

Congress of the United States
Washington, DC 20515

September 23, 2008

Dear Madam Speaker,

We are concerned about the Bailout Bill proposal submitted by the Administration. Some of us believe that the bill should be paid for by taxes on the top 1%, and/or should include transfer of equity interests in the bailed-out entities to the government. Some of us question whether a bill should be passed this week.

In any case, we believe the bill would be improved by the following:

- 1) **Supervision. The Secretary of the Treasury shall not enter into any contract until it is approved by a bipartisan three-member Board.** Before we pass the bill, Bush must unequivocally agree to appoint one person selected by the Speaker and one selected by the Senate Majority Leader to the three-member Board. Asset purchase agreements of less than \$1 billion and service contracts providing for fees of less than \$10 million are exempt from this requirement.
- 2) **Phased Authorization: Congress should authorize only \$200 billion now,** while committing itself to pass additional authorizations in the future, as necessary, up to \$700 billion. This would give Congress the ability to monitor and improve the program. Otherwise, once Bush gets the \$700 billion, he will veto further Congressional fine-tuning.
- 3) **Fast track for Regulatory & Corporate Governance Reform.** Throughout the 111th Congress, the Speaker of the House of Representatives and the Majority Leader of the United States Senate, shall have the extraordinary powers to call up any bill dealing with corporate governance and/or financial services reform under the following rules: the bill shall be subject to limited debate, followed by an up or down vote. If the bill does not include this provision, next year Wall Street can hire 4100 lobbyists to persuade 41 senators to delay any reform bill until it is diluted.
- 4) **US Investors Only.** No mortgage-related asset shall be purchased under the bill unless it is established that such asset was owned on September 20th, 2008, by an entity headquartered in the United States. (We have no collective position on whether a U.S. entity should be disqualified because it is owned by a foreign parent.)
- 5) **Obligation to invest in the United States.** Any entity selling assets under this bill to the United States must agree to invest the proceeds of such sale in the United States for no less than five years.
- 6) **Tough Standards on Executive Compensation.** As to any entity (or affiliate thereof) selling assets to the Treasury, any executive compensation contract

calling for compensation in excess of the amounts which are deductible under Internal Revenue Code Section 162(m) is hereby void as against public policy.

- 7) **Homeowner's States Rights Not Preempted.** The federal government shall comply with all state and local laws which protect the homeowner, notwithstanding any argument that the federal government is exempt therefrom.
- 8) **Reports to Congress.** The reports to Congress required by Section 4 of the Paulson Act shall be rendered every 2 weeks.
- 9) **Minority and small business contractors; Buy American.** At least 10% (in dollar volume) of the asset management contracts and advisor contracts must be small enough that a firm of 100 or fewer staff could perform the contract. Otherwise, minority and small business will be effectively excluded. In contracting with private entities for services regarding the acquisition and management of mortgage-related assets, the Secretary of the Treasury shall be bound by all applicable laws designed to benefit minority-owned businesses, women-owned businesses, and small businesses and shall be bound by all applicable "Buy American" provisions.
- 10) **Review.** Section 8 of Secretary Paulson's proposal should be deleted. The actions by the Secretary shall be reviewable by administrative agencies and the courts, as provided by existing law.
- 11) **Valuation.** The Treasury shall not pay more for any asset than the asset's fair market value.

We believe the bill should also include appropriate **homeowner protection/bankruptcy reform**, and appropriate **economic stimulus**. Some of us also support a surtax on excessive compensation received by executives of bailed-out entities. A proposal will be sent to you and Ways & Means members separately.

We hope the final legislation reflects the foregoing.

Sincerely,


Brad Sherman


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