CASTLE ISSUES STATEMENT ON ECONOMIC RESCUE LEGISLATION -- September 29, 2008

Washington, D.C. -- Today, Delaware Congressman Michael N. Castle issued the following statement in regards to the Emergency Economic Stabilization Act.

"Today, I voted in favor of H.R. 3997, Emergency Economic Stabilization Act, which failed to gain a majority of support in the House of Representatives," Rep. Castle said.

"Over a week ago, the Secretary of Treasury, Henry Paulson, approached Congress with serious concern that American fiscal markets were facing an imminent crisis. To avoid any further transfer of fiscal uncertainty from the financial industry to the savings and assets of working Americans, the Administration requested Congressional authority to purchase up to $700 billion in troubled assets, mostly mortgage-backed securities, from financial institutions. I agreed with the majority of Congress and the American people who felt this request fell short on taxpayer protections and industry accountability.

"As a senior Member of the House Financial Services Committee, Minority Leader John Boehner asked me to join with ten Republicans to create an economic working group in which to collaborate on a proposal less burdensome to American taxpayers. That alternative proposal, now present in the bill before Congress, was a prerequisite for gaining Republican support. Over several days of intense bipartisan and bicameral negotiations, the proposal now includes numerous conditions, of which I am very supportive, including parceling out the money in installments, strong limits on executive compensation, profit-sharing 'warrants' for taxpayers to recoup any financial gains, and a requirement for the Secretary of Treasury to establish a government insurance program. These provisions reduce the risk to the taxpayers and increase industry accountability.

"My dedication this week to finding a workable solution to the original proposal stems from the belief that the economic environment and resulting challenge to American's access to loans and credit is a determinable threat to American jobs, home values, savings, pensions, pursuit of education, and homeownership. There is no doubt in my mind that the crisis we are intending to avert has been brought about by the overextension of both industry and individual. Therefore, to prevent similar regressions, Congress should not delay in shaping and passing legislation to immediately increase transparency, oversight, and market reform. There is much remaining to be done to reform credit rating agencies, improve transparency of mortgage asset values, and restrict mortgages held by Government Sponsored Enterprises. These efforts will take similar bipartisan cooperation, and I have been assured by Congressional leaders that each will be a priority for Congress very soon."

Provisions supported by Rep. Castle and included in H.R. 3997

- Up-front Treasury authority cut in half: Secretary Paulson’s original proposal sought $700 billion in up-front, immediate authority. The new economic rescue plan cuts this up-front authority in half. The Treasury would have $250 billion in immediate authority, with another $100 billion available after the Secretary reports to Congress. Congress has the authority to withhold the remaining $350 billion.

- Federal insurance program protects taxpayers, forces Wall Street to share the burden: Requires 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 Secretary would otherwise have available to make purchases.

- Taxpayers protected against losses: Taxpayers would be first in line to recoup losses from participating financial institutions in the event they fail or lose money – not shareholders and certainly not corporate executives.

- No golden parachutes for Wall Street: Irresponsible corporate executives at participating institutions will not be rewarded with golden parachutes or severance pay.

- Bipartisan oversight and accountability: The earlier draft included a very partisan 5-2 Member oversight board, but the final bill reflects an equal number of Democrats and Republicans.

- New “mark-to-market” accounting rules: The Securities and Exchange Commission would have the authority to suspend “mark-to-market” accounting rules – outdated regulations that artificially undervalue good mortgage assets and have helped exacerbated this economic crisis.

- Protection for community banks: The rescue plan helps local community banks across the country by allowing them to write off losses on Fannie and Freddie mortgage assets they hold.

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