



BUDGET COMMITTEE



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**Senate Floor Statement of Senator Judd Gregg
On Emergency Economic Stabilization Act
October 1, 2008
(unofficial transcript)**

We are here at a very significant time relative to the Congress's responsibility to act and try to avoid a significant crisis for our nation. I listened to Ranking Member Shelby, former Chairman Shelby, for whom I have the most tremendous respect. And you know, when you think about how we got here, if this nation had listened to Richard Shelby, we probably wouldn't be here. If there had been adequate capital formation of these institutions, if there had been adequate oversight, if there had been proper underwriting, we wouldn't be here.

But, unfortunately, we are here. And the hand we've been dealt is a pretty bad hand, and the options are really few. In our situation as a Congress, if we fail to act, we will fail the nation. We will fail our constituents. We will fail the people on Main Street and we will fail future generations. The problem has been outlined here eloquently by a number of speakers. The Senator from Massachusetts, the Senator from South Carolina, the Senator from Florida, since I've been on the floor. I know earlier today a number of members spoke really brilliantly about the problem. But let me just simply restate it, because we need to understand it clearly.

This isn't so much about the problem of Wall Street. This is about the problem that is coming at Main Street. America runs on credit, credit that's easily available and reasonably priced. There are very few Americans who haven't borrowed money to buy their car, to send their children to college, to expand their home. There are very few small businesses in this nation -- whether it's a restaurant on Main Street or a shoe store on Main Street or the local person who's taking a risk in the software industry -- very few businesses in this nation -- small, medium or large, but especially small -- that don't depend on their line of credit from the bank which finances them through difficult times and allows them to buy the things that they use to resell.

And what we're seeing today is a closing down of that credit so that the person on Main Street won't be able to buy a car, won't be able to send their child to college, and the people who pay them won't be able to finance their payroll, won't be able to buy the inventory they need in order to be financially successful. And the contraction feeds on

itself and grows and expands. It's been described here a number of times by the example of a four- or eight-lane highway -- in New Hampshire it would be a four-lane highway -- where you had a crash across the highway that blocked the highway. And behind that crash, you had trucks carrying the checks that pay the people who work in the town. You have trucks carrying the checks that maintain the hospital, maintain the school system, allow the kids in the town to go to college and allow the stow pick up the garbage and pave the streets and patrol and protect the people against fire. Those trucks are all stuck in that traffic jam and they can't move.

What the federal government is suggesting that we do, what the Treasury Department has suggested that we do, and what we have worked out as a program to do, is to come in as a government and take that crash off of the highway so that commerce can occur again in a reasonable manner.

Now, we've heard a lot about the cost of this program and there's been an immense amount of misrepresentation and theater and hyperbole and I'm afraid some people in our society have decided to demagogue this issue for their own personal aggrandizement and benefit. They say its \$700 billion thrown at Wall Street to protect the fat cats on Wall Street. Well, that's simply inaccurate. We are going to put \$700 billion into the process, but with that \$700 billion, we are going to buy assets that have real value. We're not throwing it out the window. What we're going to do is take nonperforming loans, mortgage-backed securities, off the books of banks and allow those banks to replace those loans with assets that they can lend against.

And what does that do? It creates credit. It allows those banks to start lending again. Because they can't lend today because they have as their base nonperforming assets and they can't lend against those assets. Their capital isn't adequate. And so we're going to take those assets and we're going to hold them as a federal government, and we're going to take them at a fairly big discount from their face value. If it's a mortgage note, we might take it at 20% or 30% below what the original note was issued at.

And then we're going to work with the people who have those mortgages, those people in the homes who have those mortgages -- if they're the principal residence of those people and they have a job, we're going to try to make it so there's no foreclosure against them so they can stay in their home and so that they can pay their mortgage. And by doing that, we're going to make those mortgages valuable again. And as the economy starts to recover, we're going to take those mortgages and we're going to resell them into the market or we're going to hold them until they're paid off.

In either instance, it is very likely that the taxpayers' dollars will be recovered, that there will be no loss here to the taxpayer. So when we hear these people in the public market, these talking heads, so to say, claim that we are about to spend \$700 billion to benefit Wall Street, they are totally inaccurate. Actually, what we're doing here is we're trying to spend money to free up credit on Main Street so that people can keep their jobs and at the same time do it in a way that protects the taxpayers of America. By getting value back.

Now, at the request of the Congress, the original proposal came up here from the Treasury, at the request of the Congress through the negotiation process with House and Senate Democrats and House and Senate Republicans at the table, we also did a few other things which I think were very good.

Number one, we said that any revenues that we get in from this -- and we're going to get a lot of revenues. If we spend \$700 billion, we may get \$600 billion back, we may get \$700 billion, and we may get \$800 billion back. All those revenues will go to reduce the federal debt. It's not going to go to new programs; it goes to reduce the federal debt. We intend to protect the taxpayer.

In addition, we that said if somebody participates in this program, we're not going to allow them to get a windfall. We're going to put a strict limit on their ability to get excess compensation if there's a senior member of the company that participates. We're going to limit golden parachutes. We're going to make it clear that there can't be that type of gaming of the system. And in addition, we're going to take something called warrants on behalf of the American taxpayer which says if there's an upside beyond just getting the money back from the notes we take, if there's an upside to that company, we may benefit in it. And if we buy the nonperforming debt off the books of the companies at too high a price and there's a downside, the company's going to have to give us some equity to cover that. So the taxpayer is again protected.

As I mentioned earlier, we put in this language, which was under the leadership of the Chairman of the Committee, Senator Dodd, which said that the emphasis will be to keep people in their homes. We don't want foreclosures. And equally important, we put in place tremendous regulatory oversight so that there will be absolute transparency. And the American people can look at what's happening and know what's happening and know what's being done, and it will be reviewed. We have an oversight board headed up by the Federal Reserve chairman. We have an oversight board from the Congress. We have a special prosecutor. We have a special GAO team. In addition, we have a number of reports which are necessary to go forward.

If we do this, is it going to solve the problem, is the economy going to suddenly turn around? No, it's not. We are in a very difficult economic time. There will be other failures, there's no question about it. There will be financial failures and the economy will probably continue to slow. But if we fail to do this, we will confront catastrophic events which will affect every American in the area of their income and their savings. People will lose their jobs if we don't do this, literally hundreds of thousands of people potentially. Tens of thousands anyway. Their assets will be reduced and their ability to have a normal commercial life on Main Street will be dramatically harmed. On Monday we saw a little glimmer of what is out there if we fail to act, when the stock market fell 777 points, which represented losing \$1.2 trillion of American assets. That meant that pension funds, 401(k)'s, IRA's, things people depend on, were dramatically reduced. People close to retirement were shocked by that -- all of us were stunned. It was a statement by the markets of what they think would happen if we do not act and act aggressively and boldly, which this proposal is, both aggressive and bold.

And some will say, well, the markets have come back so it doesn't matter, look at that. The markets have come back because they presume that the Congress will act in a commonsense way and that we will actually pass this piece of legislation.

There is no question but that this is a time that tries the political soul of this institution. You know, a "yes" vote here, as the Senator from Connecticut has mentioned a number of times, doesn't get you a whole lot of accolades anywhere. But there are times when, as members of this body, we have a responsibility to act in a mature, thoughtful and appropriate way, with our purpose being to avert a clear and present crisis that is going to confront this nation. And this is one of those times. To do nothing would neither be logical nor responsible. So we need to act. We need to pass this.

I wish I could say that when we pass this, the nation will suddenly fire up and reenergize and we won't see a further slowdown. That's not going to happen. But if we fail to pass this, I'm fairly confident, as has been said by a number of people, including both presidential candidates, the results will be a great period of trauma for our nation, especially for just everyday Americans who don't deserve it. You don't deserve it. And that's why it's our responsibility to act at this time. This is the vehicle before us. This is the opportunity that presents itself to take action to try to mitigate what will be an overwhelmingly damaging event, and therefore we should be voting for this piece of legislation.

Mr. President, I reserve the balance of my time.