



The “Bailout Plan” What it is and why it has not passed yet

There is no discussion that something has to be done in order to salvage the US financial system. After all the impact of this disaster does not only affect the US economy and all of us tax payers, but also has deep repercussions around the world.

Therefore, a clear understanding of what the package is all about and why it has taken so long for approval is essential. Also I will humbly include my own suggestions as if I was part of the negotiating team.

The following list of features in the draft bill is based on comments by lawmakers and a document obtained from multiple sources. My own comments follow each proposal.

- \$700 billion overall to be authorized in several installments starting with \$250 billion followed by \$100 billion when the president certifies a financial emergency continues and another \$350 billion in May.
 - *This makes perfect sense. Reasonably speaking, a lot of financial institutions are responsible for this mess. It would be unfair to the tax payer, that government would just give compnies a “slap in the hand”, and them cough out a blank check to fix up their mess. If your sibling messes up your car, would you send it to the shop, pay for it and leave it as is, or would you make him/her pay for the damages over time (since we assume they don't have the cash to pay for it all at once)?*
- Government to get warrants for equity in participating companies as a way of protecting taxpayers.
 - *Nice strategy if we take the “government” side out of the picture. Why? Because if this is approved, in essence Government becomes a business partner in all the companies it would hold warrants. This could create conflicts of interest when time comes for legislation in financial matters.*
- Restrictions on chief executive compensation at companies that participate.
 - *Finally someone said something that makes a lot of sense. Personally I would calculate Executive Compensation based on CLIENTS earnings, not company's profits. If your portfolio looses money still the Financial company will make money because of charges to you from trading of assets that belong to you. It is not fair that if the client looses, the Executive gets a fat bonus for having made money for the institution.*
 - *My suggestion would be:*



- *Establish a minimum guaranteed return for the client. No matter what, that is at least the return you would get, even if market goes very sour.*
- *If your financial adviser does his/her job well, and you end up getting a higher return, then a pre establish bonus would be paid to the firm for distribution amongst the best performing Executives.*
- *If the Executive really messes up and the Board decides to fire him/her, no bonus should be paid. Why should shareholders pay a bonus to someone that did not perform as they should have?*
- Two oversight boards. One with congressional representation, another would have the power to undo decisions by the Treasury Secretary. - Treasury Secretary is prohibited from acting in an arbitrary or capricious manner or any way inconsistent with existing law.
 - *Very messy, plus it undermines the separation of government powers.*
 - *We all know that Congress is slow in making any decisions, and the financial market is very dynamic.*
 - *Leave matter to the Treasury Department, they have the knowledge and experience.*
 - *Only if a law must be passed that involves federal funds or specific legislation, then call Congress.*
- Requires regular, detailed reports to Congress disclosing exercise of the Treasury Secretary's authority.
 - *This pretty much happens anyhow, since the Secretary of the Treasury Department has regular hearings with Congress before any Monetary policies are issued.*
- Establishes an independent inspector general to monitor the use of the Treasury Secretary's authority.
 - *A guard to look over another guard? This is too cumbersome and does not add any value.*
- Requires Government Accountability Office audits to ensure proper use of funds, appropriate internal controls, and to prevent waste, fraud, and abuse.
 - *Alleluia ! Keep the greedy under control.*
- Maximizes and coordinates efforts to modify mortgages for homeowners at risk of foreclosure.
 - *Interesting, but only after evaluation that the initial intention of the mortgage holder was legitimate and not for speculation on the property's value.*
 - *If the mortgage holder's intention was to "flip over" the property with a profit, then by all means proceed with the foreclosure plus I would even suggest a fine for speculation.*



- *Enforce mortgage lenders to have strict controls over whom they give money. Perform a thorough review of the financial situation of a potential borrower before granting the mortgage*
- *Make sure that the property is where the owner lives with his/her family. You don't want to leave people homeless.*
- Requires loan modifications for mortgages owned or controlled by the federal government.
 - *Same as above*
- Directs a percentage of future profits from the bailout fund to the Affordable Housing Fund and the Capital Magnet Fund to meet America's housing needs.
 - *A god Samaritan proposal.*

As you can see, it is not an easy proposal and requires sound analysis. Hopefully the bipartisan group looking into this will reach a consensus soon, so we can all pick up the broken pieces and continue with our life.

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President