Fact Sheet: Blackburn Ideas for Bringing Reform to the Financial Markets

> "For the past six months, the federal government has engaged in a series of 'bailouts' that have failed to stabilize the financial system. While these bailouts have exposed the taxpayer to enormous risk, I don't believe that they have achieved their intended results. We face a serious economic crisis and it is time for a fresh approach. Congress should formulate a workout plan, not a bail out plan. It should be a plan that leverages Wall Street capital and ingenuity to pull us out of the crisis."
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> ***-Congressman Marsha Blackburn 9/25/08***

Timeline: A recent history of Federal Bailouts

March 16, 2008: Federal Government offers $29 billion of credit in the form of guarantees for the toxic mortgage-backed debt held on the books of *Bear Stearns.*

July 11, 2008: Federal Government seizes *IndyMac*, a US mortgage bank, after a run of short-selling left the bank in a state of insolvency.

September 6, 2008: The Federal Government takes control of mortgage companies *Fannie Mae and Freddie Mac*, promising to inject $100 billion into each.

September 16, 2008: Federal Government takes control of *AIG*, lends the insurer $85 billion for two years, and promises to break up the company and raise new capital to pay back the American taxpayer.

How Much the Taxpayer is On The Hook For:

AIG:	$85 Billion
IndyMac	$9 Billion
Bear Stearns	$29 Billion
Fannie Mae / Freddie Mac:	$200 Billion
Total Taxpayer Liability	**$323 Billion minimum in taxpayer exposure *already*. This does not include the $300 billion liability taxpayers have been exposed to in the form of the Democrat FHA Expansion Act.**

Common Sense Ideas to Bring Stability to the Financial Market *Without Exposing Taxpayers to a $700 Billion Risk*

- Loans: Offer collateral-backed FHA loans to troubled banks, allowing the private sector to re-market more attractive government-backed mortgage securities. Protect taxpayers by preventing the government from purchasing assets that are currently non-liquid. The proposal also provides secure FHA loans to financial institutions at attractive interest rates, and allows Wall Street to put up their compromised portfolios of mortgage-backed securities as collateral. Together with tough, transparent new mark-to-market accounting rules guaranteeing market transparency, a government-backed loan program will limit taxpayer exposure and prevent federalization of Wall Street's bad assets.

- Capital Gains Tax: Immediately decrease or eliminate the capital gains tax. By incentivizing investment in the marketplace and reducing tax liability at the end of an investment term, the Federal government can reverse the flow of money out of the market. The short and long term impact will stimulate the economy.

- Cut Spending: Pass H.R. 379, legislation to cut discretionary spending- excepting defense and homeland security funds- by 5%, and new legislation to cut mandatory spending by 5%. Enacting this reduction package will save American taxpayers at least $103 billion annually, which will help defray any costs of new financial security programs.

- Mark to Market: Replace the "mark to market" accounting rules to allow mortgages and mortgage backed securities to reflect the true value of the assets. The current accounting rules value mortgage based securities near zero "fire sale" rates and force firms to "mark" assets to a nonexistent market. This provision will allow companies to reflect the true value of the asset on their financial statements, and reduce capital firms must have on hand to show they are solvent.

- Limit Short Selling: Reinstate the "Uptick Rule" limiting short sellers to only purchase securities after the price in a stock increases, and enact a ban on naked short-selling. Short-selling allows investors to take capital away from companies with very little up-front investment. By requiring sellers to hold company shares before "shorting" the sale, the uptick rule would prevent artificial devaluation while a stock's value declines.

- Derivative Instrument Transparency: Require new derivative instruments to be traded in a formal and transparent exchange. This will force new derivatives to not be hidden but be traded in a market and have value that can be measured on a timely basis.