to focus the dollars on the problem, and the problem is the credit lockdown that is occurring generally in the economy but that is specifically being driven by the housing market problems. We know that for the last few years there has been an expansion in lending in the housing arena which was not supported by the underlying collateral or by the ability of people who were getting these loans to pay those loans under the terms of those loans. These were called subprime loans.

What happened was people were attracted into buying a house, which had been built on speculation, and they were attracted in on an interest rate on the mortgage on that house which was very low, with the understanding that 2 or 3 years later that mortgage rate would jump fairly considerably.

Well, unfortunately in many instances what happened here was, we built a lot of housing stock that could not be purchased, or if it was purchased, it was being purchased at costs which were below the real value of production, and on top of that, we were saying to people who did not have the incomes necessary to support the higher interest rate which was going to hit them in 2 or 3 years, the 2 or 3 years being now: You take the loan, we will worry about that later.

Well, the ''later'' is today. The bubble is bursting. People are being put under extreme stress because many people who bought these homes cannot afford the increase on what is known as their ARM, their adjustable rate mortgage.

It is severe. In parts of this country it is extremely severe—in Florida, Arizona, California. What is happening is you see a classic bubble where as the housing market starts to contract, lending generally starts to contract. Lenders who have these housing loans on their books, or who have sold these housing loans and cannot figure out how to get out of their contracts, are now trying to figure out how to get their books in order, to rebuild their capital and restructure themselves.

As a result, good loans in other areas that are being repaid are starting to be chilled, as is new lending. Consequently, the entire economy starts to lock up because it is hard to get loans for anything, especially in distressed housing areas. The people who have these loans and live in these homes are finding themselves under the pressure of foreclosure. In many instances, these people are hard-working Americans who can pay a reasonable rate, but because the adjustment is not reasonable—it is very high under ARM agreements—they are not able to meet the obligations of the mortgage. So we should be focusing our efforts on that part of the economy.

I congratulate the Secretary of the Treasury because he has tried to do that both through jawboning, the lending community, and by setting up the new HOPE proposal which has put a big chunk of money out there, over $100 billion, the purpose of which is to help people restructure those loans so that people who can make their payments under the original loan agreement or something near to the original loan agreement, because they have good jobs and they can make their interest payments, aren't forced out of their homes as a result of a jump in their mortgage rate. Progress is being made there. Over 370,000 people have been helped.

But the problem is so large that that is not necessarily going to stabilize the market and free up the lending machines in America. So additional things should be done. For example, Senator ISAKSON of Georgia has suggested we have a one-time focused tax credit given to people who buy one of these homes in the inventory within the next year and that the home has been produced during this period of excess production and allow that to incentivize people to go back in the market and start to get this market going again. That is what we need to do.

There are other ideas. The expansion of the FHA is an idea which—I don't quite understand why we haven't seen that bill come back to the Senate. It is in conference. It should be done soon. Increasing the lending limits on Freddie Mac and Fannie Mae is a dangerous step unless it is coupled with reforms necessary to make sure Freddie Mac and Fannie Mae have the underlying capital to support an expansion, but it is certainly something that should be considered. There are initiatives that could be focused much more in a targeted way and would actually do something to correct the problem and would, in the long and short run, from my viewpoint, have a much better effect on the economy.

In addition, if we are going to try to stimulate the economy through classic Keynesian activity, I am not too excited about that, but we ought to put it on the productive side so we actually create a more efficient economy that is more productive and, therefore, capable of producing more jobs as we move into the future. Our problem may be that we don't have enough jobs as we move into the future. The way you get around that is to create an attitude in the marketplace so people are willing to go out and invest, take risks, be entrepreneurs, and create more jobs. There are ways to do that other than just giving people $600 to go out and spend arbitrarily, which they may spend on a product that is not even manufactured in the United States, in which case there has been no stimulus to the economy. If somebody buys a TV made in China with their $600, that has no stimulus effect on our economy because the dollars end up in China.

It is important to understand that all this money comes from our children. We don't have a surplus to fund this stimulus package. Therefore, when we do stimulate, we need to do it in a much more focused way which is going to strengthen our economy and is going to address the underlying problem of the credit lockup which has been fed by the housing bubble. I hope we will take that up first. But, obviously, we will not take that approach. There is a significant majority that is going to support a stimulus package which is Keynesian based. So be it. But if we are going to do it, let's do it in the way which causes the least harm. The way to do that is to get it out the door quickly, have it be the package which essentially left the House, and not have the Senate throw in another $44 billion which we have to borrow from our children on top.

Those are my concerns. I appreciate the courtesy of the Chair.

I yield the floor.

The PRESIDING OFFICER. The Senator from New Jersey is recognized.

Mr. MENENDEZ. Mr. President, I understand morning business has ended.

The PRESIDING OFFICER. It is about to close.

EXTENSION OF MORNING BUSINESS

Mr. MENENDEZ. I ask unanimous consent that the period for morning business be extended until 12:30 p.m., with Senators permitted to speak for up to 10 minutes each.

The PRESIDING OFFICER. Without objection, it is so ordered.

ORDER FOR RECESS

Mr. MENENDEZ. I further ask unanimous consent that the Senate stand in recess from 12:30 to 1:15 p.m.

The PRESIDING OFFICER. Without objection, it is so ordered.

STIMULUS PACKAGE

Mr. MENENDEZ. Mr. President, our Nation needs to take a critical step to move our economy forward. We had a chance last night to make that happen. We had a chance in the Senate to make that happen. We had a chance to pass a package that would provide relief to more Americans, would put rebates in the hands of more taxpayers, would give checks to more than 20 million seniors who were not in the House bill, would have taken the opportunity to put money in the hands of 250,000 disabled veterans, would extend unemployment benefits for those who are looking to find work but cannot in this economy and who are on the verge of finding themselves without unemployment compensation benefits, and would provide important relief for businesses suffering and help those most in need with the cost of heating their homes this winter.

Enough to stop the process, many of our Republican colleagues bucked that opportunity. They said they wanted to deliver relief as quickly as possible, but when they had the chance to provide that relief to the most Americans, far more than the House bill, they said no.