



Action Alert

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The Great American Bailout

A conservative congressman recently commented, “When you’re struggling to pay your own mortgage, you shouldn’t have to pay your neighbor’s”.¹ He’s referring to efforts by Congress to pass **mortgage bailout legislation**. The Foreclosure Prevention Act of 2008 authorizes \$300 billion to the Federal Housing Administration (FHA) to refinance at-risk mortgages at lower interest rates.² The Senate has not yet voted on the bill which leaves time for you to **alert your networks to voice concern to their home-state senators**. If the bill passes the Senate, it will be sent to the President’s desk for a signature. Conservatives who understand the danger of **moral hazard** must pressure their congressmen to oppose every effort to override an expected White House veto. Below are the names and numbers of four senators who represent conservative states, making them particularly responsive to principled political pressure.

Senator	Contact Number
Kay Bailey Hutchison (TX)	(202) 224-5922
Mel Martinez (FL)	(202) 224-3041
Orrin Hatch (UT)	(202) 224-5251
Larry Craig (ID)	(202) 224-2752

[A LENDER’S KIND OF BILL](#)

While some legislators, like Senator Chris Dodd (D-CT), the bill’s sponsor, claim that no bailout occurs,³ consider that the bill allows mortgage lenders to renegotiate their most troubled home loans in exchange for a federal guarantee.⁴ **The Congressional Budget Office estimates that one-third or more**

¹“RSC Policy Brief: Understanding the Current Housing Market”. Republican Study Committee. April 2008. <www.house.gov/hensarling/rsc/>

² Kady, Martin II. “Moderates to Jump Ship on Housing Bill”. Politico. 7 May 2008. <<http://www.politico.com/news/stories/0508/10137.html>>

³ Hamilton, Jesse A. “President Doesn’t Like Dodd’s Housing Bill”. Courant.com. 19 June 2008. <http://blogs.courant.com/on_background/2008/06/bush-doesnt-like-dodds-housing.html>

⁴ “Countrywide Corruption”. The Editorial. 18 June 2008. <<http://article.nationalreview.com/?q=MmEwYzQ1NmY2NDc1ZGIzNTIzZDVkMTRhMzg4ZTA5ZGY=>>

of those refinanced mortgages will default,⁵ leaving American taxpayers to shoulder the burden. When will Congress stop using *our money* to reward poor choices?

TAKING CARE OF THEIR OWN

Under the murky waters of this bailout lies an interesting point. Senator Dodd, chairman of the Senate Banking Committee and sponsor of the bill, received a preferential loan from Countrywide that saves him \$75,000 over his 30-year mortgage.⁶ Furthermore, Bank of America, which is in the process of merging with Countrywide, contributed \$70,000 to Senator Dodd's campaign over the past year and a half.⁷ Perhaps that explains why one lobbyist told a Senate staffer, "the bailout section is exactly what

When you're struggling to pay your own mortgage, you shouldn't have to pay your neighbor's.

Bank of America and Countrywide wanted".⁸ Note the word *bailout*.

NOW IS THE TIME TO ACT

Should the House and Senate agree on the final wording for this bill and send it to the White House, expect President Bush to veto.⁹ If that happens, the House and Senate could move

for an override. The representatives and senators who voted against this government bailout need your support and encouragement to sustain the veto. Those who knew better but voted for it anyway must feel the heat. As for those legislators who openly spend **your** money to bailout irresponsible investors, November is only a few months away.

⁵ John, David C. "The Dodd-Shelby Housing Bill: A Bad FHA Refinance Plan Hijacks Good GSE Reforms". The Heritage Foundation. 2 June 2008. <www.heritage.org/research/economy/wm1941.cfm>

⁶ "Countrywide Corruption". The Editorial. 18 June 2008. <<http://article.nationalreview.com/?q=MmEwYzQ1NmY2NDc1ZGIzNTIzZDVkMTRhMzg4ZTA5ZGY=>>>

⁷ Carney, Timothy P. "Bank of America PAC Money Behind Dodd's Countrywide Loan". Examiner.com. 19 June 2008. <http://www.examiner.com/a-1449448~Bank_of_America_PAC_money_behind_Dodd_s_Countrywide_loan.html>

⁸ Ibid.

⁹ Montgomery, Lori. "Veto Threatened For Housing Bill". The Washington Post. 20 June 2008. <<http://www.washingtonpost.com/wp-dyn/content/article/2008/06/19/AR2008061903532.html>>

ACTION ITEMS

- 1) Contact Senate Minority Leader Mitch McConnell at (202) 224-2541 and House Minority Leader John Boehner at (202) 225-4000 and urge them to take a *principled* stand on this Great American Bailout.
- 2) Contact your senators and representatives and urge them to vote against the Housing Bill and oppose any potential veto override. Contact information for representatives can be found at www.House.gov and for senators at www.Senate.gov.
- 3) Spread the word to your networks. Please use this *Action Alert* as a resource in your efforts.

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