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The Harris Family

Dear Friends:

Thank you for sharing your views about the financial breakdown in our country and the proposed legislative response. I appreciate having the benefit of your comments.

The American people are understandably angry that our nation's financial condition has reached this point and I understand the worry that has brought. I'm angry and worried, too, and share the concerns of the scores of people from the 10th District who contacted me in recent days. I understand when folks say they don't want to "bail out" Wall Street when they see the greed and irresponsibility we've witnessed from some in the financial system gambling with other people's money and losing. Experts say that the root of the current financial crisis can be traced to the collapse of the sub-prime mortgage industry and the impact of high-risk loans on the nation's housing industry.

I agree and also share the concern about reports that some CEOs on Wall Street and top executives at Fannie Mae and Freddie Mac – which is now in federal conservatorship – have gotten sweetheart deals and bonuses in the millions of dollars. That kind of action must not be rewarded and that's why I applauded the news that the FBI as well as the Justice Department and the Securities and Exchange Commission have launched investigations into potential criminal cases against firms accused of contributing to the market collapse.

But I'm more worried about the people of Virginia and across America if we don't respond to the collapse in the credit markets in our country. We face a financial crisis and threat to the U.S. economy the proportions of which many say we haven't seen since the economic collapse of the Great Depression. For the past few weeks, the news has been filled with reports of some of the most prominent financial institutions in our country in free fall. Just this Monday, Wachovia, one of the largest banks in Virginia and perhaps a bank you or your family or neighbors use, was sold, and more banks are expected to fail.

Access to credit is the lifeline of our economy. I'm worried that if we don't take the necessary action to shore up the nation's credit system it will be the mom and dad in Herndon who won't be able to get a student loan to send their kids to college or buy a new house, or the young college graduate in Leesburg who won't be able to get a loan to buy a first car, or the older couple in Winchester nearing retirement whose nest egg in a 401(k) account is losing value, or the mom and pop store around the corner in Front Royal that can't get the loan to make payroll, or the family in Manassas who need to sell their house but watch as home values drop and the prospective buyer can't get a home loan.

I believe this crisis calls for extraordinary action. Some say without action millions of jobs could be lost. I believe the legislative package before Congress was mis-named as a "bailout." It is important to understand that it was a depression prevention plan to help restore confidence in and stabilize our country's credit system and ultimately the American economy. No legislation is ever perfect and there will be people of good will who disagree. But in tough times, it is the responsibility of lawmakers to act and make tough choices.

I voted for this legislation because I believe it was the right thing to do to begin the process of resolving this crisis and setting the country's financial institutions on sound footing. This legislation was a bipartisan compromise dramatically changed and improved from the original proposal and forged after tough negotiations between both political parties and the call that the measure must first and foremost protect taxpayers' investment and have transparency, accountability and oversight.

The package fulfilled those goals by:

- Providing the Treasury secretary with authority to buy troubled assets currently held by financial institutions, but cut in half Secretary Paulson's original proposal of $700 billion in up-front, immediate authority. The plan would allow $250 billion in immediate authority, with another $100 billion available after the secretary reports to Congress, and providing Congress with the authority to withhold the remaining $350 billion, assuring that economic assistance will be financed by Wall Street, not Main Street. Many economists predict that ultimately taxpayers will see all their investment fully recouped.

- Providing transparency and oversight through establishment of a bipartisan oversight commission, split evenly between minority and majority; reporting requirements to ensure proper reports to Congress and the public; a special inspector general; a financial stability oversight board; strict conflict of interest and unjust enrichment rules, and providing that if after five years the government has a net loss of taxpayer funds as a consequence of the purchase program, the president will be required to submit a legislative proposal to recoup such funds from program beneficiaries.

- Protecting taxpayers – not shareholders and not corporate executives – against loss by placing taxpayers first in line to recoup losses from participating financial institutions in the event they fail or lose money.

- Prohibiting executive compensation or golden parachutes to ensure bad actors on Wall Street are not rewarded.

- Requiring the establishment of an insurance guarantee program that in lieu of purchasing assets with taxpayer funds is available to insure assets at no cost to the taxpayer. Costs would be fully paid for by participating companies (i.e. those receiving the assistance). Assets insured by the program would count against the total funds the Treasury secretary would otherwise have available to make purchases.

In considering this package I had to answer this question: What is the consequence of doing nothing to help stop the hemorrhaging of the nation's credit system, and even the broader consequence of a potential worldwide depression? I had to decide what is in the best interest of our country and the taxpayers and residents of this congressional district.

When faced with that decision, I cast my vote for the legislative package. I was disappointed that the bill failed passage by a vote of 205-228 and that a majority of my House colleagues both Democrat and Republican did not recognize the need to shore up our financial system and restore the flow of credit to help protect Main Street America.

Just minutes after the final vote, the Dow Jones industrial average dropped over 700 points and closed for the day down 778 points, the largest one-day point drop in history. The broadest measure of the American stock market, the Standard & Poor's 500-stock index, fell 8.77 percent, its biggest drop since October 1987. The failure to approve the legislation resulted in uncertainty and turmoil in the markets, eroding billions of dollars in individual savings and household wealth. In a few hours, an estimated $1.2 trillion in assets lost their value – that is people's retirement accounts, pension funds, and college savings.

With the failure of the legislation, it is uncertain what the next step will be, but the crisis in the financial markets continues, and congressional leaders have pledged to go back to work and negotiate a bipartisan solution to restore confidence in the markets and come back to the House for another vote. No matter what final legislation is enacted to help stem the current crisis, I believe Congress has lots of work to do in the future to reform financial market regulation so that our country is not faced with this kind of crisis in the future.

The crisis in the credit markets, however, may be a symptom of a greater financial crisis on the horizon. We must come to grips with the national debt which is approaching $11 trillion. Then we must focus on the over $53 trillion in unfunded and unsustainable entitlement obligations we face as well as uncontrolled federal spending. The statistics are staggering and real. Standard and Poor's Investment Service has indicated that the United States could lose its triple-A bond rating as early as 2012 if we do not take action to reverse course. By not dealing with this issue we are enabling foreign governments like China and Saudi Arabia to buy America. That is bad for our country.

That's why I introduced the SAFE Commission Act (H.R. 3654) with Democrat Rep. Jim Cooper of Tennessee to set up a national bipartisan commission to put everything on the table and recommend to Congress a way to put our country on sound financial footing. The legislation requires an up-or-down vote by Congress. The enclosed editorial from the Capitol Hill newspaper Roll Call said that SAFE Commission should be part of the discussion of any response to the financial markets crisis. The reverse side lists comments from others about the SAFE plan.

Please know that I respect your views and thank you again for taking the time to share your concerns about this matter of such critical national importance.

Best wishes.

Sincerely,

Frank R. Wolf
Member of Congress

FRW:jp
enclosure
P.S. I have based my service in Congress on the principles of honesty and integrity and doing what I believe is best for the people of this congressional district and the country.

ROLL CALL

It Takes a Crisis

September 24, 2008

We have confidence Congress, faced with collapse of the nation's financial system, will come to terms with the Bush administration and the Federal Reserve on a bailout package that will rescue the national economy from impending crisis.

But why, for heaven's sake, does it take impending doom for Congress to act to fix problems that, left untended, will result in crisis? And, coming out of this crisis, can Congressional leaders of both parties resolve to deal with those problems, preferably on a bipartisan basis?

We trust — because the problem is so obvious — that Congress will create what Treasury Secretary Henry Paulson calls a "21st century regulatory system" to oversee the increasingly complex financial system. This should have been done when the system was deregulated in 1999. It could have and should have been done anytime during the past nine years. But Congress failed to do it — for seven years while the GOP was in charge and over the past two years under the Democrats.

Will Congress also fail to avert what countless experts have warned are certain fiscal crises, short term and long term, because the government is plunging deeper and deeper into debt? What will it take? For credit-rating agencies Moody's and Standard & Poor's to downgrade the U.S. government's credit rating from AAA?

Or for the dollar's value to plunge to the point where foreign lenders stop financing U.S. borrowing?

Short term, this year's federal deficit is estimated at $400 billion. Accurate accounting would put it at $600 billion because $200 billion is borrowed from the Social Security trust fund. The nearly $1 trillion it will cost to rescue the financial system — including Fannie Mae and Freddie Mac, American International Group and Bear Stearns — should be added to that. Some of the money may be returned to the Treasury, but not immediately.

Medium term, the national debt has risen from $5 trillion when President Bush took office to $9 trillion, and now Congress is acting to raise the debt limit to $11.3 trillion. The Congressional Budget Office estimates the debt will rise an additional $2.5 trillion by 2013 even if Bush's tax cuts expire — though both presidential candidates want to extend some or all of them and add lots of spending.

And then, long term, there's the $53 trillion in entitlement obligations promised to future retirees that everyone knows is unsustainable. According to the Peter G. Peterson Foundation, by 2027, just four budget obligations — interest on the federal debt, Social Security, Medicare and Medicaid — will eat up all federal revenues and account for 18.3 percent of the gross domestic product.

Congress knows this. In the House, Reps. Jim Cooper (D-Tenn.) and Frank Wolf (R-Va.) have proposed legislation establishing a commission to recommend entitlement reform. Sens. Kent Conrad (D-N.D.) and Judd Gregg (R-N.H.) have a similar proposal in the Senate. They've gone nowhere. This legislation may not be the final answer to the entitlement dilemma, but one must be found.

The question is: What crisis does it take?

(OVER)

What is being said about SAFE?

"We need to re-impose tough budget controls…A bipartisan commission that would make recommendations for an up-or-down vote by Congress would be a positive step to making this a reality."

~ U.S. Comptroller David Walker (1998-2008), *The Financial Times*, 9/22/2008

"With the dollar plummeting in value, and so much of our debt being carried by foreign entities, and the fuse on the Baby Boom entitlement explosion inching toward detonation, it's high time more people awakened to the rumblings in the fiscal forest. For the moment, it seems, Frank Wolf and Jim Cooper sit high in the watch tower, alone."

~ *The Winchester Star*, 6/28/2008

"When Congress lacked the political will to act on military realignment and base closures, it created a series of commissions staffed by bipartisan experts to render recommendations. Congress then gave the recommendation straight up-or-down votes. If Congress lacks the political will to make difficult decisions on entitlement spending, it should follow that model."

~ *San Antonio Express-News*, 3/29/2008

"The bill – H.R. 3654 – would give the commission some teeth by requiring Congress to take an up-or-down vote on the recommendation from a 16-member bipartisan panel."

~ *Richmond Times Dispatch*, 2/16/2008

"What would distinguish this commission from its many predecessors is that Congress would have to vote on its recommendations."

~ Robert J. Samuelson, *The Washington Post*, 10/3/2007

"The Commission would come up with a plan to restore fiscal balance, and the plan would immediately go to Congress for an up-or-down vote."

~ David Brooks, *The New York Times*, 9/29/2007

"Two rays of bipartisan sunlight appear to be trying to shine through the clouds casting dark shadows on the nation's long-term fiscal horizon…The two rays of bipartisan sunshine take the form of legislative proposals working their way through the House and Senate."

~ *The Washington Times*, 9/25/2007

"The idea is that hard decisions are too difficult for politicians and must be delegated…The SAFE Commission would address the big problems with big solutions."

~ *The Florida Times-Union*, 3/20/2007

(OVER)