

Most Egregious Aspects of the Bailout Bill

- **Taxpayers are Lenders of First Resort:** \$250 billion of up front authority for the Treasury Secretary to purchase troubled assets based on mortgage backed securities
- **“Seceond Installment” Farce:** The second \$100 million installment is not conditioned on a vote of Congress, and only contingent on the Treasury Secretary reporting to Congress regarding the program’s progress.
- **Not Enough Congressional Discretion:** While \$350 billion is contingent on a vote of Congress, taxpayers deserve more than one chance to approve funding of this magnitude; Treasury should request \$350 billion in increments to prevent abuse of taxpayer funds.
- **No Spending Cuts to Protect Taxpayers:** The legislation does not offset unprecedented spending authority for the Treasury Secretary with any corresponding cuts in domestic non-defense, homeland security, or veterans benefits spending.
- **No Capitol Gains Relaxation:** H.R. 1424 does not temporarily suspend the capital gains tax, in whole or in part, to incentivize investment in the securities market when Americans need investment tax relief the most.
- **Inadequate Mark-to-Market Reform:** The legislation does not include statutory language to suspend the mark-to-market “fair market value” accounting requirement. Though the SEC has announced plans to investigate and make changes to the requirement, the legislation should include mandatory language to direct the SEC to act.
- **No Statutory “Up-Tick” Ban:** The legislation does not statutorily suspend the “up-tick” rule, preventing short-sales of troubled securities in times of financial crisis, and instead relies on the SEC to continue enacting temporary suspensions on an ad-hock basis.
- **FDIC Increase Inadequate:** Modest additions in the Senate amendment to H.R. 1424, such as raising FDIC insurance from \$100,000 to \$250,000, enact little substantial reform and represent window dressing designed only to increase consumer confidence. While such action may be temporarily appropriate, the “feel-good” measure accomplishes little long term.
- **No GSE Reform:** The Senate legislation does not include any commitment to secure long-term structural reform for Government Sponsored Enterprises (GSE), such as Fannie Mae and Freddie Mac; the two organizations largely responsible for flooring the market with now toxic mortgage backed securities.
- **No CRA Reform:** The Senate legislation does not include any commitment to reform or eliminate the Community Reinvestment Act; legislation enacted in the 1970’s many economists discredit for driving artificial demand in home ownership.
- **Inadequate protections for taxpayer recoupmnt:** Though H.R. 1424 includes a provision to “recoup” 2% of a financial service firm’s taxable income that participate in the TARP program, that is no guarantee the taxpayer funds will be recouped if a firm declares bankruptcy or fails following participation in TARP.