companies withdrew from the market, creating potential rippling effects throughout the economy.

- Investors are concerned that there is serious risk of a systemic financial collapse. Because of this concern, there is a wholesale flight to cash and U.S. Government securities. Fundamentally sound financial institutions and blue chip industrial companies are struggling to obtain critical financing. Without decisive action, a systemic crisis could become a self-fulfilling prophecy.

  A systemic financial crisis would have serious negative impacts on Americans' everyday lives and economic well-being. When businesses and financial institutions can't finance their normal operations, the implications to the economy are severe. Families lose access to their savings and are unable to borrow to finance a home, a car, a college education, or other important investments. Businesses unable to access short and long-term financing cease operations and do not invest. New job creation slows significantly, credit becomes scarce, and current jobs are at risk.

- A comprehensive approach is needed to restore confidence and enhance market stability — case-by-case solutions are no longer enough.

Last Week Dramatically Showed the Impact of Fear

A freezing up of our financial markets will spill over into real economic activity – threatening the jobs and livelihoods of everyday Americans.

- Investors last week fled to the safety of U.S. Treasury securities. Even very safe assets—including overnight loans to blue chip companies — were being dumped. Many investors wanted to hold only U.S. Treasury securities and this demand led the interest rate on 3-month government borrowing to fall to nearly zero — to 0.03 percent on September 17 from 1.68 percent 12 days earlier. Moreover, the rate on the 4-week bill traded at one point *below* zero percent given the unparalleled demand for Treasuries.

- Flight from money market mutual funds. Money market mutual funds are among the investments that American families believe are the least risky. These funds are viewed as very liquid and safe, and the expectation is that, no matter what, you will always get back whatever amount of money you put in. Last week one money market fund "broke the buck" – meaning it could not assure investors that they would get back every dollar they put in. This was only the second time in history that a money market mutual fund had "broken the buck." Fear quickly spread to other money market mutual funds, and investors pulled an unprecedented $335 billion out of such market funds within days.

- To meet these redemptions, these funds were forced to quickly sell financial assets for cash where liquidity existed. This put further downward pressure on asset prices. Some funds announced plans to close or to halt investor withdrawals, further spreading fear among money fund investors. This cycle threatened to put at risk the savings that millions of Americans rely on for everything from daily spending to long-term investments.

- Pressure on commercial paper issuers. Commercial paper is short-term debt issued by many companies, financial and non-financial, to finance ongoing business operations. Money market funds are large investors in commercial paper. When investors began to withdraw investments from money market funds, the funds sold assets where there were buyers (eg. Treasury and Agency). This created additional challenges for commercial paper as a source of financing for U.S. companies suddenly shrank.

- Even some of the largest blue chip U.S. industrial companies faced unexpected difficulties securing necessary, normal funding. Business activity in the United States would be severely compromised without access to short-term financing: companies may not meet payrolls or buy supplies or equipment.
    - The amount of commercial paper outstanding fell by $75 billion in the week ending Wednesday, September 17—a decline of more than one-third the average weekly issuance in the first half of 2008.
    - Ever more fearful investors were only willing to lend overnight, rather than lending for a few weeks or months as they normally do. This further increased businesses' uncertainty about funding. Overnight interest rates spiked to over 6 percent from less than 3 percent a week before.

- Banks under severe funding pressure. The interest charged on lending between banks doubled over the week. Foreign exchange swap markets used by overseas banks to borrow dollars effectively seized, and implied interest rates on overnight dollar funding materially increased before central banks intervened to add liquidity.

- Flight from investment banks. Investors that fund the operations of investment banks began pulling their money out of the remaining independent investment banks. Investment banks play an important role in helping companies in the United States and around the world access capital markets for the financing they need to undertake long-term investments. Millions of Americans also rely on investment banks to invest and safeguard their everyday savings and their retirement assets.

- Signs of capital flight. Foreign investors began to withdraw money from U.S. capital markets. If continued, this would have had serious consequences --- taking productive resources away from our economy, and potentially contributing to higher interest rates and inflation.

- Stock markets plummeted. Between September 5 and 17, the capitalization of stocks in U.S. markets fell by $1.3 trillion. This put downward pressure on family savings at a time when consumers were already burdened by the slow labor market, declining home values, and high energy prices.

  - Roughly 50 percent of American families hold stock either directly or indirectly, and roughly 50 percent have retirement accounts.

  - Private pension plans, including defined benefit and defined contribution plans hold over $5.6 trillion in financial assets. More than $4.2 trillion of these assets are in corporate stocks and mutual funds. (Flow of Funds, L118)

  - The Investment Company Institute estimates that 401(k) plan assets were over $3 trillion in 2007. 401(k) participants in their 20's hold nearly 80 percent of assets in equities; participants in their 60's over 60 percent.

  - Sixty-seven percent of U.S. household heads between 63 and 73 have some type of private pension. (Center for Retirement Research)

  - Over 50 percent of full-time workers participate in a pension plan. (Center for Retirement Research)

  - Over 46 million American households have over $4.7 trillion saved in IRAs. (ICI)

  - As of July 2008, there was over $11.5 trillion invested in mutual funds, nearly $3.5 trillion money market accounts (ICI).

Financial Market Troubles Affect All Americans

- Capital markets matter for everyone—they affect everything from home loans, to student loans, retirement savings, and insurance. Businesses rely on capital markets to fund daily expenses and long-term investments. If financial markets collapse there will be an economic contraction affecting Americans jobs and livelihoods as consumers will be unable to finance essential purchases and businesses will not be able to operate and expand.

- The decline in housing prices is the root cause of the financial market turmoil and remains a risk to the economy. Billions of dollars of illiquid mortgage assets remain on the balance sheets of financial institutions, because of this illiquidity these assets are clogging U.S. credit markets. Until this issue is resolved the financial system and economy remain at risk.

- The financial market turbulence also puts the housing market at greater risk. A lack of mortgage financing will put further pressure on home prices and result in more foreclosures as struggling homeowners would be unable to refinance mortgages. Turning the corner on housing is essential to restoring long-term economic growth.

- Millions of Americans have their savings in money market mutual fund accounts, which are considered one of the safest investments. A run on these accounts threatens more than $3 trillion of American families' and businesses' money, and deprives our market of an important source of liquidity.

- Businesses need to access the financial markets to fund their normal operations. Difficulties in markets such as commercial paper will result in economic losses as even strong, well-managed businesses will be unable to fund on-going operations. This put small businesses, growth and job creation at risk at a time when the economy is still dealing with headwinds from the housing correction and the impact of high energy prices.

Without Action, Our Economy is Threatened

- Household consumption is 70 percent of the U.S. economy and is already weakened as families felt pressed by the soft job market, sliding home values, and high energy prices. A credit disruption would reduce consumer spending across the board.

- Business investment would be severely compromised if there is a systemic financial crisis. Companies depend on credit to meet payrolls, finance inventories, and maintain production lines. Normal operations of virtually every business in America are threatened without decisive action.

- Economic growth is threatened unless we act. Jobs would be lost. Consumer income would decline, setting off further rounds of reduction in GDP and jobs.

GROUPS SUPPORTING A BIPARTISAN FINANCIAL RESCUE PACKAGE

1. AARP
2. Air Conditioning Contractors of America
3. Air Transport Association of America
4. Alliance of Automobile Manufacturers
5. Aluminum Association
6. American Apparel and Footwear Association
7. American Bankers Association
8. American Boiler Manufacturers Association
9. American Business Conference
10. American Chemistry Council
11. American Concrete Pressure Pipe Association
12. American Council of Life Insurers
13. American Electronics Association
14. American Financial Services Association
15. American Forest & Paper Association
16. American Hotel & Lodging Association
17. American Land Title Association
18. American Meat Institute
19. American Rental Association
20. American Trucker Association
21. Americans for Prosperity
22. Associated Builders and Contractors
23. Associated Equipment Distributors
24. Associated General Contractors
25. Association for Manufacturing Technology
26. Association of Equipment Manufacturers
27. Association of International Automobile Manufacturers
28. Business Roundtable
29. Consumer Bankers Association
30. Consumer Mortgage Association
31. Duke Energy
32. Edison Electric Institute
33. Equipment Leasing and Finance Association
34. Financial Services Forum
35. Financial Services Roundtable
36. Food Marketing Institute
37. Heritage Foundation
38. Housing Policy Council
39. Independent Community Bankers of America
40. Independent Electrical Contractors
41. Independent Petroleum Association of America
42. International Dairy Foods Association
43. International Franchise Association
44. International Paper
45. Investment Company Institute
46. Minority Business Roundtable
47. Mortgage Bankers Association
48. NASDAQ
49. National Association of Counties
50. National Association of Chain Drug Stores
51. National Association of Electrical Distributors
52. National Association of Federal Credit Unions
53. National Association of Home Builders
54. National Association of Manufacturers
55. National Association of Plumbing, Heating and Cooling Contractors
56. National Association of Real Estate Investment Managers
57. National Association of Realtors
58. National Association of Wholesaler-Distributors
59. National Automobile Dealers Association
60. National Electrical Contractors Association
61. National Federation of Independent Business
62. National Lumber and Building Materials Dealers Association
63. National Retail Federation
64. National Restaurant Association
65. National Roofing Contractors Association
66. National Rural Electric Cooperative Association
67. NPES – The Association of Suppliers of Printing, Publishing and Converting Technologies
68. Moran Industries
69. Printing Industries of America
70. Real Estate Roundtable
71. Reinsurance Association of America
72. Retail Industry Leaders Association
73. Securities Industry & Financial Markets Association
74. Semiconductor Industry Association
75. Software & Information Industry Association
76. US Chamber of Commerce
77. Whirlpool

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NOTABLE CONSERVATIVE SUPPORT FOR THE RESCUE

CHARLES KRAUTHAMMER: "If there isn't a package, I think there will be a collapse that will make yesterday look like a picnic." (FOX News' "Special Report," 9/30/08)

NATIONAL REVIEW: "The Paulson plan is an intervention designed to keep capitalism functioning rather than supplant it. If it is successful, the assets the government buys will be sold back on the market (perhaps at a profit), after the panic passes." ("Failed Vote," National Review Online, 9/30/08)

LARRY KUDLOW: "I don't think a lot of folks understand this win-win scenario. Let me repeat: The taxpayers own the bonds the Treasury buys; the taxpayers own the cash flows generated by the bonds; the taxpayers own the profits when the bonds are sold; and the taxpayers benefit when the profits and cash flows are used to pay-down government debt." ("A Paulson-Cantor Plan Is A Win-Win," *National Review Online*, 9/27/08)

GEORGE WILL: "Congress should disconnect from a public that cannot be blamed for being more furious about than comprehending of this opaque debacle. The public wanted catharsis and respect for its center-right principles and got both with Monday's House vote. It still needs protection against obliteration of the financial system." (George Will, "A Vote Against Rashness," *Washington Post*, 10/1/08)

THE HERITAGE FOUNDATION: "While there are those in Congress who would push the role of government far beyond what is necessary in this crisis, the core technical parts of the negotiated package are acceptable." (WebMemo, Edwin Meese and Stuart Butler, Heritage Foundation, 9/29/08)

WALL STREET JOURNAL: "[I]t deserves to pass because in reality it is an attempt to shield middle America from further harm caused by the mistakes of Wall Street and Washington." (Editorial, "A Main Street Rescue," *The Wall Street Journal*, 9/29/08)

NEWT GINGRICH, Former Speaker Of The House: "Now, I suspect were I still in Congress, in the end George is right and I probably would end up voting reluctantly yes..." (ABC News' "This Week," 9/28/08)