

## Congressman Explains Vote on Bailout

By MIKE SECCOMBE

Cong. William Delahunt had literally thousands of reasons to vote against the proposed \$700 billion financial rescue package when it came before the House at the start of this week, not least of them something he saw at Forbes magazine on Tuesday, Sept. 29.

Forbes quoted a spokeswoman's explanation of how the U.S. Treasury came up with the \$700 billion figure. "It's not based on any particular data point," she said. "We just wanted to choose a really large number."

Congressman Delahunt was incredulous when he first saw it, and still sounded incredulous as he recited it again on Wednesday this week.

"That in and of itself," he said, "accounts for much the panic we are now seeing and the reluctance of banks and lending institutions to lend money – the credit freeze."

A number snatched from the air, an ill-thought-out bailout plan advanced by Treasury Secretary Henry Paulson and the Bush administration, and pushed on the Congress without warning – no wonder the public and a majority in the house bridled.

"That," Mr. Delahunt said, "was a mistake. There should have been consultation between the administration and the Congress before this happened and there was none. Zero."

And the other thousands of reasons for his opposition? Between the time Secretary Paulson first announced the plan and Wednesday this week, the congressman's office here and in Washington received 3,000 to 4,000 messages from members of the public, almost all of them appalled.

But the major reason he voted no was that he thought the proposed solution did not directly address the core issue of the financial mess, direct relief for the millions of people facing foreclosure or even bankruptcy because they cannot afford their mortgages.

"There are two significant aspects of the proposal we voted on that I found unacceptable," he said.

"One was that bankruptcy laws were not addressed to allow people who were in their primary homes to have their loans modified. With lower rates, extended terms, many would be able to make the payments and continue living there," he said.

He said it was not just a matter of giving a break to people who were underwater on their mortgages, but working to end the downward spiral of property values.

"The bottom line is that the lenders' additional costs are substantial - \$50,000 to \$60,000 – just for the transaction costs of a foreclosure of a primary residence," Mr. Delahunt said.

"So they're losing money and it drives down the value of the property, because oftentimes it just sits there shuttered. And it impacts the value of all the homes in the area.

"The core of the problem here is we don't know what the value of properties are until the market bottoms out and as we see these so-called upside down situations [i.e., owing more than the worth of the property].

“There’s about 10 million of those now in the country. If values continue to go lower, the experts say we could have 20 million. It’s a never ending cascade of gloom and doom,” he said.

“We’ve got to address the core issue here. We’ve got to stop the plunge in values before there can be a recovery. And that was not done.”

That was his first big objection. The second was that the cost of the bailout was to be met by taxpayers. Why was there no more emphasis on efforts to get money back from those who profited from the real estate bubble, he asked.

“There’s a proposal I support that would place very small – we’re talking pennies here – levy on financial transactions, which could generate tens of billions – I’ve seen figures upwards on a couple of hundred billion – that would pay for the shortfall,” he said.

“Every time you go to the market and purchase an equity, for example, they add a little surcharge for the transaction – maybe a penny, sometimes inconsequential – but there are billions of stock equities and debts traded.

“So, let those companies take it out of their profits rather than pass it on to the taxpayers. Because it was this sector of the economy that profited from the bubble. They should be held responsible.”

Mr. Delahunt said there is some measure of support for the idea, but he also said he is open to other ideas as long as they impose the costs where they should be – on the people who profit.

“Middle America finds this obscene, this creation on these financial instruments that no one understood. There could be five, 10, 20 different entities that have a share of a mortgage. It’s not like when your local bank kept the mortgage,” he said, adding:

“It meant huge rewards for those pushing those things. Now it’s time for the industry to take a share of the burden. I’m not saying this is the only way. I’m open [to other ideas]. I understand we have to defrost the credit freeze.”

He concluded:

“We’ve got a war that’s costing us \$12 billion a month. This administration has borrowed more money from foreign investors and governments than all the all the other previous administrations combined.

“And now this financial crisis. If there’s one lesson we’ve learned it’s that there has to be supervision. I’m not saying there has to be interference, or unreasonable regulation, but if we do not supervise these markets we will find ourselves experiencing an economic Armageddon.”