

**ACORN**  
**American Association of University Women**  
**American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)**  
**Center for Responsible Lending**  
**CDFI Coalition**  
**Consumer Action**  
**Consumer Federation of America**  
**Consumers Union**  
**Dēmos: A Network for Ideas & Action**  
**Essential Action**  
**The Lawyers' Committee for Civil Rights Under Law**  
**Leadership Conference on Civil Rights**  
**National Association of Consumer Advocates**  
**The National Association of Consumer Bankruptcy Attorneys**  
**National Association for the Advancement of Colored People (NAACP)**  
**National Community Reinvestment Coalition**  
**National Consumer Law Center (on behalf of its low-income clients)**  
**National Housing Institute/Shelterforce**  
**National Fair Housing Alliance**  
**National Training and Information Center**  
**National Policy and Advocacy Council on Homelessness (NPACH)**  
**Opportunity Finance Network**  
**Public Citizen**  
**SEIU**  
**U.S. PIRG**  
**Woodstock Institute**

24 September 2008

## **Public Interest/Main Street Principles To Guide the Wall Street Rescue**

The Honorable Chris Dodd, Chairman  
The Honorable Richard Shelby  
Banking Committee  
U.S. Senate  
Washington, DC 20510

The Honorable Barney Frank, Chairman  
The Honorable Spencer Bachus  
Financial Services Committee  
U.S. House of Representatives  
Washington, DC 20515

Dear Chairmen Dodd and Frank, Senator Shelby and Representative Bachus,

We, the undersigned consumer, community, civil rights, labor and civic organizations write to suggest several principles that should guide your consideration of final Wall Street rescue legislation. We understand the desire to complete this legislation in a timely manner. Nevertheless, we believe that consideration of the public interest principles that we describe below will not delay your passage of a final law that is based on the Treasury's proposal to you, but also guarantees that homeowners, tenants, taxpayers and depositors on Main Street will not bear undue burdens from these necessary actions. This is not a wish list. Rather, these are simply perfecting amendments to an incomplete proposal from the Treasury. We recognize and appreciate that many of these principles are embodied in the laudable counter-proposals we have seen from both the House and Senate.

How the measure is structured will determine whether this is a Wall Street rescue plan or an irresponsible bailout, whether Wall Street executives or the American people are the primary beneficiaries. The draft proposal being circulated by the administration provides too little oversight of the Department of Treasury as it implements the rescue plan, too little accountability for Wall Street firms that participate in the plan, and too little assurance that the taxpayers who have footed the bill for this rescue will share in any profits of Wall Street firms that benefit from the plan. It also fails to ensure assistance for homeowners facing foreclosure and neighborhoods needing stabilization.

**1) The final provision must include Chapter 13 judicial modification relief and a mechanism for ensuring loan modifications.** We cannot support legislation that fails to help the millions of families in danger of losing their homes, while spending hundreds of billions of dollars of taxpayer money to bail out those who caused the problem.

- Voluntary loan modifications are not working, as the mounting crisis attests. Today, homeowners are barred from applying for loan changes through the bankruptcy courts if the loan is on their one and only home. Bankruptcy courts provide an existing infrastructure for supervising court-ordered loan modifications and addressing the many hurdles that prevent voluntary modifications.
- Further, in the case of delinquent mortgages in which the government owns a full or partial interest, there should be a mechanism for implementing affordable, sustainable loan modifications that allow homeowners to retain their homes. Failure to provide such modifications should be a defense to a foreclosure.
- In cases where this proves impossible, former homeowners should be allowed to remain in their homes as renters paying the market rent. This should be done even if it leads to losses to the government. In our view, the Treasury version cushions the fall for executives and investors who helped create this mess without providing help to homeowners who are in danger of losing their homes and whose neighborhoods stand to face serious demise.
- Congress should also preserve all legal claims homeowners had before the government took over the assets notwithstanding any act by Treasury in buying or selling assets and should ensure that loan modifications do not result in negative tax consequences for homeowners.

**2) The final law must protect taxpayers.** Financial institutions should be forced to endure the bulk of the losses with taxpayer funds only to be used where absolutely necessary to sustain the orderly operation of the financial system. Toward that goal, we support inclusion in the plan of a provision granting the government a warrant to purchase stock in companies that take advantage of the bailout. Such a provision would give taxpayers a chance to share in the benefits if those companies that participate in the plan turn profitable after shedding their bad debts.

**3) The new law must severely restrict executive compensation at any companies that directly benefit from the bailout and include a claw-back provision to reverse ill-gotten gains.** Further, compensation packages should be designed to reward long-term success, not illusory, reversible short-term achievements.

**4) The bailout must be designed to minimize the opportunity for gaming and should be designed to minimize moral hazard.** The American public is understandably disgusted that, even as they struggle to make ends meet, they are being asked to bail out the wealthiest titans of Wall Street, people who raked in millions from the reckless actions that have threatened to destroy the global financial system. For this plan to fly with the American public, the plan must impose some discipline on those firms that participate in the plan. Congress must put a brake on Wall Street's inclination to take inappropriate advantage of the opportunity the bailout offers to privatize profits and socialize risks.

**5) The bailout must include greater oversight than the Paulson plan provides for.** Congress should create an oversight board so that Treasury actions are reviewable and require monthly reporting for the purpose of transparency. Under the administration plan, the Treasury Department would be given expansive new authority with no accountability for how it exercises that authority. This is not acceptable, particularly since a failure of oversight by federal regulators was a major reason we are now forced to undertake this bailout. Several proposals have reportedly been advanced to provide greater accountability, including oversight either by the GAO or by a panel of respected financial leaders or both. What is essential is that some credible mechanism is included to ensure that the program operates efficiently, effectively, and in the public interest. This should include oversight to ensure that assets are appropriately valued when purchased by the government.

**6) The bailout must include greater transparency in financial transactions and rescue operations than the Paulson plan provides for.** Financial firms are reportedly lobbying hard to get a moratorium on fair value accounting included in the plan. Lack of transparency and a failure to provide reliable valuations for their assets were major contributing factors at firms, such as Lehman Brothers and AIG, that were brought down by the crisis. Instead of including a fair value accounting moratorium that would undermine transparency, Congress should insist that the plan include a measure to provide greater transparency going forward at those companies that benefit from the plan. Specifically, Congress should require that those firms provide enhanced disclosures of their risk management practices as well as of their exposure to credit derivatives, loans, including subprime mortgages, and mortgage-backed securities.

**Finally, we should not let any institution that engaged in racial or ethnic discrimination or abusive lending off the hook for their actions.**

Our organizations believe that these provisions represent critical parts of any emergency bill that is enacted this month. Going forward, we recognize that broader reform must wait until careful consideration can be given to the factors that caused the current crisis and the best way to prevent a recurrence, but it cannot wait too long. We look forward to working with you on that through the fall and in the next Congressional session. In the meantime, we urge you to send the message to the American people that Congress is looking out for their interests by guaranteeing that the rescue of Wall Street includes strong measures to ensure that the plan operates as intended, protects the interests of taxpayers as well as those in danger of losing their homes, and disciplines those who caused this crisis.

Sincerely,

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