

House Mortgage Bill Ignores the Problem

On Nov. 15, the House voted 291 to 127 to pass a bill sponsored by House Financial Services Committee chairman Barney Frank (D-Mass.) and Rep. Brad Miller (D-N.C.) to reform and provide accountability for mortgage practices, and to provide minimum standards for consumer mortgage loans, among other things. The large, bipartisan vote demonstrates the fear that the foreclosure crisis has inspired in both parties, but the bill includes nothing resembling the kind of firewall protection for homeowners and banks that has been proffered by Lyndon LaRouche with his Homeowners and Bank Protection Act, which is the only solution to the crisis.

That the bill was not intended to help those homeowners who are in trouble now, was stated at the outset of the debate by Frank himself, when he told the House, "What we have today is a bill that cannot undo what happened but makes it much less likely that it will happen in the future."

The amendments offered during the debate by both Republicans and Democrats were mostly aimed at tweaking the provisions in the bill. The White House has not threatened to veto the bill, but it did complain that the bill "unduly restricts" access to credit.

Earlier in the day, Republicans blocked action on a bill modernizing the Federal Housing Administration, even though the Senate banking Committee passed the bill on a 20 to 1 vote. Senate majority Leader Harry Reid (D-Nev.) told reporters afterwards, "We have a crisis out there," and then he listed a series of measures that the Democrats are proposing, which, like the House bill, will have a minuscule impact. The most substantial proposal is a

provision for \$200 million in the fiscal 2008 appropriations bill for the Departments of Transportation and Treasury, which will go to non-profit organizations to provide foreclosure counseling. The non-profits, said Sen. Patty Murray (D-Wash.) "are being inundated with these families who are trying to figure out how to deal with the personal impacts of this."

Other proposals put forward by the Democrats are worse than useless. They include tax and bankruptcy reform measures that would help homeowners renegotiate their mortgages under certain circumstances. One, sponsored by Sen. Charles Schumer (D-N.Y.) would increase the authority of Fannie Mae and Freddie Mac to provide more money for refinancings.

Republicans Freak Out at Tax Increase for the Richest

On Nov. 9, House Democrats muscled through, by a near party-line vote of 216 to 193, a bill that is expected to lower the tax bill for 23 million Americans, but will raise taxes on about 50,000 of the wealthiest class. The bill, sponsored by House Ways and Means Committee chairman Charles Rangel (D-N.Y.), provides for a temporary fix in the alternative minimum tax (AMT), and pays for much of the \$50 billion cost of that lost tax revenue, by treating the fees that hedge fund and private equity managers make, the so-called carried interest, as regular income. It is thus taxed at 35%, instead of at the capital gains rate of 15%.

Democrats repeatedly told the House that that change will affect only about 50,000 people, but collectively, those 50,000 represent \$936 billion in income. That was enough to cause Rep. Eric Cantor (R-Va.), the point-man in

the Republican caucus for the hedge fund lobby, to howl that Rangel's bill "is nothing but a job killer." Cantor repeated the hedge fund mantra that the carried interest provision will kill "mom-and-pop" investment partnerships that create seven out of ten jobs in the country.

Rep. John Conyers (D-Mich.) countered that recent economic growth has disproportionately benefitted the top 1% of income brackets, including through loopholes in the tax code. "This bill will take a step towards ensuring that the wealthy pay their fair share by increasing taxes on private equity managers ... and on multinational corporations who offshore their businesses for the express purpose of tax avoidance."

Republicans are adamant that the bill will not become law with the carried interest provision in it. At the same time, they are blaming the Democrats for waiting so long to take the up alternative minimum tax patch, just as the Internal Revenue Service is about to print the 2007 tax forms. When asked about this on Nov. 15, House Speaker Nancy Pelosi (D-Calif.) simply said, "That patch will happen."

House Votes War Funding Linked to Iraq Withdrawal

Senate Republicans blocked action on a House Democrat-authored \$50 billion war supplemental bridge bill on Nov. 16. The bill, as passed by the House on Nov. 14, had provided \$50 billion for military operations in Iraq and Afghanistan, significantly less than the \$193 billion that the White House had asked for. It also included language instructing the President to begin the orderly withdrawal of U.S. forces from Iraq, in conjunction with a comprehensive regional stability plan.

The bill set a goal of Dec. 15, 2008, to complete the withdrawal, except for certain anti-terrorism, and other missions stipulated in the bill.

Senate Republicans not only forced a cloture vote on the House-passed bill, but also brought up an alternative funding bill that provided \$70 billion, but without the withdrawal language. Both cloture votes failed, leaving the war funding bill dead in the water.

Senate Majority Leader Harry Reid said after the vote, that the reason President Bush did not have a bill, "is because he doesn't want accountability." Reid vowed that the Democratic-led Congress would not pass any funding bill for the Iraq War without some accountability in it. The next step remains unclear, however. Reid indicated that, even though the Congress will be in session for two weeks in December, the war supplemental bill could wait until after the first of the year for further action.

Bush Veto, High Oil Prices Squeeze Energy Assistance

Funding for the Low Income Home Energy Assistance Program (LIHEAP), which provides grants to low-income households to help pay energy bills, is in limbo because of President Bush's Nov. 13 veto of the \$150 billion appropriations bill to fund the Departments of Labor, Health, and Human Services, and Education. Bush complained that the bill has too much "pork," but included in that "pork" is the \$2.4 billion for LIHEAP.

Testimony delivered to the House Education and Labor Committee a few hours after Bush's veto, made clear that that \$2.4 billion, already more than \$600 million above President Bush's request, is nowhere near enough to pro-

vide the expected needs for this coming Winter. Guy Caruso, the director of the Energy Information Administration, testified that households heating with oil can expect to pay, on average, 26% more for heat this winter than last; households using propane, 20% more; and households heating with natural gas, 11% more than last winter.

The skyrocketing prices also mean that the average LIHEAP grant buys less than it did a few years ago. Mark Wolfe, the executive director of the National Energy Assistance Directors Association, told the committee that in 2003, the average LIHEAP grant was able to pay 36.7% of the heating costs of a household heating with oil, but that has now declined to 20.8%. For natural gas, that percentage has declined from 58.2% to 37.6%, with similar declines for propane and electricity.

Over the same period, the number of households receiving assistance has grown from 4.6 million to 5.8 million (which is less than 16% of the eligible population), and the average grant has actually declined from \$349 to \$305. Wolfe also reported that although most states expect a further increase in requests for assistance this Winter, including from people who have never asked for help before, the states do not have the money to meet this need.

The result in human terms, as Rep. Carolyn McCarthy (D-N.Y.), the chairman of the Healthy Families and Communities subcommittee pointed out, is that some families with children may have to choose between heat and putting food on the table; some elderly may have to choose between heat and buying prescription drugs, or may set the heat at a dangerously low temperature, and so on, with the consequent effects on their health. Agencies that administer the program have more

difficulties because they lack resources to hire and adequately compensate the staff needed to serve households requesting assistance.

Democrats Having Trouble Moving Appropriations Bills

The annual appropriations process was a contentious one, during the last 12 years of GOP control of the House. Rarely did the Republicans get all of the spending bills done on time, and on two occasions, they left the process to the next Congress to be completed. So far, the process doesn't look much better under the Democrats. Not until Nov. 13, 74 days after the start of the fiscal year, did the Democrats manage to get the first bill, the fiscal 2008 defense spending bill, to President Bush's desk. Attached to it was a continuing resolution to keep the government running until Dec. 14.

The same day that Bush signed the defense bill, he also vetoed the bill that would fund the Departments of Labor, Health and Human Services, and Education. The Democrats had tried to use that bill as a vehicle for overcoming the then-threatened veto, by attaching to it the appropriations bill for military construction and the Department of Veterans Affairs, a bill which Bush had pledged to sign. When the bill arrived in the Senate from the House, Senate Republicans successfully challenged the maneuver as a violation of the Senate rules. So, the bill went over to the White House without the VA bill attached to it.

Politically, this has left the Democrats vulnerable to the charge that they are not taking care of the needs of the nation's veterans, and they have not yet given any indication of when they will move the veterans' bill again.