

Congress of the United States
Washington, DC 20515

September 24, 2008

The Honorable Nancy Pelosi
Speaker
U.S. House of Representatives
H-232
U.S. Capitol

Dear Madame Speaker,

We understand the gravity of the financial crisis and profound adverse economic consequences confronting our nation and we believe that, for the good of all Americans, the Congress must put our national economic interest first. Accordingly, we must stay in session as long as it takes beyond our scheduled adjournment on September 26th to apply certain fundamental principles and carefully enact the best possible legislation to address the current financial crisis.

Now the Bush administration is orchestrating extreme pressure on Congress to hurriedly enact legislation to require American taxpayers to provide an additional \$700 billion to bail out irresponsible Wall Street bankers and carefree, unregulated investors. We will not be stampeded into carte blanche support for this \$700 billion blank check. Most importantly, we will insist that the immediate needs of working Americans be met and the long-term interests of all U.S. taxpayers be protected, while striving to do all we can to help avoid a seizure of financial credit markets.

First and foremost, the same Wall Street speculators and investors who are principally responsible for having caused this avoidable financial crisis and profited from it must now be required to pay for it, not U.S. taxpayers. Should Congress move forward, this requirement must be an essential part of any bailout bill (akin to a Progressive PAYGO requirement). That is why we support the enactment of a financial transaction tax equal to one quarter of one percent (0.25 of 1%) on all U.S. stock trades and more exotic transactions such as credit default swaps, options, and futures. This would raise approximately \$150 billion/year. In addition, we should amend the tax code to prohibit the tax deductibility of executive compensation in any company where the highest paid corporate officer exceeds the compensation of any employee by a ratio of greater than 25:1. This would raise tens of billions of dollars in additional revenue to help meet the costs of the extraordinary Wall Street bailout being proposed by U.S. Treasury Secretary Henry Paulson.

Second, the federal government and U.S. taxpayers, by extension, must be provided equity shares in any of the companies and financial institutions that benefit from the proposed bailout. This will help ensure a fair financial return for all taxpayers who will be contributing directly to the recovery of every one of the banks and financial companies now desperately seeking federal help.

Third, major bankruptcy reform must be included. As this bailout plan is implemented, assets are evaluated, and the financial sector rebounds, top priority must be

given responsibly to helping current homeowners renegotiate their mortgages on manageable terms. It is of paramount importance that this massive restructuring of the American home mortgage market be accomplished in such a way that the greatest number of American families possible be able to stay in their current homes or make good on their pending applications to obtain their first homes.

Fourth, it is also very important that the financial bailout legislation under development safeguard consumer rights, provide tough, independent oversight, and establish a transparent, effective, 21st century regulatory regime for the financial industry in America that will prevent any future repetition of the current Wall Street calamity. To achieve these policy objectives, we urge consideration of the following provisions:

Consumer Rights

- Homeowner protection
 - * Loan modification authority for bankruptcy court judges
- Small business protection
- Inclusion of small and minority-owned business contracts and buy American safeguards

Congressional/Governmental Oversight Role

- Enhanced regulatory oversight
- Real transparency
- Should Congress move forward, phased authorization of funds
 - * \$100-\$200 billion to start, with additional authorizations made as needed
- Approval Board, not Review Board
 - * Proactive board to approve transactions. Review board will be too late.
- Fast track for regulatory and corporate governance reform in the 111th Congress
 - * Guarantee up or down vote in both houses for any legislation dealing with corporate governance and/or financial services reform
- Reports to Congress

Regulation

- Homeowner's states' rights not preempted.
- Valuation
 - * Fair market value
 - * Equity stakes in these companies
 - * Clear definition of assets
- Redirect profits to affordable housing
- US investors only. No mortgage-related asset should be purchased unless it is established that such asset was owned on September 20th, 2008, by an entity headquartered in the U.S.
- Obligation for firms to invest in the US
- Improve whistleblower protection for federal and financial industry employees

In conclusion, this financial rescue package and any subsequent federal rescue effort, if needed, will fail if the American people do not believe that Wall Street financiers and selfish speculators are made to pay for their own excesses and that they are being treated honestly and fairly, with taxpayers benefiting proportionately in good financial times, just as they are now being required to sacrifice disproportionately to overcome the difficult financial times now confronting our nation.

Sincerely,

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U.S. Representative Barbara Lee

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U.S. Representative Lynn Woolsey

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BL/LW/jwg

Cc: House Majority Leader Steny Hoyer
House Majority Whip James Clyburn
Chairman of House Democratic Caucus – Rahm Emanuel
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