

Economic Rescue Principles

“A Common Sense Plan to Have Wall Street Fund the Recovery, Not Taxpayers”

- Rather than providing taxpayer funded purchases of frozen mortgage assets, we should adopt a mortgage insurance approach to solve the problem.
- Currently the federal government insures approximately half of all mortgage backed securities. (MBS) We can insure the rest of current outstanding MBS; however, rather than taxpayers funding insurance, the holders of these assets should pay for it. Treasury Department can design a system to charge premiums to the holders of MBS to fully finance this insurance.

Have Private Capital Injection to the Financial Markets, Not Tax Dollars

- Instead of injecting taxpayer capital into the market to produce liquidity, private capital can be drawn into the market by removing regulatory and tax barriers that are currently blocking private capital formation. Too much private capital is sitting on the sidelines during this crisis.
- Temporary tax relief provisions can help companies free up capital to maintain operations, create jobs, and lend to one another. In addition, we should allow for a temporary suspension of dividend payments by financial institutions and other regulatory measures to address the problems surrounding private capital liquidity.

Immediate Transparency, Oversight, and Market Reform

- Increase Transparency. Require participating firms to disclose to Treasury the value of their mortgage assets on their books, the value of any private bids within the last year for such assets, and their last audit report.
- Limit Federal Exposure for High Risk Loans: Mandate that the GSEs no longer securitize any unsound mortgages.
- Call on the SEC to audit reports of failed companies to ensure that the financial standing of these troubled companies was accurately portrayed.
- Wall Street Executives should not benefit from taxpayer funding.
- Call on the SEC to review the performance of the Credit Rating Agencies and their ability to accurately reflect the risks of these failed investment securities.
- Create a blue ribbon panel with representatives of Treasury, SEC, and the Fed to make recommendations to Congress for reforms of the financial sector by January 1, 2009.