



BARACK OBAMA AND JOE BIDEN: A RESCUE PLAN FOR THE MIDDLE CLASS

Our country faces its most serious economic crisis since the great depression. We have lost 760,000 jobs this year and some leading forecasters project that the unemployment rate will exceed 8 percent by the end of 2009. Working families, who saw their incomes decline by \$2,000 in the economic “expansion” from 2000 to 2007 now face even deeper income losses. Retirement savings accounts have lost \$2 trillion. Markets have fallen 40% in less than a year. Millions of homeowners who played by the rules can’t meet their mortgage payments and face foreclosure as the value of their homes have plummeted. With credit markets nearly frozen, businesses large and small cannot access the credit they need to meet payroll and create jobs.

Over the course of this campaign Barack Obama has championed ideas to address these problems. Today he is announcing a comprehensive four-part rescue plan for the middle class that builds on his existing proposals and adds new ways to directly address our economy’s rapidly evolving problems:

- 1. Immediate Action to Create Good Jobs in America**
- 2. Immediate Relief for Struggling Families**
- 3. Direct, Immediate Assistance for Homeowners, Not A Bailout for Irresponsible Mortgage Lenders**
- 4. A Rapid, Aggressive Response to Our Financial Crisis, Using All the Tools We Have**

All of the ideas in this plan can and should be done *immediately*. They either use existing authority or could be quickly passed in emergency legislation. Middle class families have already waited too long for relief. The time to act is now.

This immediate plan complements Obama’s long-term economic agenda, including his tax cuts for ordinary Americans and small businesses, his plans to create up to 5 million green jobs, his plans to bring down healthcare costs by \$2,500 per family, and his commitment to enacting broad new financial market regulations to help ensure we never face this type of economic crisis again.

1. IMMEDIATE ACTION TO CREATE GOOD JOBS IN AMERICA

The economy has lost 760,000 jobs this year – and some forecasters expect the unemployment rate to exceed 8 percent by the end of next year. Addressing the financial crisis will help prevent the most severe loss of jobs from the crisis. But taking direct steps to create jobs will also strengthen the economy and help with the financial crisis. Barack Obama's overall economic agenda is pro-jobs, including his plans to eliminate America's dependence on foreign oil and bring down healthcare costs. But Obama believes we must take additional aggressive steps to jump-start job creation right now:

- A New American Jobs Tax Credit. Obama will provide a new temporary tax credit to companies that add jobs here in the United States. During 2009 and 2010, existing businesses will receive a \$3,000 refundable tax credit for each *additional* full-time employee hired. For example, if a company that currently has 10 U.S. employees increases its domestic full time employment to 20 employees, this company would get a \$30,000 tax credit—enough to offset the entire added payroll tax costs to the company for the first \$50,000 of income for the new employees. The tax credit will benefit all companies creating net new jobs, even those struggling to make a profit.
- Raise the small business investment expensing limit to \$250,000 through the end of 2009. Obama will give small businesses additional incentive to make investments and start creating jobs again by providing temporary business tax incentives through 2009. The February 2008 stimulus bill increased maximum section 179 expenses to \$250,000 but this expires in December 2008. This provision will encourage all firms to pursue investment in the coming months, but will benefit small firms in particular, who generally have smaller amounts of annual property purchases and so choose to expense the cost of their acquired property.
- Zero capital gains rate for investment in small businesses. Barack Obama believes that we need to encourage investment in small businesses to help create jobs and turn our economy around. That's why Obama will eliminate all capital gains taxes on investments made in small and start-up businesses. Unlike John McCain, who wants to give \$200 billion in new tax cuts to America's largest and most profitable businesses, Barack Obama wants to cut taxes for the small businesses that create jobs but struggling with restricted access to credit alongside skyrocketing health care and energy costs.
- Save one million jobs through immediate investments to rebuild America's roads and bridges and repair our schools. The Obama emergency plan would make \$25 billion immediately available in a Jobs and Growth Fund to help ensure that in-progress and fast-tracked infrastructure projects are not sidelined, and to ensure that schools can meet their energy costs and undertake key repairs starting this fall. This increased investment is necessary to stem growing budget pressures on infrastructure projects. In addition, in an environment where we may face elevated unemployment levels well into 2009, making an aggressive investment in urgent, high-priority infrastructure will serve as a triple win: generating capital deployment and job creation to boost our economy in the near-term, enhancing U.S. competitiveness in the longer term, and improving the environment by

adopting energy efficient school and infrastructure repairs. In total, Obama's \$25 billion investment will result in 1 million jobs created or saved, while helping to turn our economy around.

- Partner with America's automakers to help save jobs and ensure that the next generation of clean vehicles is built in the United States. Senator Obama pushed for \$50 billion in loan guarantees to help the auto industry retool, develop new battery technologies and produce the next generation of fuel efficient cars here in America. Congress passed only half of this amount – it is critical that the administration speeds up the implementation of the first half and that Congress move quickly to increase certainty by enacting the second half. In addition, Obama believes that with the tremendous uncertainty facing the auto industry, and the small and medium business suppliers who depend on them, it is critical that we keep all options on the table for helping them weather the financial crisis.

2. IMMEDIATE RELIEF FOR STRUGGLING FAMILIES

Even when the overall economy was growing, most American families were not sharing in this growth. The typical non-elderly household saw its income decline by more than \$2,000 from 2000 to 2007 as expenses skyrocketed. Weekly wages, adjusted for inflation, are now lower than they were a decade ago. Barack Obama's overall economic plan will relieve the squeeze on families and foster bottom-up growth. But he is proposing that we implement several measures immediately:

- A tax cut for 95 percent of workers and their families – plus seniors. Barack Obama proposes a permanent tax cut of \$500 for workers and \$1,000 for families. A first round of these tax cuts could be mailed out quickly by the IRS based on tax returns already filed for tax year 2007. In addition, Obama would extend these expedited tax credits to senior citizens who are retired as a down payment on his plan to eliminate taxes for all seniors making up to \$50,000.
- Extend unemployment insurance benefits and temporarily suspend taxes on these benefits. Millions of Americans are looking for work but unable to find it in the weak economy. Today, more than one in five unemployed workers has been out of work for more than half a year – the highest level since early 2005. Obama supported extending unemployment insurance this summer, but already 800,000 jobless workers have exhausted those benefits and are being left without any unemployment compensation. Obama believes Congress should immediately extend unemployment insurance for an additional 13 weeks to help families that are being hit hardest by this downturn. In addition Barack Obama believes that we should temporarily suspend taxes on unemployment insurance benefits as a way of giving more relief to families.
- Penalty-free hardship withdrawals from IRAs and 401(k)s in 2008 and 2009. Many families are going to be facing unique economic hardship over the coming year. To help these families pay their bills and their mortgages and make it through these tough times, Obama is calling for legislation that would allow withdrawals of 15% up to \$10,000 from

retirement accounts without penalty (although subject to the normal taxes). This would apply to withdrawals in 2008 (including retroactively) and 2009.

- Instruct the Treasury to allow seniors to delay required withdrawals from 401(k)s and IRAs. Currently seniors are required to start withdrawing from their 401(k)s and IRAs at age 70-1/2 and every year thereafter over their lifetime. But the explicit requirement that withdrawals continue on an annual basis – and the related requirement that the amount withdrawn be based on currently much higher year-end 2007 asset values – is based on Treasury regulations, not the statute, which has a less specific mandate. That means the Secretary of the Treasury has authority to change its regulations to protect seniors from being forced, at this critical time, to sell their investments and “lock in” their losses just after market values have plummeted in an almost unprecedented fashion. Obama is calling on Treasury to temporarily suspend the required withdrawals for retirees over age 70 ½. Because retirees often make these required withdrawals late in the year, there is still time to help millions of affected seniors – but only if done promptly. *Treasury can act now, rather than waiting for Congress to return to Washington and hoping they will provide the needed relief in time for seniors to plan before year end.* In addition, because lower-income seniors may have no choice but to take withdrawals this year and in 2008, Obama will exempt any withdrawals made up to the required minimum amount from taxation. This will give seniors the flexibility they deserve – to forgo withdrawals if they choose or to take those withdrawals tax free if they need those resources to pay their bills.
- Funds to Counteract High Heating Costs this Winter. Obama is calling for supplementing the recently passed LIHEAP funding to ensure that cold-weather states can cushion the impact of high energy prices for their residents this winter. The Energy Information Administration said that consumers will pay a projected \$1,137 to heat their homes from Oct. 1 to March 31—15% more than last year’s heating outlay during this time. Homeowners that use heating oil rather than natural gas could see increases of 23% compared to last year. As part of his \$25 billion state fiscal relief package, Obama’s plan will supplement existing LIHEAP funding to sure that state programs can expand to cover more residents while continuing to provide a meaningful benefit.

3. DIRECT, IMMEDIATE ASSISTANCE FOR HOMEOWNERS, NOT A BAILOUT FOR IRRESPONSIBLE MORTGAGE LENDERS

Over the past two years, Americans have lost 20 percent of the value of their homes. In some parts of the country home values have fallen by twice that amount. In combination with a rapidly deteriorating economy that means more and more families are having a hard time meeting their monthly mortgage payments. At the same time, many states are considering property tax hikes that will burden homeowners still further. And millions of families who have seen the value of their home fall below the size of their mortgage need assistance in restructuring their mortgages to stay in their homes.

John McCain, after initially admitting he was surprised by the housing crisis and blaming homeowners for causing it, has put forward a housing plan that fails to address these challenges

while bailing out irresponsible mortgage lenders. His plan would force the Treasury to pay full face value for distressed mortgages, which would spend \$300 billion on a windfall to mortgage lenders, including bigger windfalls to lenders that engaged in fraud. The plan would guarantee that taxpayers lose money. Further, his plan is inconsistent with the taxpayer protections in the recently enacted rescue package and could require Congress to pass new legislation before McCain's flawed plan could even go into effect.

Barack Obama's plan provides direct relief to help America's homeowners pay their mortgages, stay in their homes and avoid painful tax increases while protecting taxpayers and not rewarding the bad behavior and bad actors who got us into this mess:

- Instruct the Secretaries of the Treasury and Housing and Urban Development (HUD) to use their existing authority to more aggressively modify the terms of mortgages. Barack Obama was an early champion of the HOPE for Homeowners Act program that passed over the summer. In addition, Obama insisted that the financial rescue plan Congress recently passed include authority for the Secretary to work with servicers to modify the terms of mortgages for homeowners who played by the rules. Obama believes that both of these should be implemented aggressively and comprehensively. In addition, Obama is calling on Treasury and HUD to develop a plan to work with state housing agencies to coordinate broad mortgage restructurings. The Dodd/Frank legislation gives states broader authority to help struggling homeowners, and coordination is essential to ensure that state and national efforts are working in concert to help as many homeowners as possible at the minimum cost to taxpayers.
- Reform the bankruptcy code to assist homeowners and remove legal impediments to encouraging broader mortgage restructuring. Obama is also calling for legislation to close the loophole in our bankruptcy code that allows bankruptcy judges to modify the terms of mortgages on investment properties and vacation homes but not on primary residences. He also believes we should clarify the legal liability of mortgage servicers so that servicers who work with struggling homeowners to modify their mortgages will receive legal protections. And we should remove any tax- or legal-related impediments to encouraging shared-equity mortgages within the HOPE for Homeownership process.
- 90 day foreclosure moratorium for homeowners that are acting in good faith. Financial institutions that participate in the financial rescue plan should be required to adhere to a homeowners code of conduct, including a 90-day foreclosure moratorium for any homeowners living in their homes that are making good faith efforts pay their mortgages. This will help create a pause and stability until the more far reaching solutions are implemented and give both sides a chance to work out an agreement.
- \$25 Billion in State Fiscal Relief to Help Avoid Painful Property Tax Increases. Budget crunches across the nation are putting our local governments in the untenable position of having to choose between raising property taxes and cutting vital services. Obama has proposed \$25 billion in state fiscal relief that, coupled with the new emergency facility to address the state credit crunch, will help states and localities continue to provide essential services like health care, police, fire and education without raising taxes or fees.

- Universal mortgage tax credit for homeowners. Barack Obama believes we should immediately enact a 10 percent refundable tax credit on the mortgage interest paid by hardworking American families that do not itemize their taxes. This credit will help offset the cost of mortgage payments for at least 10 million middle-class homeowners.

4. A RAPID, AGGRESSIVE RESPONSE TO THE FINANCIAL CRISIS – USING ALL THE TOOLS WE HAVE

Barack Obama believes that our deep systemic financial market crisis requires a systemic response. He fought to ensure that the recently-passed financial rescue package gave the Treasury the tools to stabilize the financial system, while protecting taxpayers and ensuring CEOs would not get rich in the process. However, this stabilization will only occur if the Treasury, Federal Reserve, FDIC, and other government entities use their authorities and move quickly and aggressively to address the financial crisis.

It is now clear that our financial markets will not restart until financial institutions are lending again. Because of the extensive losses many of these institutions have suffered, they need more capital so that they will have the money to lend to families and businesses. Barack Obama recognized this early, and was heartened by the Treasury's stated intention – as announced on Friday – to use its recently granted authority to inject capital into our financial institutions. However, Secretary Paulson must turn this intention into action quickly and aggressively, in a manner that strengthens confidence in our banks, protects taxpayers, does not reward CEOs, and is strictly temporary.

In addition, our financial authorities must stand ready to take additional, complementary actions – consistent with the systemic nature of this crisis – to ensure this Treasury initiative is successful:

- Be prepared, if necessary, for broader assurances for credit to banks. *First*, we must be prepared to provide additional, temporary assurances to achieve the effective functioning of financial markets. Depending on developing circumstances, these steps could include additional measures by the Federal Reserve, extending insurance to all deposits, or guaranteeing a broader range of liabilities of the banking system including overnight loans. Any such steps should be coordinated internationally where appropriate and feasible. They should be accompanied by additional oversight to ensure appropriate use of guaranteed funds and by the expectation that financial institutions taking advantage of these guarantees will raise more capital.
- Extend asset purchases to unfreeze other critical sectors. *Second*, the Treasury should not limit itself to purchasing mortgage-backed securities under the financial rescue plan recently passed by Congress. The Treasury should use the authority it has under the new law to help unfreeze markets for individual mortgages, student loans, car loans, loans for multi-family dwellings and credit card loans.

- Make credit available to small business and state/local governments. *Third*, we should take immediate steps to support non-financial institutions including small businesses and states & municipalities. The Federal Reserve and Treasury have acted to preserve the availability of liquidity for financial institutions and, more recently have created a program to purchase commercial paper directly from the large corporate issuers. However, small business and state/local governments are having severe difficulties in obtaining necessary financing from debt markets.
 - Address the credit crisis facing our states and localities. Barack Obama proposes that the Federal Reserve and the Treasury work together to design a facility to provide a funding backstop to the state and municipal government debt market similar to the recently announced program for the commercial paper market. The Fed should determine whether it has sufficient legal authority to establish such a facility on its own, and if not should work with Treasury and the Congress to achieve this goal. This new facility should be designed to protect taxpayer resources while ensuring that state and local governments can continue to provide vital services to their residents.
 - Address the credit crisis facing our small businesses. To address the massive credit crunch that is threatening America's small businesses, Barack Obama is proposing two immediate steps: (1) a nationwide emergency lending facility for small businesses that could be run through the SBA's Disaster Loan Program, which helped thousands of businesses in the wake of 9/11 and (2) temporarily eliminating fees on the SBA's 7(a) and 504 loan guarantee programs for small businesses, to help increase private lending for small businesses.