

The Common Sense Fix

Years of bad decisions and stupid mistakes have created an economic nightmare in this country, but \$700 billion in new debt is *not* the answer. As a tax-paying American citizen, I will not support any congressperson who votes to implement such a policy. Instead, I submit the following three-step Common Sense Plan.

I. INSURANCE

- a. Insure the subprime bonds/mortgages with an underlying FHA-type insurance. Government-insured and backed loans would have an instant market all over the world, creating immediate and needed liquidity.
- b. In order for a company to accept the government-backed insurance, they must do two things:
 1. Rewrite any mortgage that is more than three months delinquent to a 6% fixed-rate mortgage.
 - a. Roll all back payments with no late fees or legal costs into the balance. This brings homeowners current and allows them a chance to keep their homes.
 - b. Cancel all prepayment penalties to encourage refinancing or the sale of the property to pay off the bad loan. In the event of foreclosure or short sale, the borrower will not be held liable for any deficit balance. FHA does this now, and that encourages mortgage companies to go the extra mile while working with the borrower—again limiting foreclosures and ruined lives.
 2. Cancel ALL golden parachutes of EXISTING and FUTURE CEOs and executive team members as long as the company holds these government-insured bonds/mortgages. This keeps underperforming executives from being paid when they don't do their jobs.
- c. This backstop will cost less than \$50 billion—a small fraction of the current proposal.

II. MARK TO MARKET

- a. Remove mark to market accounting rules for two years on only subprime Tier III bonds/mortgages. This keeps companies from being forced to artificially mark down bonds/mortgages below the value of the underlying mortgages and real estate.
- b. This move creates patience in the market and has an immediate stabilizing effect on failing and ailing banks—and it costs the taxpayer *nothing*.

III. CAPITAL GAINS TAX

- a. Remove the capital gains tax completely. Investors will flood the real estate and stock market in search of tax-free profits, creating tremendous—and *immediate*—liquidity in the markets. Again, this costs the taxpayer *nothing*.
- b. This move will be seen as a lightning rod politically because many will say it is helping the rich. The truth is the rich *will* benefit, but it will be their money that stimulates the economy. This will enable all Americans to have more stable jobs and retirement investments that go up instead of down.

This is not a time for envy, and it's not a time for politics. It's time for all of us, as Americans, to stand up, speak out, and fix this mess.