The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Texas (Mr. CONAWAY) is recognized for 5 minutes.

(Mr. CONAWAY addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Maryland (Mr. GILCHREST) is recognized for 5 minutes.

(Mr. GILCHREST addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Georgia (Mr. GINGREY) is recognized for 5 minutes.

(Mr. GINGREY addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

## MORTGAGE FORECLOSURE CRISIS

The SPEAKER pro tempore. Under the Speaker's announced policy of January 18, 2007, the gentlewoman from Ohio (Ms. KAPTUR) is recognized for 60 minutes as the designee of the majority leader.

Ms. KAPTUR. Mr. Speaker, I wonder if the American taxpayers know that they are now the insurance company for Wall Street and for Wall Street's high-risk investors.

I am very pleased to begin this evening joined by our dear and respected colleague from the great City of Cleveland, Congressman DENNIS KUCINICH, and would yield the first portion of the hour and such time as he may consume on the very important subject of the mortgage foreclosure crisis and the financial crisis facing our Nation.

Mr. KUCINICH. I want to thank the gentlelady from Ohio, my long-time friend and colleague, Representative MARCY KAPTUR, for organizing this special order and for her continued commitment to addressing the foreclosure crisis, which is ravaging communities like Toledo and Cleveland and cities across this country.

I would also like to thank Chairwoman MAXINE WATERS for her persistence in addressing the foreclosure crisis and the subprime crisis. It has been an honor for me to work with Congresswoman KAPTUR and Congresswoman WATERS on this very important matter.

My subcommittee, the Subcommittee on Domestic Policy of the Committee on Oversight and Government Reform, a subcommittee of which I am chair, has held five hearings over the past 2 years regarding the foreclosure crisis, predatory lending, lasting effects.

What we have found is that neighborhoods are totally blameless victims of the foreclosure crisis. When homes are lost to foreclosure, property values of the surrounding homes plummet, and owners lose equity in their homes.

When you go into a neighborhood like Slavic Village in Cleveland where I am from, and you look how certain people built a community there, an older ethnic community, where people would take pride in their property, in keeping it immaculate, and then you see foreclosures in the community. Suddenly, someone who has had a property that they have kept up for 40 or 50 years, sees their property values decline because of the foreclosures around them and sees their property actually at risk, the fire hazards and safety hazards because of the foreclosures around them.

We are seeing people who, for their family, their home is their biggest investment in their life. That's the way it is for most Americans, seeing their investments threatened because of the sharp practices in subprime lending, and in the foreclosure scandal that has hit this country that Congresswoman KAPTUR has been one of the primary spokespersons on in terms of exposing.

We see these demands for services, municipal services. They increase as the foreclosures run wild, more police and firemen needed where there are a lot of foreclosed homes, increased social services and code enforcement. When you think of a foreclosed home, the cost of the foreclosed house goes far beyond the cost of the house itself.

Unfortunately, the State of Ohio and the City of Cleveland have been at the center of this crisis for some time now. According to RealtyTrac, which is an independent group that gathers information on foreclosure, four Ohio cities are in the top 20 metropolitan areas affected by foreclosures. Moreover, the Cleveland metropolitan area ranks sixth in the Nation for percentage of houses in foreclosure, which is a staggering statistic, considering our city's modest property values and the cost of living, which in Cleveland is relatively inexpensive.

Ms. KAPTUR. If the gentleman would yield just for a moment.

Mr. KUCINICH. I would certainly yield to my friend.

Ms. KAPTUR. Perhaps I could point out on the map, of course, Cleveland the most affected region of Ohio, Cuyahoga County, if we look back to 1997, here, and you just look at the colors alone, you have a sense of how many people are actually losing their homes in that region versus Columbus, Ohio; Cincinnati, Ohio; my own region, the greater Toledo area. The change between 2007 and 1997 in the last decade, it's just, it's profound.

Mr. KUCINICH. If I may, what the gentlelady points out, you can look at the research that uses foreclosure and lending data. In Cleveland, the parts of the city where the depository banks made very few prime loans, they also saw the highest percentage of subprime loans and subsequently, or consequently, the highest number of foreclosures.

So it should not be the least bit surprising to anyone, then, that the pattern of foreclosures mirrors almost exactly the established patterns of low-prime loans and high numbers of subprime loans.

Ms. KAPTUR. Absolutely, and each red dot on this map of Ohio represents 10 foreclosures. If we look at the same period of time and how many new filings are fueling this foreclosure growth, we can go back to 1997 and look at 21,000 filings every single year. The number increases to where last year there were over 83,230 filings. Many of those, the gentleman states, so-called subprime, concentrated in communities that were working class and poor. There was a targeting going on around this country.

Mr. KUCINICH. No question about it, to my good friend MARCY KAPTUR.

If we dug a little bit deeper, and we saw some patterns that reflected exactly what you have said, the patterns coincide with some cases with African-American neighborhoods because look what happened, for years, people in African-American neighborhoods couldn't get any loans at all. Then what happened, the Community Reinvestment Act passed, and we were supposed to have access to, finally, to credit.

But banks found a way to go around that. Instead of offering prime loans to people of color, they came up with these subprime packages, no document, low-document loans, didn't tell people exactly what was going on. As a result, people got in over their heads, and they ended up losing their homes.

Now, some people will say well, they should have known. But let me tell you something. One of the most significant challenges in this country is a issue of financial literacy. It's not a color issue, because the fact of the matter is that working-class people are and people who are poor people, often have a problem with the issues of the financial literacy. It's called reading the fine print, looking at the bottom line.

So you rely, and you trust people, you think that the banks are going to be fair to you. You think they are going to tell you the whole story. You think that you are going to be given an opportunity to have an even break. Not so, you look at the filings.

Ms. KAPTUR. If the gentleman, my dear friend Congressman KUCINICH would agree with this, in many of those neighborhoods there literally were no regular banks. In other words, they red lined the community providing no decent financial institutions, leaving them with those payday cash checking or check cashing operations in those communities.

Then all of the money that would flow into those communities, whether it was Social Security for senior citizens who had worked, veterans disability benefits for people who had served our country, where would they take that check to cash it?

□ 2000

There was no place. It was redlined. So those dollars were systematically removed. That's what redlining was about—their money systematically removed from those communities and put somewhere else—and then the very people in those communities couldn't get mortgage insurance for their homes, so they were sucked dry. That's why we had the Home Mortgage Disclosure Act. It was to say, hey, people in these neighborhoods have savings; they have income; they shouldn't have to pay all this money to cash a check. Then when we made them abide by the law and treat every citizen with the respect they're due, they came up with the subprime gimmick.

Mr. KUCINICH. Exactly.

So what they did is they started in African American neighborhoods, but when the subprime financial machine started to churn and Wall Street looked at it as a tremendous opportunity for growth and the hedge funds looked at it as an even greater opportunity for the unregulated massing of capital, then what you had is the reach from the African American communities, which are primarily located in cities, into the suburbs. So you have this foreclosure pattern spreading.

We're also seeing increases in high-cost loans and vacant properties in the outer suburbs and, guess what, in the outlying counties where the more recent data is analyzed further. Where previously the phenomenon was in the African American census tracts in eastern Cuyahoga County, we see the problem spreading west of the census tracts where there are larger Hispanic and Arab populations as well as our seeing the problem spreading into every direction it can spread in Cleveland—east, south and now west.

Ms. KAPTUR. You know, it used to be that most people in this country, when they would get home loans, would go to financial institutions in their communities or in their neighborhoods if there were a financial institution. You had a person who would make a judgment about you. What was your character? What was the ability of that institution to collect the loan? What was your collateral? Character. Collateral. Collectibility.

Then back in the 1980s, we had this big savings and loan crisis, and the cost of keeping our financial system whole was dumped on the taxpayers of the United States. We have now paid a quarter of $1 trillion, $250 billion, going back to the 1980s.

What has happened in this crisis after the savings and loans were demolished—really, gotten rid of—is that in the 1990s, I can remember their saying, well, you know, we won't have that problem anymore because now we're going to create something new. It's called a mortgage-backed security, and Wall Street will solve our problem. We will never have a banking crisis again in the United States of America. We're going to create this cute, little paper instrument, and we're going to let Wall Street break up your mortgage into parts, and all these mortgage banks will have it, and then there won't be any one bank that will get in trouble, right?

So, during the 1990s, there was complete financial deregulation. We got rid of something called the Glass-Steagall Act, that goes back to President Roosevelt, where we separated banking from commerce, and they got rid of the appraisal standards of HUD in 1993 and 1994, and Freddie Mac, Fannie Mae and the Office of Thrift Supervision at the Treasury Department didn't do their jobs.

What happened was these new securities moved from the local communities. Our local thrifts were gotten rid of—the agencies that created the mortgage instrument and helped people have savings accounts with real passbooks that earned interest. Then we started working with Wall Street, and your loan would go from your local communities—this is Countrywide right here. If we look at Angelo Mozilo, he didn't live in Cleveland or in Toledo. He made over $2.8 million.

Mr. KUCINICH. That's in a year.

Ms. KAPTUR. You know, the bankers who worked in our communities years ago, they didn't make that kind of money, and that doesn't count all of his stocks and everything else. Countrywide is one of the worst abusers, the worst abuser, in this scandal.

So, during the 1990s, the mortgage process became hooked to Wall Street. Then for the first time in American history, those mortgages, rather than being held by your local banks where you had to go in where they knew you and where they knew whether your father had a job or whatever else, were traded up to these anonymous institutions, to people who didn't even live in your community. Then they did something they'd never done before in American history. They sold them into the international market.

One of the real problems in places like Toledo and, I'm sure, in Cleveland, Congressman KUCINICH, is that the workouts are very difficult to do because you're not sure who is the ultimate holder of your loan. How many of the millions of people being hurt by this go to the telephone and try to work out a deal with one of these companies? As for IndyMac, the company that just went belly-up last week, their CEO made a salary of $1 million, a bonus of $1 million, whatever. Now that institution from California is in trouble. Try to work out your loan. Who holds your paper? How do you get that person on the phone?

It's a totally anonymous, faceless system for millions of Americans, and it was meant to happen, and now the American people are being asked to become the insurance company for Wall Street—for investment banks and for Freddie Mac and Fannie Mae, which are not insured institutions of the Government of the United States of America—to the tune of who knows how much—$1 trillion? $2 trillion? $3 trillion?

Mr. KUCINICH. Would the gentlelady yield.

Ms. KAPTUR. I would be pleased to yield to the gentleman.

Mr. KUCINICH. There has been no accountability here. The Federal Reserve was supposed to be monitoring the practices of the banks. They didn't do that. The Securities and Exchange Commission was supposed to be watching the movement on Wall Street as this juggernaut of subprime loans moved along, and it was supposed to be providing a measure of discipline or regulation. They didn't do that.

The Justice Department was supposed to be watching these mergers that were occurring that were really driven by the desire of not just capital formation but by the desire to get their hands on these newly packaged instruments that were beyond the reach of regulators, and the Justice Department didn't do anything.

When the hedge funds began to accelerate with the help of the subprime loan packages, no one was thinking that there was a bubble that was growing. All the danger signs were there. The regulators looked the other way.

Now, what does this mean? What it means is that somewhere in America there is a family who had a dream for a home, and that dream was the most important dream in their lives, just to have a place they could call their own, and they weren't able to get credit up front for a while.

Finally, they went to an institution that said, "Okay, We'll give you a subprime loan. Here are the terms." They accepted those terms. Then they found themselves unable to meet the terms and found they really didn't understand what they were getting into. Then, suddenly, people who had worked their whole lives to have just a little bit of the American dream found it gone in a flash.

This is not right. This cannot be what America is about. America can't be a place where it's all about the government's being an engine for accelerating the wealth of America upwards, because that's what it has been about. It has been about that in the financial markets to the detriment of the small investors. It has been about that in the banking industry as we've seen a lot of the smaller banks just destroyed. In the insurance industry, the wealth accelerates to the top and in the utilities industry.

You can take every single industry in this country, and the wealth has been accelerated to the top. Essentially, you take what you have without the regulation, and you have the destruction of the American dream.

I want to thank my colleague MARCY KAPTUR for giving me this brief moment to have this colloquy with her.

We're very fortunate to be joined by a woman who has equally been a champion for the people from Los Angeles. Before I leave, I want to once again acknowledge what an honor it has been to work with my dear friend MAXINE

WATERS, who, with Congresswoman KAPTUR, came to Cleveland, Ohio, and you heard the testimony of the people from Cleveland.

I come from one of America's great cities, and it is getting overrun, not only by the subprime lenders, but by the secondary market that has come up as continuing the predatory conduct. It is going after people who have lost their properties, and it is seeking to drive the properties down further, selling homes for a few hundred dollars even or for under $10,000 if you can imagine that in this day and age.

So thank you, MARCY KAPTUR. Thank you, MAXINE WATERS. Let's stay on this because we need to make sure there is justice on behalf of those who aspire to own homes, and we need to help fulfill the American dream for people who work hard and who pay their bills to have the chance to be able to have a piece of that dream without getting cheated by these so-called lending institutions that are all about grabbing whatever money they can, whether they have any scruples or not.

So thank you, MARCY KAPTUR and MAXINE WATERS.

Ms. KAPTUR. Thank you also, Congressman KUCINICH, for being a champion for Democratic capitalism. As to your point about the whole financial system's becoming unreachable and so concentrated, whatever happens here, the ordinary American family and the ordinary American community will benefit by whatever Congress does.

As I listen to what is being talked about in this Chamber and over in the Senate, one of my biggest worries is that very big institutions on Wall Street are going to be bailed out or are going to be propped up by the American taxpayer.

My question is: What does the American taxpayer get for that? Our Federal Housing Administration is literally going to become the insurance company for Wall Street. When these big Wall Street firms get all of these homes, how does the average American get in on this equation?

I'm putting in the RECORD tonight an article that was in The Observer. It talks about an effort to allow homeowners who are losing their homes at the local level to work with their local governments and local housing authorities to transfer those homes, perhaps, to them. Then in a lease-back provision, they would be able to pay that locality back for that home.

[From the Observer, July 13, 2008]

CREDIT CRUNCH: EMERGENCY SCHEME TO HELP CASH-STRAPPED HOMEOWNERS

(By Gaby Hinsliff and Jamie Elliott)

Homeowners struggling to meet their mortgage payments would be able to sell their homes to the local authority and rent them back as tenants under radical proposals being considered by the government to prevent the misery of repossession.

Emergency measures to allow families to keep a roof over their heads are being drawn up as the scale of repossessions proceedings becomes increasingly apparent. In Newcastle upon Tyne alone, the newly nationalised Northern Rock is monopolising at least one day a week in the county court to pursue defaulting borrowers.

The latest rescue package reflects growing fears about the seriousness of the crisis, with some analysts predicting that house prices could fall by 35 per cent. Ministers are worried about the 13 per cent of fixed-rate borrowers whose cheap deals expire this year, some of whom may by then be in negative equity and therefore unable to switch to a new fixed rate with another lender.

Caroline Flint, the Housing Minister, told The Observer yesterday: 'I am looking at what more we can do with our colleagues in local authorities—what they can do as well as actually building [homes], and what support they could give to people who might be feeling under pressure on mortgages.'

Asked to confirm that she was considering rent-back schemes, enabling homeowners to become council tenants in their original houses rather than be repossessed, she said: 'We are looking at that. I have to be certain that the choices I make do actually help to limit the damage; and, importantly, is it a short-term fix or a long-term impact?'

The scheme be expensive. Councils would need central government funds to buy the houses. But it could save on the long-term costs of rehousing homeless families and allow councils to increase their housing stock at relatively low prices.

Flint also suggested the Bank of England could increase the size of its £50bn fund designed to stimulate mortgage lending, admitting she was 'disappointed' that the cash that has been pumped in so far had not led to cheaper home loans. 'No doubt our colleagues in the Bank and the Monetary Policy Committee will also be looking at the issue in terms of whether any extra has to be provided,' she added.

She has suggested that country landowners could be freed to build cheap houses for their workers on their own land, in a return to the system of 'tied cottages'.

'It's recognising that sense of community and how everybody has a part to play,' she said.

Debt advice experts warned yesterday that, despite the Chancellor's calls for leniency from lenders, Northern Rock was now aggressively pursuing defaulting borrowers as part of its efforts to repay the £25bn rescue package it received from the government. Chris Jary, director of Action for Debt in Durham, said: 'There used to be a small group of sub-prime lenders who you knew would always go straight to court. But recently it's Northern Rock who have become more aggressive, taking legal action as soon as they can.'

House repossessions at Northern Rock are running at twice the rate they were before the bank was nationalised in February.

Rather than Wall Street's making all the money in their bond houses, why don't we use the bonding power of our cities and of our housing authorities to help move some of that money back down rather than move the money out, back up again to Wall Street?

Mr. KUCINICH. Would the gentlelady yield.

Ms. KAPTUR. Yes, I would be happy to yield to the gentleman.

Mr. KUCINICH. Before I leave here, I just want to make one other point, and this could be the basis of further discussion. Congresswoman KAPTUR earlier today mentioned it in a meeting among the Democrats in our meeting.

We are looking at a debt-based financial system, at a debt-based monetary system where money equals debt, and we are at the beginning of the end of a democracy when we see this system causing the wealth to go upwards.

So I want to thank you for mentioning that. I just wanted to mention that because we really need to look at how money is created. How does it end up that we have so many people in debt and that we have a few who are rolling in dough?

This debt-based financial system is something that needs to be explored more thoroughly. The fractional reserve needs to be explored more thoroughly, and the role of the Federal Reserve in facilitating these heists has to be made known.

So I thank you, and I appreciate the opportunity to spend some time with you.

Ms. KAPTUR. I thank the gentleman for raising these points and also to say that, when you have a system of debt, certain people get very, very wealthy. These are some of the people who got very, very wealthy.

Whether it was Mr. Mozilo of Countrywide or, of course, Michael Perry from IndyMac, which went broke, or Richard Carrion from Popular, these men were making millions and millions of dollars. This doesn't even include the big bond houses on Wall Street. Bear Stearns was the first one to go belly up.

Now we're asking our government to prop up the risky investment practices of Wall Street and to reward the very bondsmen who have placed the American people in the position of servant hood. They make out in terms of selling their bonds and by indebting the people of the United States. They get their fees.

What is amazing to me is that, if you look at the list of the bonding houses that got us in this fix—if you look at Countrywide—would you believe, even though our government knew what it was doing, it kept them on the list of primary securities dealers at the U.S. Treasury Department? HSBC, one of the primary violators, is on the list of primary dealers of the Federal Reserve.

You start looking down that list and start saying to yourself, hey, wait a minute. What is this, a circle? They all just circle the wagons. They are the same people who cause the trouble. Then they come to the American taxpayer to bail them out.

Congressman KUCINICH talked about the Roosevelt administration and the creation of the Reconstruction Finance Corporation. The Reconstruction Finance Corporation was not just about bailing out Wall Street. What was interesting about what President Roosevelt did was that he created a special jobs program. If you look at what that Reconstruction Finance Corporation really did, people around America got work. There was a homeowners' loan association for cities and then a farm credit administration for homeownership in the countryside.

The Works Progress Administration, the WPA, built infrastructure across this country—zoos and libraries and highways. Yes, they did prop up Wall Street, but they created new types of savings institutions, not to create debt but to create equity, to say to the American family, ''Look, you can own a home. Here is a passbook.'' These are savings and loan institutions. You would get a passbook. You could put money in there. You would actually get an interest rate worth something—4 or 5 percent a year. People learned a savings habit.

□ 2015

Tell me the last time you got a letter from a financial institution in this country asking you to save. All you get are credit cards. ''Get this loan, zero percent down.'' I keep a stack. I've got it in my office. It's about this high. If I signed up for all of those credit cards, I couldn't even manage to keep in touch with all of them. The debt posture that these institutions have pushed have helped push America to the precipice. And every American who's listening knows what I'm talking about.

It is not an accident that we are in this situation. The entire financial system was turned inside-out during the 1990s. We got rid of something called the Glassed Eagle Act which had been in existence from the time of Roosevelt that said you can't mix banking with commerce. You can't mix banking and commerce with real estate. They have to be separate because there are too many bad things that can happen because you know what? Some people are very greedy. They are very, very greedy. And some people don't have information to make informed financial decisions.

So we are now inheriting a situation here which is very, very serious. And today in the Financial Times—and I will place this in the RECORD this evening as well, and then my colleague would like to assume her role here; when she is comfortable, we will move to that—but the Financial Times had an article called ''Goodbye capitalism'' by Joshua Rosner. And what he said is, ''We have nationalized the losses from Bear Stearns,'' which is an investment bank, not a regular savings bank, ''through a transfer of risk onto the Federal Government's balance sheet and have now nationalized the losses generated by Fannie's and Freddie's poor management and functionally taken $5 million in obligations on to the government's balance sheet.''

That means not just us, our children and grandchildren are going to pay for generations. And that makes the bond houses on Wall Street so happy because they make money while the American people suffer.

The article says, ''we will see the continued nationalization of bad assets, placing the burden on the shoulders of the already overburdened American taxpayer.

''We have done this without forcing the disgorgement of undeserved gains by the management and without replacing managements who are now controlling government-owned businesses. Instead of protecting those who made bad bets, we should use our rule of law to address the situation.'' We need a special investigatory panel with subpoena authority to look at every single person back through the 1990s who helped place America and her families in this situation.

The article says, ''Rather than making the taxpayer liable for debts and debts of the government-sponsored enterprises, it would be more sensible to effect a smooth, prepackaged reorganization plan.'' But you know what? That's not in the bill that is likely to be considered here soon. They just want the money, but they don't want to reorganize the system in order to prevent further damage in the future.

We're being pushed by the Bush administration: Do this now because the markets are really nervous, but we won't get the reform that we need in order to avoid these crises in the future. We're merely going to reward bad behavior and put the American people at risk.

''As part of a prepackaged reorganization,'' the article goes on to say, ''the government could explicitly assure investors they will receive all of their guaranteed interest payments. Instead of giving ineffective management a line of credit,'' which is what the bill proposes to do, ''Treasury could provide the GSE's regulator with a line of credit used to assure timely payments for these obligations. This is the tool that Treasury provides the Federal Deposit Insurance Corporation with to sort out failed banks.'' That's what Roosevelt used.

''Over time that line will be repaid by the running-off of the portfolios, active servicing of mortgages and through payment of claims by private mortgage insurers who guaranteed first losses on GSE mortgages.

''The next step would create $150 billion in new equity capital and enable the GSEs, without governmental support, to achieve more fully their chartered mission. Over the past decade'' Fannie Mae, Freddie Mac ''have increasingly used their portfolios to speculate,'' and this is the first time I have read this, ''in aircraft leasing, manufactured housing, interest-only mortgages, and other securities they are specifically prohibited from buying as part of their financial mission.

''In recent years, through these portfolios they funded nearly 50 percent of the riskier private label alternate Alt-A mortgage market, invested in aircraft, lease securities, manufactured housing and other assets that leveraged them into trouble. To achieve the speculative, hedge fund-like growth they issued almost $1.500 billion of senior corporate debt. By their investments, debt buyers supported speculation in non-mission-related activities and did so with a clear understanding they with funding non-mission-related activities.

''They also knew GSE debt was explicitly not an obligation of the U.S. taxpayer and that was repeated constantly by the government and the companies.

''In exchange for their current debt, these holders should receive 90 cents on the dollar of new, long-dated senior debt in the companies and 10 cents of new subordinated debt.''

''This approach would send a very strong signal, from the government, that investors fully consider the risks of bad asset allocation.'' And ''though it would cause pain for equity and subordinated debt investors, those investors received the majority of returns over the past several years and, in our great system, they are supposed to be subordinated.''

I want to put this article in the RECORD. I think it is very, very well written.

And I go back to my initial question for this evening. I wonder if the American taxpayer knows they are now the insurance company for Wall Street and Wall Street's high-risk investors. We have to figure out a way, as we work our way out of this serious situation, for some of the dollars that are being directed to Wall Street, rewarding them, in a sense, for their behavior, go the other way back to community and that mayors and that local housing authorities be provided with the kind of wherewithal it's going to take to rescue our local housing markets and to create the kind of mortgage activity at the local level that will help lift our real estate industry, that will help prevent further foreclosures of our families and that will help people, face-to-face at the local level again, assure that that housing market is more secure than we have had with this very indirect, anonymous kind of relationship that has resulted from this mortgage-backed security industry that we moved into in the 1990s.

I would like to ask the extraordinarily qualified and engaged chairwoman of the Housing and Community Development Subcommittee of Financial Institutions who's worked so hard on this issue, Congresswoman MAXINE WATERS of California, to assume her time this evening and perhaps to give us further insight on what the committee is about and what we, as a Congress and the American people, might do to help us help ourselves as a country right the ship of our economic state.

Congresswoman WATERS, thank you so much for joining us this evening. Thank you for your extraordinary efforts as a Chairwoman and for bringing your committee to Ohio to witness what we are dealing with there is emblematic of what is happening across this country. Thank you for joining.

[From the Financial Times, July 15, 2008]

GOODBYE CAPITALISM

(By Joshua Rosner)

In a capitalist economy, losers are expected to take losses and winners to gain. Private enterprise is best able to allocate capital efficiently and, where it fails to do so, markets make adjustments and capital is reallocated to efficient users. This basic tenet supports good and productive assets moving from the hands of weak players to stronger. Where this is not possible, the U.S. system gives the government a hand in fostering that move through an efficient process called bankruptcy or reorganisation. This rule of markets and of law has always been the basis of our national supremacy in innovation and the reason ours was the world's clear choice of a reserve currency. That was the world we lived in previously.

Our elected officials have repeatedly demonstrated that even equity holders, who are supposed to have the most subordinated claims on assets, cannot be allowed to take losses and instead believe we should all communally share in losses that result from poor allocation and risk management decisions. We have nationalised the losses from Bear Stearns through a transfer of risk on to the federal government's balance sheet and have now nationalised the losses generated by Fannie's and Freddie's poor management and functionally taken $5 trillion in obligations on to the government's balance sheet. This has been done even though every equity or debt offering of Fannie and Freddie explicitly states that these ''are not guaranteed by the U.S. and do not constitute an obligation of the U.S. or any agency or instrumentality thereof other than'' of Fannie or Freddie.

By the time we are finished with this tragic period in U.S. economic history, the government is likely to have to choose whether to do the same for at least one more large bank, investment bank, bond insurer, mortgage insurer, multiple large regional bank, airline or car manufacturer. Given the choices we have seen from officials, who obviously have little faith in the ability of capital markets or our system of law, we will see the continued nationalisation of bad assets, placing the burden on the shoulders of the already overburdened American taxpayer.

This commitment by misguided officials to print more money, to stoke the embers of inflation and to debase further our already hobbled currency invites foreign investors to pick through our assets and buy our remaining strong businesses (Anheuser Busch) on the cheap. As the strength of our remaining industries is further weakened, along with taxpayers' buying power, it will become increasingly necessary, as a matter of survival, for American workers to demand increases in their wages.

While some might applaud the government's policy action, it will prevent the rational and orderly repricing of over inflated assets, ensure they remain overvalued, uneconomic and unaffordable to a populous that will see an increasing percentage of their wages allocated for the support of our national debt. We have done this without forcing the disgorgement of undeserved gains by managements and without replacing managements who are now controlling government ''owned'' businesses.

The same economists who have repeatedly argued efficient market theory have chosen this path. Instead of protecting those who made bad bets, we should use our rule of law to address the situation. That would mean we allow weak players either to fail or to reorganise through an orderly transfer of good assets from weak hands to strong hands. This would protect the once-mighty U.S. dollar and affect the necessary and repricing of assets to sustainable equilibrium. Doing so would also decrease moral hazard and send a strong message of faith in our great system as the model for global financial advancement.

There is another option in relation to Freddie Mac and Fannie Mae. Rather than making the taxpayer liable for debts the debts of the government-sponsored enterprises, it would be more sensible to effect a smooth, prepackaged reorganisation plan. This could be done quite simply and would strengthen the GSEs' ability to meet their congressionally mandated purpose of supporting liquidity in the secondary mortgage market.

The core of the GSEs' mission is to purchase mortgages from mortgage originators, charge a guarantee fee to issuers to protect their ability to stand behind these loans, and securitise these mortgage-backed securities with assurances to MBS holders they would receive 100 per cent of their anticipated returns. To this end the GSEs have guaranteed $3.5 trillion in mortgage-backed securities. These securities are backed by real housing assets and there is little question that, assuming they are well serviced, there will be relatively little loss over a longer period.

As part of a prepackaged reorganisation the government could explicitly assure MBS investors they will receive all of their guaranteed interest payments. Instead of giving ineffective management a line of credit, Treasury could provide the GSEs, regulator with a line of credit used to assure timely payments on these obligations. This is the tool that Treasury provides the Federal Deposit Insurance Corporation with to sort out failed banks. Over time that line will be repaid by the running-off of the portfolios, active servicing of mortgages and through payment of claims by private mortgage insurers who guaranteed first losses on GSE mortgages. Because these debts are core to the GSEs' social mission and real assets back these debts, this would be an appropriate resolution.

The next step would create approximately $150bn in new equity capital and enable to GSEs, without governmental support, to achieve more fully their chartered mission.

Over the past decade the GSEs have increasingly used their portfolios to speculate in aircraft leasing, manufactured housing, interest-only mortgages and other securities they are specifically prohibited from buying as part of their mission. In recent years, through these portfolios they funded nearly 50 per cent of the riskier private label Alt-A mortgage market, invested in aircraft lease securities, manufactured housing and other assets that leveraged them into trouble. To achieve this speculative, hedge fund-like growth they issued almost $1,500bn of senior corporate debt. By their investments, debt buyers supported speculation in non-mission-related activities and did so with a clear understanding they were funding non-mission-related activities. They also knew GSE debt was explicitly not an obligation of the U.S. taxpayer and that was repeated constantly by the government and the companies.

In exchange for their current debt, these holders should receive 90 cents on the dollar of new, long-dated, senior debt in the companies and 10 cents of new subordinated debt. The companies would then have enough capital to support their core, chartered mission and could increase the social returns and financial returns of investors in their core mission. This approach would send a very strong signal, from the government, that investors fully consider the risks of bad asset allocation. It would almost certainly strengthen the dollar. Though it would cause pain for equity and subordinated debt investors, those investors received the majority of returns over the past several years and, in our great system, they are supposed to be subordinated.

Ms. WATERS. You're certainly welcome, and I thank you for taking this time out this evening, Congresswoman KAPTUR, to talk about what is happening in this country with this foreclosure mess that we're in, this sub prime meltdown that we are experiencing.

I really came to the floor to commend you and congratulate you for all of the time that you have put in on this issue unraveling some of the history of what has taken place with the banking community with what is going on in our economy today and trying to identify how we got into this situation and what we could do to get out of it.

Many of our Members—two are distressed about what is happening in their districts and in their communities, but they don't know nearly the information that you have discovered about this entire unfortunate situation that we are in.

Let me just say that I did come to Ohio at your invitation and your delegation's invitation, and I know that you were the leader in helping to pull that delegation together and getting me there to talk about what is going on in Ohio. I was joined, and we were joined, by several members of the Ohio Congressional Delegation each trying to bring attention to the foreclosure devastation that's spread across that State.

Again, you have been a persistent voice in our Democratic Caucus for taking bold action on the foreclosure crisis, generally.

Let me mention that Representative TUBBS JONES, Representative KUCINICH, who was here on the floor, Representative SUTTON, Representative WILSON was in attendance, and I think we all learned an awful lot that day. We had great witnesses who came and talked about what is going on in the State, and we discovered since 2005, Cuyahoga County has had the highest number of foreclosures in the State, with Montgomery, Summit, Lucas, and Preble counties rounding out the top five. The 10 largest counties in Ohio accounted for 64 percent of the foreclosure filings in Ohio last year.

And according to data from the Mortgage Banking Association, in the fourth quarter of 2007, 7.67 percent of Ohio home loans were past due with 2.01 percent 90 days or more overdue. And during the same period last year, 7.25 percent of Ohio loans were past due with 1.74 percent 90 or more days overdue.

Because of the challenges it has faced economically over the past few years with the loss of manufacturing jobs and population from certain parts of the State, Ohio was truly the ''canary in the coal mine'' of the foreclosure crisis—vulnerable to sub prime lending and its aftereffects much earlier than the rest of the Nation.

And the foreclosures have taken a toll on Ohio's neighborhoods and communities. Data that was provided by HUD showed that there is a direct correlation between the number of high-risk loans in a neighborhood and increase in the neighborhood's vacancy rates. Cleveland has been especially hit hard. There are an estimated 10,000 vacant homes in the City of Cleveland. On one of Cleveland streets, 37 out of 123 homes are in the same stage of the foreclosure process, so they are in some stage of the foreclosure process.

The testimony we heard in Ohio only made me more certain in my belief that State, cities, and counties need help from the Federal Government to deal with the problems caused by abandoning foreclosed properties. And I could go on and on and on, but I was extremely moved; and on my way out there were some people there from east Cleveland who said that 40 percent of all of the homes in east Cleveland were in foreclosure.

And then I heard the story of Campbell where people owned their homes free and clear. They were not expensive homes, but they had been handed down. They were in the family. They were paid for, $40,000 homes, and the guys came in there, the best suede-shoed boys I call them, and increased the appraisals on those homes, ran those appraisals up to $150,000 or more and lent money. And people found themselves in a situation where they couldn't pay it back. People who thought, well, I could refinance this house, I can put on another room, I can put on a new roof. I can do these things. And they were told, ''Just sign on the dotted line. Don't worry about it. We can get you into this refinance. Even if it resets, we can take care of that.''

But MARCY KAPTUR, let me just say, people all over America are wondering what happened. Families have lost their homes, communities are being devastated, cities are using their precious general fund money and CDBG money trying to maintain these boarded-up and foreclosed properties. They have problems with the vacant properties being occupied sometimes by the homeless or gang members in some communities.

□ 2030

They have the thieves that are going in stripping out the copper. Weeds are growing up. There are dogs on the property, and so the neighborhoods are being driven down by the foreclosed properties, and the people who remain in the neighborhoods, who keep their properties up, are losing value, and that value is fast being lost on homes. And people are finding that their mortgages that they are paying far outweigh the real cost of that home now that the values have been driven down.

And so here we are in the Congress of the United States; what do we do? As you know, a number of ideas have come to the surface. BARNEY FRANK, who is the Chair of the Financial Services Committee, came up with another comprehensive bill, and in that bill they worked out an arrangement where the lenders, the bankers, would write down the property to 85 percent of value.

We've been working for months to strengthen the FHA, who found itself toothless when all these banks came into our cities with these fancy products that they had. They had what we call exotic products, the products with the teaser loan that says you need nothing or a little bit down, sign on the dotted line, 6 months from now, a year from now, it will reset, but don't worry, we'll refinance it. And people only find that they cannot refinance it and they're losing the homes.

And so we were supposed to come up with these bills and legislation to deal with it, and we find that the Senate side worked on this for quite some time. They agreed on some things. One of the things they agreed on was that they would indeed work with the lenders to write down the properties and have them refinanced by FHA which would now be strengthened, and this would keep people in their homes.

We don't know how all of that is going to work. We do know that if people get refinancing and they're able to stay in their homes, we hope that they're able to keep up on those payments because, if they don't, that debt will fall back on to the American taxpayer. And unless the FHA by way of its collection of certain kinds of rates are able to offset that, then that's another burden that we're going to have to be faced with. But it is a way by which we can begin to look at how we can perhaps give some help to the homeowner.

You know, I had a piece of legislation that was quite controversial because there was some people who did want to bail out the big boys, but they did not want to do anything for the little people and for the cities that are suffering. And my bill, as you know, is designed so that we have money that would go straight into those cities, working with nonprofits and others to grab those properties, rehabilitate those properties, put them back on the market for low- and moderate-income people to be able to afford.

Well, it got stuck for a while. I had $15 billion for the cities and the counties in that bill. It was scored at half that amount because 7.5 of that $15 billion was going to be in loans and 7.5 was going to be in grants.

Ms. KAPTUR. I congratulate you for that proposal. It is the only one I know that would stick to the wall locally. I know how hard Chairwoman WATERS has fought to even get this embedded in this legislation, and I have to say to the people here tonight, when you think about $1 trillion or more, a $15 billion proposal is very, very modest. Our community development dollars for the whole country I think total about $8 billion a year. It's very, very modest.

Frankly, I wish you well and hope that you can expand that significantly because Wall Street will be rewarded with a $1 trillion bailout, and yet we're going to give our mayors and local housing authorities pennies to deal with the level of foreclosure that is being experienced across this country. I would think they would roll out the red carpet for you in that committee and do everything they could to help you make this bill not just efficient but equitable, particularly to the American taxpayers who are going to bear the brunt of this cost.

Ms. WATERS. Well, you're absolutely correct, and certainly, we had our supporters. But I want to thank the Ohio delegation for weighing in on this bill and giving support to it. We had all of our community groups and organizations all over the country working hard, making calls, talking to Senators, talking to Members, putting stuff in the newspapers about this bill because they see this bill, too, as hope for the neighborhoods and the communities. And it would stop the cities from having to spend their precious general fund moneys and CDBG moneys to try and maintain and keep up of these properties for God knows how long.

And so you are right. This will bring some measure of help, and we've got to keep working at this to find out how we can do more.

One of the things that we know, the regulators dropped the ball. The regulators should have seen these exotic products. They should have known about these ARMs. They should have known about these no-documentation loans. They should have known about these loans resetting with margins of 2 to 3 and 4 percent above the interest rate once the reset takes place.

Someone gets into a loan for 5, 6 percent, when it resets now they're 10, 11 percent, and people who are paying mortgages of $950, maybe even $1,000 a month, now they're told their mortgage is $3,000, $3,500. It is unconscionable.

And I see you have a picture up there of some of the giants of the banking industry. You know, Countrywide is a real poster child for what went wrong in this mortgage market. Mr. Mozilo really does have to take credit for having done extraordinary business with these mortgages. Mr. Mozilo is one of those bankers and one of those companies where he got the license as the broker, and then he hired people who didn't have a license, who didn't have any training, and put them out on the street, and they were all over the place.

Everywhere you look, every town hall you go into, where people are coming, begging us for help, and we ask them about where they got their loans, invariably Countrywide is going to show up all over this country. And so, you know, we have criticized him, and we have said how is it Mr. Mozilo can create this kind of devastation, walk away with millions of dollars that he's taken out of this company, and how is it that Bank of America could end up buying this company for pennies on the dollar and not be afraid that with somehow all of this portfolio of bad debt that they are going to make it?

Well, I think that they know more than we know. I think that they know more than we know, and we've got to get smarter. We've got to have regulators who are prepared to do the job that they are supposed to do in protecting the American consumer from these rip-off artists and from these people who would steal their futures and steal the futures of their children with these rip-off products and the way that they design for everybody to make money along the way and leave that American homeowner not only holding the bag but with nothing at the end of this terrible situation.

So I want to thank you. We've got to put a lot of time in on this. We're going to get some legislation out. Of course, we're going to get some legislation, and as you know, with the GSEs now in trouble, Fannie and Freddie, and the move to help them and to bail them out, to keep the whole economy from crashing on us, you better believe that we get a chance to get our little $4 billion in because it was put in on the Senate side.

But that's a drop in the bucket from what we're asking for and for what we need, but we must take this as a time when we never allow the American economy to be placed at risk because of a sub-prime crisis in the way that we are witnessing it now because we're going to be smarter. We're going to not only know what our regulators are supposed to be doing, we're going to provide the oversight for those regulators. We're going to unveil not only the schemes and the fancy products, but we want to know more about servicers, who they are and what they do.

Did you know that we have these banks with loss mitigation departments? Supposedly, if you're in trouble, you can call the bank and say I can't make my mortgage payment, I had a terrible illness and I had to pay out too much health money, and they're supposed to do kind of a workout with you to make sure they keep you in that home. Did you know that the people that they're talking to are offshore in India, in other countries, who are supposed to be responsible for loss mitigation activities for the banks? They have exported the loss mitigation departments offshore to foreigners who are talking to Americans about whether or not they can find a way for them to stay in their home.

Ms. KAPTUR. Frankly, thank you, Chairwoman WATERS, for coming to Ohio. You were an oasis in a desert. You gave us hope by coming there and listening to us and allowing our people to put their stories of our communities, of what's going on in this mortgage market on the record.

And what is really disheartening about all of this is it seems that the financial system is getting so far away from community, from neighborhood, from our people, our people feel powerless to make a difference, and now you say these services are even over in India. Frankly, I had trouble with all this stuff moving to Wall Street and not being able to get a phone call returned when we're trying to do a workout at the local level.

We need to turn this financial system upside down, and I'm hoping that the chairman of the full committee is listening in this House and that whatever we do to bail out Fannie Mae, Freddie Mac, these investment banks on Wall Street—and I have some problems with doing that. I'm not a happy traveler in this party here—that power devolves back to the local level, that however this financial system is rearranged, that we go back to character, collateral, and collectibility, the old principles when we had a system that functioned well at the local level, and reempower communities to handle their housing systems.

This system we have now has given us a multi-trillion dollar disaster. How can anybody say when you move away from home, so far away, how can that be good, when our people feel powerless to make a difference? Our mayors feel powerless. Our communities, our credit unions, the Realtors, how can this system be good when it so disempowers?

Ms. WATERS. If the gentlelady will yield for just a moment, wouldn't it be great to have community bankers in the community that you can talk to, people who hold your mortgage, that you can go and talk about what is happening, if you get in trouble, and they can work with you, but no, you know, they package all of these loans and securitize them. Wall Street invested in them, and the people can't get in touch with anybody. Now it's with a dispassionate servicer who has the ability to foreclose on your house, who could do a workout, but they make money. They make money by servicing and collecting the fees, the fees, the fees and more fees that's placed on top of these mortgages.

So I, too, yearn for the community banker.

Ms. KAPTUR. I would say to the chairwoman, you mentioned about what happened to regulation, and one of the first institutions to embark on sub-prime lending was Superior Bank of Hinsdale, Illinois, ultimately bought by Charter Bank from Ohio. And Superior was created by the Resolution Trust Corporation when the savings and loans collapsed in the 1980s, but by the late 1990s, Superior's return on assets—now, think about this—was 7½ times the industry average and held a very risky portfolio. It had a CAMEL rating of two, and yet its executives were financially rewarded for presiding over ruin.

How could America let that happen? No Federal regulator stepped in to properly examine the industry institution. What happened to the Office of Thrift Supervision over at Treasury and its Chicago office?

Ms. WATERS. They turned a blind eye.

Ms. KAPTUR. They closed their eyes, and it wasn't until 2001, because this was one of the leading institutions to invent the sub-prime instrument when they collapsed, and they couldn't meet the calls of people coming in for their money, that FDIC started investigating and placed the largest fine in American history, $450 million, a half a billion dollars, on one institution. Where is the investigation now?

□ 2045

You read a little bit about what the FBI is doing; you read a little bit about what FDIC is doing. We need a massive investigation of which institutions led us into this subprime crisis that the country is facing. Who was the first one? I've asked everybody, who was the first one? Give me the first three or four. And through which institutions did they broker those loans and how did they get to Wall Street? Nobody knows. Nobody knows; or else they're not saying.

Where was the Office of Thrift Supervision? What happened to HUD's appraisal and underwriting standards? Assuming many of these loans were moved to market through Freddie Mac and Fannie Mae, why did their regulatory standards and HUD's oversight fall short? Why did HUD change its appraisal and underwriting practices in 1993 and 1994?

How were the boards and executives in these entities compensated during those years when the risky practices proliferated? Because it isn't just these fellows, it's the people in the regulatory agencies and the government secondary market enterprises that were involved. Which board members at which financial institutions and brokerages, regulators and secondary market bodies voted to allow these risky and predatory policies that escalated this equity drawdown? Do we have evidence that any of those board members personally benefited from their board decisions?

Through which domestic and international institutions were the original securitizations first moved? Which persons did it? Which regulatory agencies sanctioned the process? What role did the U.S. Secretary of the Treasury and the Office of Thrift Supervision play—the Securities and Exchange Commission, how about the Federal Reserve—in allowing these practices to flourish?

I say to the chairwoman, I know the great work that you have done. There should be many committees in this institution involved in unraveling what has happened before we're asked to do a trillion dollar bailout here in the Congress of the United States.

You know, it's sort of interesting to me that even the New York Times editorialized that we've got to do this right now; you Congress, you pass a trillion dollars more—or who knows how much—because these institutions are too big to fail. And therefore, we can't do due diligence; we can't make good decisions for the American people. I can't even tell my constituents today—I hope I can find out by Thursday or Friday or Saturday this week—what exactly is in the bill that is being written somewhere here so that I can see exactly how much money has to be appropriated and how big the drawdown will be from the Federal Reserve. Right now we don't know. There isn't a final bill that is available to the Members. I know it's being worked on somewhere in this place. I hope that there is a regular markup session by the respective committees that have to be involved here and an open rules process.

Ms. WATERS. Will the gentlelady yield for a moment?

Ms. KAPTUR. I would be pleased to yield to the chairwoman.

Ms. WATERS. We have not seen the final version of the bill, but today, in a discussion, one of the things that did interest me that I'm looking forward to seeing is that we are strengthening the oversight on the GSEs with OFHEO, the regulatory agency that has now been designed just to take care of these government enterprises.

But also what has been represented to us is that the investors will not be able to make any money off of this bailout; that GSEs, as you know, get input, they get money from investors and they go out to the market to get money. And so if we are going to allow them to go to the discount wonder at the Fed and to be invested in by Treasury Department, that we will be number one in line for the repayment. And the CEOs cannot get the big salaries that they have gotten in the past, that there will be a limit to what they will be able to do.

And so I'm looking to see the language in the bill that's going to make sure that we're first in line to get paid back, that the investors don't get paid dividends off of our money that we're putting in there, and that the CEOs and the top management of the GSEs don't get the fancy bonuses and the high salaries that they've been getting.

Ms. KAPTUR. Well, Madam Chair, that is really good news. And I know that you have been the strongest voice in the committee to try to strengthen the bill. We from Ohio are doing everything possible to even make it stronger, and to make sure that the communities that have been ravaged by this subprime crisis—and I include my own among them—that somehow that those who are in the lead in these various committees in the House here think about democratic capitalism, and not just empowering Wall Street, but thinking of ways to move the billions, hundreds of billions of dollars of insurance that will benefit the bond houses that helped get us in this mess in the first place, think about the bonding power of cities, think about the bonding power of our housing authorities at the local level, think about how to move some of that money to re-empower communities across this country, not just a pittance, but at least have a scale of justice. If you're going to reward Wall Street, the wrongdoers who helped get us in this mess, what are you going to do for Main Street that's paying the bill? Are you going to give them a pittance?

I come from a tradition in a party with Franklin Roosevelt who believed you empower at the grass roots level and that you build wealth from the bottom up, not reward the top. And I would hope that there would be balance in the bill that is brought before us as we move into this debate. And I would hope there would be a chance at least to offer amendments, at least to be welcomed into the committee. We don't want to delay the process, but that if we have ideas, we have the respect that should be given to Members who come from affected communities and States.

And I want to thank Chairwoman WATERS for her gracious acceptance of the invitation of the bipartisan delegation from Ohio. We feel, as so many people do, very frustrated by how slow the wheels of government sometimes turn and what is happening out there in community after community, where people are not able to do their workouts. I would hope that the chairman of the full committee here in the House, Mr. FRANK, who has been meeting with some of the Members and been very involved in the committee, I hope that he would share his draft bill ahead of time because I think it would be disastrous—and I speak only for myself when I say this—if a bill is rushed to the floor and we don't have a chance to review it. This is too important.

When we're talking $100 million, that's a lot of money. A billion dollars is a lot of money. When you get into the trillions, it's overwhelming. And we are here to do due diligence for our people, so please afford us the respect and the consideration that you would want for yourself, and that we actually have a responsibility for that due diligence for the American people, the people that sent us here.

Madam Chairman, I want to submit for the RECORD a story from the Wall Street Journal about the influence of outside giving from Wall Street to Federal elections and the important role, unfortunately, that it plays sometimes in influencing opinion. I think it's very important that it be placed on the RECORD as well. And I thank the gentlewoman from California for joining us this evening.

Ms. WATERS. Thank you.

[From the Wall Street Journal, Jan. 23, 2008]

WALLETS OPEN UP ON WALL STREET

(By Brody Mullins)

Despite Wall Street's recent woes, people who work in the financial industry continue to dig deep for political donations to Republican and Democratic candidates for president.

Employees of Wall Street firms are the single largest source of campaign cash, accounting for a total of $50.4 million in financial contributions to the candidates so far this election cycle. That is more than any other industry sector, according to a Wall Street Journal analysis of campaign-finance data compiled by the nonpartisan Center for Responsive Politics.

As candidates load up for advertising blitzes before ''Super Tuesday'' primaries on Feb. 5, candidates from both parties are again coming to New York seeking campaign donations. Sen. John McCain, the Arizona Republican, had a fund-raiser at the St. Regis Hotel last night that was hosted by Merrill Lynch & Co. Chief Executive John Thain, private-equity giant Henry Kravis of Kohlberg Kravis Roberts & Co. and former Goldman Sachs Group Inc. Chairman John Whitehead.

Mr. McCain recently spent $1 million on advertising ahead of the Florida primary next Tuesday. Voters in more than 20 states, including California and New York, go to the polls Feb. 5.

New York Sen. Hillary Clinton heads to her home state tomorrow for two fund-raisers. The Clinton campaign hopes to raise $15 million through these and other means to fund her campaign through Feb. 5.

Contributions from Wall Street have favored Republicans, who have collected 54% of donations from financial companies. Wall Street is the No. 1 source of donations to every major presidential candidate in both parties, except former North Carolina Democratic Sen. John Edwards, who is favored by the legal industry, according to the data.

Lawyers and lobbyists are the second-largest source of contributions to the candidates, with $34.8 million in donations. Together, the finance and legal industries are responsible for nearly a quarter of the $354 million donated to the presidential candidates as of Sept. 30. The next round of campaign-finance information, covering the three-month period ending Dec. 31, will be released at the end of the month.

Employees of financial firms, lawyers and lobbyists make up 46% of all large donations—contributions of $200 or more—to the presidential candidates. Each of the other industry sectors is responsible for just a fraction of the donations to the candidates.

According to the data, people who work in Hollywood, communications or electronics rank a distant third with $13.3 million in donations to the candidates. Other top sources of donations were employees of the healthcare industry with $9.5 million, construction with $6.1 million and energy with $3.1 million. People who work in the defense industry gave $502,000, according to the data.

Not surprisingly, the two candidates from New York are winning the race for donations on Wall Street. Mrs. Clinton and former New York City Republican Mayor Rudy Giuliani lead with $12.3 million and $10.6 million, respectively, in campaign donations from employees of Wall Street firms.

Employees of Goldman Sachs, Lehman Brothers Holdings Inc. and Morgan Stanley rank as the top individual sources of donations to the presidential candidates, according to the data.

Goldman employees were the largest contributor to Mr. Obama, the second-largest giver to Mrs. Clinton and the fifth-largest to Mr. Edwards. Goldman employees donated $369,000 to Mr. Obama and $350,000 to Mrs. Clinton.

Other top Wall Street givers to Mr. Obama include employees of Lehman Brothers ($229,000), J.P. Morgan Chase & Co. ($217,000) and Citigroup Inc. ($181,000).

The top seven companies that have produced the most money for Mr. Giuliani are all financial firms, including Ernst & Young LLP, hedge fund Elliott Management and Credit Suisse Group.

Former Massachusetts Gov. Mitt Romney also has fared well on Wall Street. A founder of Bain Capital, Mr. Romney has scored with employees of Goldman Sachs, Merrill Lynch and Morgan Stanley. Employees of his former company have donated $112,000 to his campaign, according to the data.

Unlike Wall Street, lawyers heavily favor Democrats with their political donations.

Lawyers have donated $9.6 million to Mrs. Clinton, $8.2 million to Mr. Edwards and $7.9 million to Mr. Obama.

Mr. Giuliani, a former prosecutor and partner with Bracewell & Giuliani LLP, raised $3.2 million from others in his profession. That was more than any other Republican but less than half as much as the leading Democratic candidates.

Pennsylvania-based law firm Blank Rome LLP was the top source of donations to Mr. McCain, who collected $141,000 from employees of the firm. Mr. McCain fared well with employees of Greenberg Traurig LLP, a Miami firm that ranks as his third-largest contributor. As the chairman of the Senate Indian Affairs Committee, Mr. McCain took the lead in investigating convicted lobbyist Jack Abramoff, who was a lobbyist with Greenberg Traurig.

Mr. McCain and Mrs. Clinton led all others with donations from lobbyists. Mrs. Clinton collected $568,000 from lobbyists, while Mr. McCain has $340,000.

## ENERGY

The SPEAKER pro tempore (Mr. DONNELLY). Under the Speaker's announced policy of January 18, 2007, the gentleman from Georgia (Mr. WESTMORELAND) is recognized for 60 minutes as the designee of the minority leader.

Mr. WESTMORELAND. Mr. Speaker, it's good to be here tonight. And we're going to talk a little bit about what is on most people in this country's mind, and that's the price of gas, and the price of energy in general.

We're going to be talking about gas tonight and the expense that it takes for American families to go on vacation, just go to work, even go to the store, Mr. Speaker. And so I know that's at the forefront of most Americans' minds today.

Let me just start out by saying that what we want to do tonight, Mr. Speaker, is just point out a few things that may be not consistent with what's coming out of the majority's side about what we're doing about gas prices and what can be done about the price of gasoline now. And we've heard everything from, well, it will take 22 years to get any oil that's in the ground now, that's in our Outer Continental Shelf or in our national lands to the market. And that's not true. And so we're going to talk a little bit about that tonight. And I'm joined by friends of mine, the gentleman from New Jersey and the gentleman from Illinois, and we're going to share some of those things.

But first of all, Mr. Speaker, let me explain that about, I guess, a month ago I was approached by constituents in my district, and they were talking to me about petitions, and petitions that were on the Internet, calling and asking me if I had signed petitions. Some of them were ''increase domestic oil drilling,'' which American Solutions had, some are ''gas tax holiday'' that presidential candidate Senator MCCAIN had, ''develop alternative energy sources,'' which is Energypetition.com.

And then there were petitions against drilling in ANWR. Democratic Senator BARBARA BOXER from California had one, and Mr. Speaker, the Sierra Club, Green Peace. There were different petitions. There was actually a ''cap oil company profits by new government regulations.'' There are some people in the majority that believe that we can actually regulate our way out of this energy crisis, so one of those was Moveon.org.

After talking to my constituents about all these different petitions—and they were calling me and asking me if I had signed, they were going to these web pages and either signing or voicing their protest—I was at a service station at home and there was another petition there and it said, ''sign this petition if you want to lower gas prices.'' And I'm assuming that the proprietor of that station was doing that to give people something to do when they were paying for their gas rather than fuss at him. But what it brought to mind is we, in this body, Mr. Speaker, are beginning to see how our constituents feel about this.

I know today we were at a press conference where American Solutions presented the minority leader in the House and in the Senate with a petition. And I think later on—I don't know whether it's this week or next week—they're going to present this same petition to the majority leader in both the House and the Senate, it may be even Mr. REID in the Senate and Speaker PELOSI here in the House.

But what I decided to do was to come up with a petition so our constituents would know how the Members in this body—the 435 Members that are elected to be voting Members, the seven delegates from the American territories here—I decided that, you know, it would be good for those constituents to be able to see how their representative felt about increasing our oil production to lower the gas prices because that's one of the things that is going to help us. And it's more of an ''all of the above,'' but one of the key ingredients is just voting or having a vote that we could increase our oil productions, whether that's shale oil, oil coming from biomass—which is a new technology that's coming out today—whether it's drilling in the Outer Continental Shelf, drilling on Federal lands, drilling in ANWR, whatever the case may be. So I came up with a simple petition, and it says, ''American energy solutions for lower gas prices: Bring onshore oil online, bring deepwater oil online, and bring new refineries online.''

And, Mr. Speaker, a lot of people may not realize that we have not built a refinery in about 30 years in this country. And even some of the refineries that are online today produce diesel that has to be exported because it does not meet the new sulfur limits that we have put on some of the diesel fuel that's used in this country. And so I came up with this, and then I made a simple petition, Mr. Speaker.

And I think this petition is probably just too simple for some of the people in this body because it's not a piece of legislation, it is simply a statement, Mr. Speaker, to the people that they represent to let those people know how they feel about increasing U.S. oil production. And it simply says, ''I will vote to increase U.S. oil production to lower gas prices for Americans.'' And that's about as simple as you can get because I think that's what the American people, Mr. Speaker, want to see is that we're doing something, that we're taking some action.

You know, we have voted on several bills in probably the last 2 weeks, ''use it or lose it,'' which a lot of my colleagues from the majority side went home and told their constituents that this was a pro-drilling bill. Well, I disagree with that, it was not a pro-drilling bill; and it was actually very misleading in the fact of use it or lose it, and we'll go into that in just a minute.

But so far, Mr. Speaker, we've had 191 Members sign this. We've had eight Democrats, 183 Republicans that have signed it. Of course it takes 218 to do anything in this body.

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But this is not a discharge petition. This is just a simple pledge, or not really a pledge. It's just a petition that people can sign to let their constituents know.

And what we have done to make it easy, Mr. Speaker, for people to realize or to understand if their representative has signed this is we set up a little Web page. It's www.house.gov/westmoreland. And on there we have people that have signed it, we have people that have refused to sign it, and then those that we have not talked to yet that have not signed. So, Mr. Speaker, I would encourage you, if you wanted to know how different Members in your delegation either signed or not signed and just for people would know that they could go to this Web site, www.house.gov/westmoreland, to find out.

And it's interesting because of some of the articles and press releases that I have been reading, I guess, for the last week or so, what we have got is we have got people going home saying one thing and then coming back to Washington and doing something else or not doing what they said they were going to do for the people that vote them into office. So I would hope that we could finally make people match their walk to their talk. So I think this is just an interesting tool that people can use to find out if their Congress person is matching the talk.

I yield to my friend from Illinois.

Mr. SHIMKUS. I want to thank my colleague for yielding, and I appreciate all the work he's doing to raise these issues.

I'm going to take a different tact tonight and respond to an e-mail that I got from a constituent in my district. And most of the e-mails we are getting are pretty angry about the high costs of fuel and energy. This one is asking