



AMERICANS FOR LIMITED GOVERNMENT

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To House Speaker Nancy Pelosi, House Republican Leader John Boehner, Senate Majority Leader Harry Reid, Senate Minority Leader Mitch McConnell, Senator Barack Obama, and Senator John McCain:

As I am sure you are aware, the public is responding overwhelmingly negatively to the proposed \$700 billion bailout whereby the U.S. government would purchase bad and risky debts and securities from banks, investment firms, and elsewhere.

This should not be shocking to you. The American people have watched throughout the year as the federal government has allocated in one way or another about \$763 billion to prevent the current financial calamity. These moves have failed at every stage. The \$29 billion loan to JP Morgan to purchase Bear Sterns did not stop the crisis. Nor did the \$150 billion “stimulus” package. Nor did the \$300 billion Foreclosure “Prevention” Act prevent the foreclosures from happening anyway. Nor did the \$200 billion (at least) nationalization of Fannie Mae and Freddie Mac solve the crisis. Nor did the \$9 billion in losses the government took on from Indy Mac. Nor did taking on \$85 billion in risk from AIG solve the problem.

You are now being asked to allocate an additional \$700 billion from the American taxpayer to prevent a crisis that may be unpreventable. If it fails, the government will have wasted nearly \$1.5 trillion of taxpayer funds to stop something that was going to happen anyway. The American people may at the end of the day be wishing they had that money when the inevitable flood washes over the economy nationwide.

However, since it appears likely that this massive bailout will move forward despite public pressure overwhelmingly against it—and the people have every right to be angry—Americans for Limited Government would like to emphasize a few key points for you to consider moving forward.

Your colleague, Senator Chris Dodd, has recently stated, “The only way to really help homeowners keep their homes is to allow borrowers to get the mortgages on their first homes reduced to the market value of those homes through bankruptcy.” With all due respect to Mr. Dodd, this is not about keeping people in homes they cannot afford, and could not afford in the first place to the detriment of the overwhelming majority of homeowners.

Mr. Dodd’s proposal will result in higher interest rates for those who are currently keeping up with their payments, and will result in increasing the taxpayer’s burden by creating a

federal housing entitlement. If this plan must move forward, there must be a foreclosure mechanism that occurs when the borrower has completely defaulted. Those foreclosures are the market-correcting mechanism, and the necessary first step to a recovery of the housing market.

As President Bush emphasized in his speech last night, the nation arrived at this problem because of low interest rates, loose lending, overproduction in housing, and a false belief that housing prices would continue to rise to unheard-of heights. Let us not now compound these problems by shifting the burden of these risky decisions to the taxpayer in a precarious act to keep people in homes they could never afford, and would have never qualified for under more prudent lending standards.

The tens of millions of American families who have played by the rules and paid their bills must not be forced to bear the burden for reckless decisions made by the government. The fact is clear: The government and Congress will lose what little credibility they have left if the decision is to now turn this calamity into a backdoor welfare program.

We understand the desire to help low-income families to achieve affordable housing, however too much credit has not resulted in affordable housing. Instead it has resulted in the current mess. The government should not be encouraging loose credit to help low-income individuals to purchase homes. Instead, it must encourage honest credit so that there is not a repeat of the current mistakes. Only then will the true market demand for housing be known. The loose lending practices, and housing welfare programs administered by federal regulations and laws must be repealed. A substantial amount of the foreclosures have resulted from the GSEs.

The American people have already spent \$300 billion to “prevent” foreclosures by people who should have never been given these loans, and who may ultimately default in the end anyway. Instead, the government should allow the market to find its level. Please, do not unnecessarily waste still more taxpayer funds.

Sincerely,

A handwritten signature in cursive script that reads "William A. Wilson". The signature is written in black ink and is positioned above the typed name and title.

William Wilson
President
Americans for Limited Government