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PRESIDENTIAL PROMISES:

**A REVIEW OF CAMPAIGN PROPOSALS
TO PROMOTE SAVINGS AND ASSET BUILDING**

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“WE DEMOCRATS MEASURE PROGRESS BY HOW MANY PEOPLE CAN FIND A JOB THAT PAYS THE MORTGAGE, WHETHER YOU CAN PUT A LITTLE EXTRA MONEY AWAY AT THE END OF EACH MONTH SO YOU CAN SOMEDAY WATCH YOUR CHILD RECEIVE HER COLLEGE DIPLOMA.”

**BARACK OBAMA, ACCEPTING THE DEMOCRATIC PARTY NOMINATION FOR PRESIDENT
AUGUST 28, 2008.**

“REDUCING GOVERNMENT SPENDING AND GETTING RID OF FAILED PROGRAMS WILL LET YOU KEEP MORE OF YOUR OWN MONEY TO SAVE, SPEND AND INVEST AS YOU SEE FIT.”

**JOHN MCCAIN, ACCEPTING THE REPUBLICAN PARTY NOMINATION FOR PRESIDENT
SEPTEMBER 2, 2008.**

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The presidential election of 2008 has been historic by many measures. The campaign has featured an extended and competitive primary season, which has given way to a general election contest between Democrat Barack Obama and Republican John McCain.² As the campaign has unfolded, economic conditions have worsened along with rising levels of unemployment, personal debt, and mortgage defaults. The erosion of savings and household assets have increased the economic insecurity of many families and heightened interest into each candidate's prescription for a policy response. This paper will describe the policy proposals made by Senators Obama and McCain during the course of the presidential campaign which focus on the broad issues of savings and asset building as they contribute to economic opportunity and security.

These proposals have been presented by the candidates and campaigns in a variety of formats and in various degrees of detail. Some are included in detailed plans, policy briefs, and party platforms, while others have been presented more rhetorically in speeches or on the campaign trail. For the purposes of this paper, we present policies here by topic areas and feature proposals relating to savings policy issues, retirement security, affordable housing and homeownership, financial services, bankruptcy and debt. We have excluded, perhaps arbitrarily, proposals that focus on primary education, social security, and health care, though these and other proposals are closely intertwined with economic security.

Our descriptions are not meant to signal support or endorsement of any particular proposal. In fact, we have chosen to present the material as it is described by each of the campaigns and candidates. Some of these policies would represent real progress in promoting targeted savings and asset building, while the impact of others may be less certain. In many cases, the proposals lack the level of detail required to adequately assess the impact of the proposal. Regardless, we believe there is great value in understanding what the candidates and campaigns have put forward in as much detail as possible. Accordingly, we have strived to offer a short description of the relevant proposals as well as provide additional information where voters can turn to gather more information from the candidates, including excerpts from relevant candidate speeches.

FEATURED TOPICS AND POLICY AREAS	
•	Savings, Investment, and Tax Reform
•	Retirement Security
•	Housing and Homeownership
•	Bankruptcy and Debt
•	Asset Protection, Insurance, and Predatory Lending
•	Access to Credit and Post-Secondary Education
•	Children's Savings Accounts

² For a complete review of proposals on savings and asset ownership from each candidate in the Democratic and Republican Primaries, see Reid Cramer, Rourke O'Brien and Alejandra Lopez-Fernandini, *Saving Promises: A Review of Proposals by Presidential Candidates to Promote Savings and Asset Building*. Available at: http://www.newamerica.net/publications/policy/saving_promises.

CAMPAIGN PROPOSALS

SAVINGS, INVESTMENT, AND TAX REFORM

“AT ITS CORE, THE ECONOMY ISN’T THE SUM OF AN ARRAY OF BEWILDERING STATISTICS. IT’S ABOUT WHERE AMERICANS WORK, HOW THEY LIVE, HOW THEY PAY THEIR BILLS TODAY AND SAVE FOR TOMORROW.”
- JOHN MCCAIN

John McCain argues that high tax rates discourage thrift by penalizing the return on savings and that low taxes on dividends and capital gains promote saving, channel investment dollars to innovative, high-value uses and not wasteful financial planning. He proposes to make all of the Bush tax provisions permanent, to keep the current rates on dividends and capital gains, and to reduce the maximum corporate tax rate from 35% to 25%.

Barack Obama argues that the tax code needs reform that better targets tax relief. He proposes to let many of the Bush tax provisions expire so the maximum capital gain rate would increase to 20% but permanently extend marriage penalty relief, the adoption credit expansions, and the 10%, 15%, 25% and 28% tax rates. The 26 and 39.5% statutory income tax rates would be restored.

Barack Obama proposes to create a new refundable “Making Work Pay” tax credit of up to \$500 per person and \$1,000 for working families to offset the payroll taxes they pay. This will eliminate income taxes for 10 million Americans. He also proposes creating three additional refundable credits to support retirement savings, post-secondary education, and homeownership that are described below.

Barack Obama proposes to eliminate capital gains taxation of start-up businesses and to create a Small Business and Microenterprise Initiative tax credit of 20% on up to \$50,000 of investment in small owner-operated businesses.

RETIREMENT SECURITY

“A SECURE RETIREMENT IS NO LONGER A GUARANTEE FOR THE MIDDLE CLASS. IT’S HARDER TO SAVE AND HARDER TO RETIRE. PENSIONS ARE GETTING CRUNCHED. THE PROMISE OF SOCIAL SECURITY MAY GROW HARDER TO KEEP. THAT’S WHY I WILL FIGHT EVERY DAY TO EXTEND THE PROMISE OF A RETIREMENT THAT IS DIGNIFIED AND SECURE WHEN I AM PRESIDENT OF THE UNITED STATES.”
- BARACK OBAMA

John McCain supports allowing employers to automatically enroll employees in retirement plans and using payroll deductions to make contributions. The Republican Party platform supports removing the current limits on tax-free saving accounts.

Barack Obama proposes to federally match savings by expanding the Saver's Credit and making it refundable.³ Working families earning up to \$75,000 would receive a 50% match of the first \$1,000 of savings deposits made to accounts eligible for the Saver's Credit.⁴ The refundable tax credit and the savings match will be directly deposited into the filer's personal account.

Barack Obama will create Automatic Workplace Pensions. Obama's retirement security plan will automatically enroll workers in a workplace pension plan. Under his plan, employers who do not currently offer a retirement plan, will be required to enroll their employees in a direct-deposit IRA account that is compatible to existing direct-deposit payroll systems. Employees may opt-out if they choose. Experts estimate that this program will increase the savings participation rate for low and middle-income workers from its current 15 percent level to around 80 percent.

Barack Obama proposes requiring full disclosure of company pension investments so all employees receive detailed annual statements about the financial health of their pension fund.

Barack Obama proposes to eliminate income tax for seniors making less than \$50,000 per year.

HOUSING AND AFFORDABLE HOMEOWNERSHIP

**"I WANT TO HELP PEOPLE WHO GENUINELY NEED ASSISTANCE IN THESE TOUGH TIMES, NOT SPECULATORS AND LENDERS WHO CONTRIBUTED TO THIS MESS AND DIDN'T FOLLOW THE BASICS OF GOOD BUSINESS PRACTICE. I AM COMMITTED TO MAKING SURE FAMILIES WHO WANT TO HOLD ONTO THEIR HOME HAVE A CHANCE TO DO SO."
- JOHN MCCAIN**

John McCain supports policies that ensure homeowners provide a responsible down payment of equity at the initial purchase of a home. He opposes reducing the down payment requirement for Federal Housing Administration (FHA) mortgages which can leave homeowners owing more on their homes than they are worth when prices fall.

John McCain supports reworking loans for select subprime borrowers, expanding the FHA, and developing "innovative mortgage loans."⁵ He has proposed creating a new "HOME Plan" to provide robust, timely and targeted help to those hurt by the housing

³ Remarks of Senator Barack Obama: *Reclaiming the American Dream*. Bettendorf, IA, November 7, 2007. http://www.barackobama.com/2007/11/07/remarks_of_senator_barack_obam_31.php.

⁴ *Barack Obama's Retirement Security Agenda*. <http://www.barackobama.com/pdf/retirementFactSheet.pdf>.

⁵ "GOP Candidates Discuss Key Business Issues: Full Responses." *New Hampshire Business Review*, December 7, 2007. <http://www.nhbr.com/apps/pbcs.dll/article?AID=/20071207/POLITICS/71206001/0/contact>.

crisis.⁶ Under his HOME Plan, every deserving American family or homeowner will be afforded the opportunity to trade a burdensome mortgage for a manageable loan that reflects their home's market value. Eligible homeowners would have to be holders of a non-conventional mortgage taken after 2005 who live in their home (primary residence only) and can prove creditworthiness at the time of the original loan and that they are currently unable to continue to meet their mortgage obligations. The new loans would be fixed rate, 30-year mortgages guaranteed by the FHA.

John McCain pledges he will bolster groups like Neighborworks America that provide mortgage assistance and homeownership counseling to members of the communities where they operate.

Barack Obama proposes to replace the mortgage interest deduction with a refundable Universal Mortgage Credit to provide tax relief to homeowners who do not itemize on their tax return. This credit will be equal to 10% of mortgage interest and it will be capped at \$800 (\$8,000 of interest).⁷

Barack Obama calls for creation of an Affordable Housing Trust Fund to develop 14,000 new affordable housing in-mixed income neighborhoods and to fully fund the Community Development Block Grant program.⁸

Barack Obama supports the efforts of Senate Banking Committee Chair Chris Dodd (D-CT) to create a new FHA program that will provide incentives for lenders to buy or refinance existing mortgages and convert them into stable 30-year fixed mortgages. This plan will provide a federal guarantee for lenders to reduce the outstanding principal amount of loans that are currently unaffordable in order to enable new, affordable mortgages for homeowners.

BANKRUPTCY AND DEBT

John McCain has supported amendments to the bankruptcy reform bill that would protect veterans from being denied bankruptcy claims if they incurred their debts while in the military.⁹

Barack Obama proposes changing the bankruptcy law to protect families facing foreclosure or medical crisis. While current law allows owners of multiple homes to renegotiate their mortgages in bankruptcy, most homeowners are prohibited from doing so. Repeal of this provision will allow economically distressed families to work with bankruptcy laws to avoid foreclosures.

⁶ *Jobs for America: The McCain Economic Plan*
<http://www.johnmccain.com/Images/Issues/JobsforsAmerica/briefing.pdf>.

⁷ Remarks of Senator Barack Obama: *Tax Fairness for the Middle Class*. Washington, DC, September 18, 2007. http://www.barackobama.com/2007/09/18/remarks_of_senator_barack_obam_25.php.

⁸ *Barack Obama and Joe Biden's Plan to Fight Poverty in America*.
<http://www.barackobama.com/issues/fightingpoverty/>.

⁹ *Commitment to America's Service Members: Past and Present*.
<http://www.johnmccain.com/Informing/Issues/9cb5d2aa-f237-464e-9cdf-a5ad32771b9f.htm>.

ASSET PROTECTION, INSURANCE, AND PREDATORY LENDING

John McCain proposes to reform the un-insurance system to make it a program for retraining, relocating and assisting workers who have lost a job.¹⁰ His proposals include allowing a portion of each worker's unemployment insurance tax to be deposited into a Lost Earnings Buffer account. If an individual becomes unemployed, the account may be accessed to cover needed expenses, with a backstop of traditional un-insurance support if the account is exhausted before 26 weeks. Workers will have an incentive to preserve their accounts by getting back to work quickly, and may be eligible for a re-employment bonus if they get a new job quickly. The account will be portable, and upon retirement, the property of the worker.

John McCain supports changes to current federal work training programs by creating flexible training accounts for retraining workers who lose their jobs. Workers will have access to resources in these accounts to pay for training at a community college and use leftover funds to keep their health insurance. Unemployed workers over 55 years of age who take new lower-paying jobs, would be offered benefits covering \$10,000 of the gap between their new and old earnings.

John McCain has called for regulatory improvements to the rating agencies industry, stricter licensing standards for mortgage brokers, and greater transparency of loan terms to improve consumer decision making.¹¹ Further, he has recommended the formation of a Justice Department Mortgage Abuse Task Force. The Task Force will aggressively investigate potential criminal wrongdoing in the mortgage industry and bring to justice any who violated the law.

Barack Obama has proposed capping interest rates on payday loans and improving lender disclosures. He supports extending a 36 percent interest rate on payday loans to all Americans – just like Congress limited rate interest rates charged to military service members.

Barack Obama has proposed encouraging responsible lending institutions to make small consumer loans to drive more predatory lenders out of business. He will encourage banks, credit unions, and Community Development Financial Institutions to provide affordable short-term and small-dollar loans and to enter this market.

Barack Obama has proposed to crack down on mortgage fraud and ensure greater accountability in the subprime mortgage market. His STOP FRAUD Act¹² provides the first federal definition of mortgage fraud, increases funding for law enforcement programs, creates new criminal penalties for mortgage professional found guilty of fraud, and require industry insiders to report suspicious activity.

¹⁰ *Jobs for America: The McCain Economic Plan.*

<http://www.johnmccain.com/Images/Issues/JobsforAmerica/briefing.pdf>.

¹¹ "GOP Candidates Discuss Key Business Issues: Full Responses." *New Hampshire Business Review*, December 7, 2007.

<http://www.nhbr.com/apps/pbcs.dll/article?AID=/20071207/POLITICS/71206001/0/contact>.

¹² *Protecting Ownership and Cracking Down on Mortgage Fraud.*

<http://www.barackobama.com/pdf/issues/MortgageFactSheet.pdf>

Barack Obama has called for laws to mandate the disclosure of accurate loan terms. He proposes to create a Homeowner Obligation Made Explicit (HOME) score, which will provide potential borrowers with a simplified, standardized borrower metric (similar to APR) for home mortgages. The HOME score will allow Americans to easily compare various mortgage products and understand the full cost of the loan.

Barack Obama has called for the creation of a fund to help homeowners avoid foreclosure. The fund will be partially paid for by increased penalties on lenders who act irresponsibly and commit fraud.

Barack Obama supports a credit card rating system to improve information disclosure. This system would be modeled on the five-star systems used for other consumer products and would provide consumers an easily identifiable ranking of credit cards. Under the Obama plan, the Federal Trade Commission (FTC) will assess the degree to which credit cards meet consumer-friendly standards. Credit card companies will be required to display the rating on all application and contract materials, enabling consumers to quickly understand all of the major provisions of a credit card without having to rely exclusively on fine print in lengthy documents. Credit card companies will also be required to disclose in simplified, clear language all of the major features of the card in addition to their FTC rating to provide consumers with additional information to compare credit card products.

Barack Obama supports the creation of a Credit Card Bill of Rights to protect consumers. His plan will ban unilateral charges, apply interest rate increases only to future debt, prohibit interest on fees, prohibit “universal defaults,” and require prompt and fair crediting of cardholder payments.

ACCESS TO CREDIT AND POST-SECONDARY EDUCATION

“I DO NOT ACCEPT AN AMERICA WHERE YOU CAN’T ACHIEVE YOUR POTENTIAL BECAUSE YOU CAN’T AFFORD IT; WHERE 2 MILLION QUALIFIED STUDENTS WILL PASS UP COLLEGE THIS DECADE BECAUSE THEY CAN’T AFFORD IT.”
- BARACK OBAMA

John McCain proposes simplifying the existing higher education tax benefits.¹³ The complexity of these tax provisions prevents many eligible families from claiming them which means some parents have a higher tax burden than they need to when they are sending their children to college.

¹³ “John McCain’s Higher Education Policy.” Press Release, August 14, 2008.
<http://www.johnmccain.com/informing/news/PressReleases/ed12978d-a54f-471e-aeed-65c65bcba6da.htm>.

John McCain is proposing a student loan continuity plan to keep the credit crunch from hurting college students.¹⁴ John McCain calls on the federal government and the 50 governors to anticipate loan problems and expand the lender-of-last resort capabilities for each state's guarantee agency.

Barack Obama proposes to create a new refundable tax credit to offset the costs of post-secondary education. He calls for the creation of an American Opportunity Tax Credit. This universal and fully refundable credit will ensure that the first \$4,000 of a college education is completely free for most Americans, and will cover two-thirds the cost of tuition at the average public college or university and make community college tuition completely free for most students. Obama will also ensure that the tax credit is available to families at the time of enrollment by using prior year's tax data to deliver the credit when tuition is due.

Barack Obama has proposed simplifying the application process for financial aid by linking it to the tax filing process. By checking a box on their tax form, parents would authorize their tax information to be used, and eliminate the need for a separate application.

CHILDREN'S SAVINGS ACCOUNTS

Neither candidate has presented a children's savings account proposal. It is worth noting that Senator Joe Biden, now Barack Obama's Vice-Presidential running mate, has supported creating a universal accounts-at-birth system that would endow every newborn American with a \$500 savings account, modeled on the America Saving for Personal Investment, Retirement and Education (ASPIRE) Act.¹⁵

¹⁴ *Jobs for America: The McCain Economic Plan.*

<http://www.johnmccain.com/Images/Issues/JobsforsAmerica/briefing.pdf>.

¹⁵ "Biden unveils plan to protect retirement savings." Associated Press. Amy Lorentzen. September 19, 2007. See also: Cramer, et al. *Saving Promises*, p. 10.

SUMMARY OF RELEVANT PROVISIONS OF THE MCCAIN AND OBAMA TAX PLANS¹⁶

	Barack Obama	John McCain
New Tax Credits	<ul style="list-style-type: none"> • Refundable Making Work Pay tax credit of 6.2% of earnings up to a maximum of \$8,100. • Refundable Universal Mortgages Credit of 10 percent of mortgage interest for nonitemizers, capped at \$800 (\$8,000 of interest). • Eliminate income tax for seniors making less than \$50,000 per year. • Small Business and Microenterprise Initiative tax credit of 20 percent on up to \$50,000 of investment in small owner-operated businesses. 	<ul style="list-style-type: none"> • Reduce maximum corporate tax rates from 35% to 25%. • Increase the dependent exemption by 70% (phased in).
Adjustments to Existing Credits	<ul style="list-style-type: none"> • Make Saver’s Credit refundable and change to a 50% match of the first \$1,000 of savings, phase out beginning before \$75,000. • Mandate automatic 401(k)s and automatic IRAs. • Increase Hope Credit 100% match rate to \$4,000 for post-secondary education, make it refundable, and rename it American Opportunity Tax Credit. • Extend childless EITC phase-in range and increase phaseout threshold, double the phase-in and phase-out rates for childless individuals paying child support, increase EITC phase-in rate to 45 % for families with three or more children; increase add-on to EITC phaseout threshold for married filers to \$5,000. 	
Capital Gains	<ul style="list-style-type: none"> • Increase maximum capital gains rate to 20%. • Require information reporting of basis for gains. • Eliminate capital gains taxation of start-up businesses and provide capital gains tax break for landowners selling to beginning family farmers. 	<ul style="list-style-type: none"> • Keep the current rates on dividends and capital gains.
Bush Tax Cuts	<ul style="list-style-type: none"> • Permanently extend marriage penalty relief, adoption credit expansions, 10,15, 25, and 28% rates, EITC simplification. • Restore 26 and 39.5% statutory income tax rates. 	<ul style="list-style-type: none"> • Make permanent all provisions other than the estate tax repeal.

¹⁶ Tax Policy Center 2008. http://www.taxpolicycenter.org/tpcccontent/tax_plan_matrix_0608.pdf. For frequently updated analyses of the candidates’ tax proposals, see http://www.taxpolicycenter.org/UploadedPDF/411749_updated_candidates.pdf.

IN THEIR OWN WORDS

JOHN MCCAIN, ON THE ECONOMY
Arlington, Virginia. July 14, 2008.¹⁷

“There are several issues I want to discuss today, but let me begin with the one that concerns all Americans the most -- our economy. Over 400,000 people have lost their jobs since December, and the rate of new job creation has fallen sharply. Americans are worried about the security of their current job, and they're worried that they, their kids and their neighbors may not find good jobs and new opportunities in the future. To make matters worse, gas is over \$4 a gallon and the price of oil has nearly doubled in the last year. The cost of everything from energy to food is rising.

I have a plan to grow the economy, create more and better jobs, and get America moving again. I have a plan to reform government, achieve energy security, and ensure that healthcare and a quality education are affordable and available for all. I believe the role of government is to unleash the creativity, ingenuity and hard work of the American people, and make it easier to create jobs.

At its core, the economy isn't the sum of an array of bewildering statistics. It's about where Americans work, how they live, how they pay their bills today and save for tomorrow. It's about small businesses opening their doors, hiring employees and growing. It's about giving workers the education and training to find a good job and prosper in it. It's about the aspirations of the American people to build a better life for their families; dreams that begin with a job.

La Raza runs one of the largest housing counseling programs in the country that has helped tens of thousands of Latinos become homeowners with secure mortgages. But millions of Americans have been hurt by the mortgage crisis and falling home values, and many in the Hispanic community have been especially hard hit. I want to help people who genuinely need assistance in these tough times, not speculators and lenders who contributed to this mess and didn't follow the basics of good business practice. I am committed to making sure families who want to hold onto their home have a chance to do so. My HOME plan allows families who need help to apply -- either at their local Post Office or online -- for a new, guaranteed, fixed-rate, 30-year mortgage that will allow them to remain in their home, and raise their family with dignity.”

¹⁷ Remarks from the 2008 National Council of La Raza Convention.
<http://www.johnmccain.com/Informing/News/Speeches/c153b0e9-1c85-44f7-90a9-7079e8a69bcc.htm>.

BARACK OBAMA, ON RETIREMENT SECURITY

Gresham, Oregon. May 18, 2008.¹⁸

“A secure retirement is no longer a guarantee for the middle class. It’s harder to save and harder to retire. Pensions are getting crunched. The promise of social security may grow harder to keep. That’s why I will fight every day to extend the promise of a retirement that is dignified and secure when I am President of the United States.”

“I’ll make retirement more secure by eliminating income taxes for any retiree making less than \$50,000 per year. This would completely eliminate income taxes for 7 million seniors, providing a savings of \$1,400 per person each year.”

“I fought against a bankruptcy bill in the Senate that did more to protect credit card companies and banks than help working people. And as President, I’ll limit circumstances when retirement benefits can be cut, and increase the wages and benefits that workers can claim in bankruptcy court. We’ll require companies to disclose their pension fund investments.”

“That’s why I’ve proposed automatic workplace pensions. There will be no red tape or complicated forms - employers will provide a direct deposit of a small percentage of each paycheck into your account. You can add to it, or you can opt out at any time. And employers will have an easy opportunity to match employee savings. If you switch jobs, your savings will roll over into your new employer’s system. If you become self-employed, you will control your account. Studies show that about 80 percent of Americans will enroll if given the option to pursue my plan.”

JOHN MCCAIN, ON THE HOUSING CRISIS

Orange County, California. March 25, 2008.¹⁹

“I have always been committed to the principle that it is not the duty of government to bail out and reward those who act irresponsibly, whether they are big banks or small borrowers. Government assistance to the banking system should be based solely on preventing systemic risk that would endanger the entire financial system and the economy.

In our effort to help deserving homeowners, no assistance should be given to speculators. Any assistance for borrowers should be focused solely on homeowners, not people who bought houses for speculative purposes, to rent or as second homes. Any assistance must be temporary and must not reward people who were irresponsible at the expense of those who weren’t. I will consider any and all proposals based on their cost and benefits. In this crisis, as in all I may face in the future, I will not allow dogma to override common sense.

¹⁸See full remarks, which include comments on Social Security, at http://www.realclearpolitics.com/articles/2008/05/obamas_remarks_on_retirement_s.html. See also “Obama Links McCain to Bush Economic Policy.” USA Today, May 18, 2008.

http://www.usatoday.com/news/politics/election2008/2008-05-18-obama-mccain-bush_N.htm

¹⁹ Addressed to the Orange County Hispanic Small Business Roundtable.

<http://www.johnmccain.com/Informing/News/Speeches/bea72b48-35ba-48cb-8cea-b3b68b9be7ee.htm>.

When we commit taxpayer dollars as assistance, it should be accompanied by reforms that ensure that we never face this problem again. Central to those reforms should be transparency and accountability.

Homeowners should be able to understand easily the terms and obligations of a mortgage. In return, they have an obligation to provide truthful financial information and should be subject to penalty if they do not. Lenders who initiate loans should be held accountable for the quality and performance of those loans and strict standards should be required in the lending process. We must have greater transparency in the lending process so that every borrower knows exactly what he is agreeing to and where every lender is required to meet the highest standards of ethical behavior.

Policies should move toward ensuring that homeowners provide a responsible down payment of equity at the initial purchase of a home. I therefore oppose reducing the down payment requirement for FHA mortgages and believe that, as conditions allow, the down payment requirement should be raised. So many homeowners have found themselves owing more than their home is worth, because many never had much equity in the house to begin with. When conditions return to normal, GSEs (Government Sponsored Enterprises) should never insure loans when the homeowner clearly does not have skin in the game.

In financial institutions, there is no substitute for adequate capital to serve as a buffer against losses. Our financial market approach should include encouraging increased capital in financial institutions by removing regulatory, accounting and tax impediments to raising capital.

I am prepared to examine new proposals and evaluate them based on these principals. But I think we need to do two things right away. First, it is time to convene a meeting of the nation's accounting professionals to discuss the current mark to market accounting systems. We are witnessing an unprecedented situation as banks and investors try to determine the appropriate value of the assets they are holding and there is widespread concern that this approach is exacerbating the credit crunch.

We should also convene a meeting of the nation's top mortgage lenders. Working together, they should pledge to provide maximum support and help to their cash-strapped, but credit worthy customers. They should pledge to do everything possible to keep families in their homes and businesses growing. Recall that immediately after September 11, 2001 General Motors stepped in to provide 0 percent financing as part of keeping the economy growing. We need a similar response by the mortgage lenders. They've been asking the government to help them out. I'm now calling upon them to help their customers, and their nation out. It's time to help American families.

More important than the events of the past is the promise of the future. The American economy is resilient and diverse. Even as financial troubles weigh upon it other parts of the economy hold up or even continue to grow. I have spoken at length in other settings about the need to keep taxes low on our families, entrepreneurs, and small businesses; to make the tax code simpler and fair by eliminating the Alternative Minimum Tax that the middle class was never intended to pay; to improve the ability of our companies to

compete by reducing our corporate tax rate, which today are the second highest rates in the world; to provide investment incentives; to control rising health care costs that threaten the budgets of our businesses and families; to improve education and training programs; and to ensure our ability to sell to the 95 percent of the world's customers that lie outside U.S. borders.”

BARACK OBAMA, ON HOUSING AND FINANCIAL SERVICES

New York, New York. March 27, 2008.²⁰

“When subprime mortgage lending took a reckless and unsustainable turn, a patchwork of regulators were unable or unwilling to protect the American people.”

To stabilize the housing market and help bring the foreclosure crisis to an end, I have sponsored Senator Chris Dodd's legislation creating a new FHA Housing Security Program, which will provide meaningful incentives for lenders to buy or refinance existing mortgages. This will allow Americans facing foreclosure to keep their homes at rates they can afford.”

Senator McCain argues that government should do nothing to protect borrowers and lenders who've made bad decisions, or taken on excessive risk. On this point, I agree. But the Dodd-Frank package is not a bailout for lenders or investors who gambled recklessly, as they will take losses. It is not a windfall for borrowers, as they will have to share any capital gain. Instead, it offers a responsible and fair way to help bring an end to the foreclosure crisis. It asks both sides to sacrifice, while preventing a long-term collapse that could have enormous ramifications for the most responsible lenders and borrowers, as well as the American people as a whole.”

For homeowners who were victims of fraud, I've also proposed a \$10 billion Foreclosure Prevention Fund that would help them sell a home that is beyond their means, or modify their loan to avoid foreclosure or bankruptcy. It's also time to amend our bankruptcy laws, so families aren't forced to stick to the terms of a home loan that was predatory or unfair.”

To prevent fraud in the future, I've proposed tough new penalties on fraudulent lenders, and a Home Score system that will allow consumers to find out more about mortgage offers and whether they'll be able to make payments. To help low- and middle-income families, I've proposed a 10 percent mortgage interest tax credit that will allow homeowners who don't itemize their taxes to access incentives for home ownership.”

The Federal Reserve should have basic supervisory authority over any institution to which it may make credit available as a lender of last resort. When the Fed steps in, it is providing lenders an insurance policy underwritten by the American taxpayer. In return, taxpayers have every right to expect that these institutions are not taking excessive risks. The nature of regulation should depend on the degree and extent of the Fed's exposure.”

²⁰ Remarks delivered at Cooper Union
http://www.barackobama.com/2008/03/27/remarks_of_senator_barack_obam_54.php.

Over the last few years, commercial banks and thrift institutions were subject to guidelines on subprime mortgages that did not apply to mortgage brokers and companies. It makes no sense for the Fed to tighten mortgage guidelines for banks when two-thirds of subprime mortgages don't originate from banks. This regulatory framework has failed to protect homeowners, and it is now clear that it made no sense for our financial system."

To reward work and make retirement secure, we'll provide an income tax cut of up to \$1000 for a working family, and eliminate income taxes altogether for any retiree making less than \$50,000 per year. To make health care affordable for all Americans, we'll cut costs and provide coverage to all who need it."

BARACK OBAMA, ON COLLEGE AFFORDABILITY

Taylor, Michigan. June 17, 2008.²¹

"It's something that plays out in households all across this country - the high cost of tuition is making college a dream that is slipping out of reach for far too many Americans. Folks who've been working for years want to go back and get a degree, but they have to choose between going to class and paying the rent. Many young people have the talent to go to school, but can't afford to be saddled with debt. College costs have gone up almost 40 percent in the last five years. I do not accept an America where you can't achieve your potential because you can't afford it; where 2 million qualified students will pass up college this decade because they can't afford it...

And that's why the American people will have a clear choice in November - because when I'm President, I will make college affordable for every American. To reach that goal, I've proposed an annual, fully refundable American Opportunity Tax Credit of \$4,000 for Americans who need a hand with tuition and fees. This will cover two-thirds of tuition at the average public college or university, and will make tuition free and help cover expenses for students to go to a community college like Wayne County Community College.

But when we invest in your future, we're going to ask you to invest in the future of your country. To receive this credit, we'll require 100 hours of public service - you'll have to work at a veteran's hospital or nursing home; join an AmeriCorps program or work in a local school. You get a hand living your dreams, and then you help your fellow citizens live theirs - that's how we're going to move this country forward; that how we're going to come together behind a common purpose.

We also have to reform the system that governs how student loans are handed out. Recently there's been concern about problems in our credit markets spilling over into student loans. In fact, a number of universities and communities colleges have seen their lenders withdraw from the federal student loan program, including Wayne County Community College. And we've seen some big banks go so far as to continue making loans to students at some 4-year colleges, while denying them to students at community

²¹ Remarks delivered at Wayne County Community College, Townhall on College Affordability. http://www.realclearpolitics.com/articles/2008/06/obamas_remarks_on_college_affo.html.

colleges. So far, this hasn't affected students or schools in serious way - because other lenders have stepped up and Congress has taken steps to ensure that students have the money they need this fall. But it has been a reminder that we need to make sure students can always get the loans they need.

That's why I've called for strengthening our federal student loan programs. In an Obama administration, we'll stop giving subsidies to banks that can just walk away from students in tough times. And we'll stop tolerating a system where private lenders can discriminate against students at community colleges. Instead, we'll require all federal student loans to be provided directly by the federal government. This one step will help protect students, restore fairness to the system, and save billions of dollars a year.

We also need to make sure our current assistance keeps pace with costs. The first bill I introduced in the Senate aimed to increase the maximum Pell Grant. And we went on to work in a bipartisan way to get it done. As President, I'll make sure we keep pace with costs so that students like some of you here today don't fall behind. We also need to simplify the process. You shouldn't need a PhD to apply for financial aid, but the process is so complex that it shuts out hundreds of thousands of students. So I'll eliminate the current student aid form altogether - we'll use tax data instead.

As we move forward, we cannot neglect our community colleges. These schools produce the backbone of our workforce: nurses and firefighters, computer programmers and farmers. And as our changing economy demands a more skilled workforce, America's community colleges must be at the forefront of our approach to higher education and economic competitiveness. Eighty percent of America's fastest-growing jobs require at least a 2-year degree. You and I know this; businesses know this. Yet for too long, Washington has treated community colleges as a stepchild of the higher education system, instead of essential resources for training and preparing the workers of tomorrow.

That's why I'll create a new Community College Partnership Program to give you the skills you need to compete. This initiative will help community colleges analyze what skills are needed to prepare students to work in local industry. Here in Michigan, that means making sure that our manufacturing workers can get the training they need to work in green energy jobs and build the cars of the future. And we won't just encourage schools to move in this direction - we'll reward success by providing grants to community colleges that graduate more students, and increase the number of their students who transfer to four-year colleges...

We cannot let the doors of opportunity close because we couldn't come together to lower the cost of college and extend the promise of our community colleges. It's time to put the American dream within reach for all Americans, regardless of ethnic or economic background. That is our cause in this campaign. And that is the future we can build together if you join me in November."

CANDIDATE RESPONSES TO ISSUE QUESTIONS

Washington Post, 2008.²²

SHOULD THE FEDERAL GOVERNMENT HAVE A ROLE IN SEEKING AN END TO POVERTY? WHAT WOULD YOU DO, SPECIFICALLY, TO DEAL WITH POVERTY?

JOHN MCCAIN:

I believe the government plays an essential role in addressing poverty. We must ensure that government policies promote freedom, opportunity and prosperity for all Americans. For example, among the most important determinants of economic well-being is educational attainment. The statistics are undeniable; if you can get a decent education, you can free yourself from the threat of poverty. This is why we all should agree that a quality education is the right of every child and the responsibility of every parent, teacher and school. Furthermore, I believe that government can improve the education system by establishing standards for accountability and performance in schools, fostering competition in the current education monopoly by allowing parents to choose the school that can best educate their child, and fighting the rising tide of high school dropouts. Fulfilling the promise of American prosperity in a global economy also rests on our ability to provide a pro-growth, job-creating environment for working men and women, for innovators and entrepreneurs, and for our children on whom the world will soon depend. A pro-growth economic policy that benefits all Americans must recognize that it is the private sector -- the entrepreneurs, the innovators, and all the other hard-working Americans -- which creates jobs and grows the economy.

I believe Washington can best assist America's businesses by keeping taxes low and expanding global trade for American products to ensure continued economic growth so all Americans have the opportunity to share in our nation's prosperity. But we should also remember that the dynamic growth and sweeping changes in our economy bring opportunities but also challenges. Suddenly, the world changes, and through no fault of their own, some Americans find themselves unable to compete after having lost their job. Unfortunately, we have not been as good enough at helping them deal with these changes. We have enacted nearly a half-dozen government programs to assist displaced workers. But these programs have not provided the assistance these workers need to make it through the transition. We should replace our outmoded programs with a single, effective system for retraining, relocating and assisting workers who have lost a job. We can help people get back on their feet more quickly with jobs in the private sector, which offer the best training for a changing marketplace. We can strengthen community colleges and technical training, and give displaced workers more choices to find their way back to prosperous lives.

²² See "*John McCain on the Issues*" <http://projects.washingtonpost.com/2008-presidential-candidates/issues/candidates/john-mccain/> and "*Barack Obama on the Issues*" <http://projects.washingtonpost.com/2008-presidential-candidates/issues/candidates/barack-obama/>.

BARACK OBAMA:

The federal government has a critical role to play in eradicating poverty. It's a moral outrage that in the richest nation on earth, 37 million Americans are living in poverty. I will increase federal funding for anti-poverty programs. In addition to passing my universal health care plan, I will fully fund the Community Development Block Grant program and create an Affordable Housing Trust Fund. I will increase funding for transitional jobs and career pathways programs and I'll provide greater supports for ex-offenders and their families. I will ensure that minimum wage is indexed for inflation. And I will expand eligibility and increase the Earned Income Tax Credit to benefit 12 million Americans. Additionally, I have called for the creation of a new program that replicates the success of the Harlem Children's Zone -- an all-encompassing, all-hands-on-deck anti-poverty effort that is literally saving a generation of children in a neighborhood where they were never supposed to have a chance. As president, an important part of my plan to combat poverty will be to replicate the Harlem Children's Zone in twenty cities across the country. These 'Promise Neighborhood' will focus on addressing concentrated, intergenerational poverty in our cities. We'll train staff, we'll have them draw up detailed plans with attainable goals, and the federal government will provide half of the funding for each city, with the rest coming from philanthropies and businesses.

I will also create a White House Office of Urban Policy and have the Director of that Office report directly to me. Finally, I will provide families the support they need to raise their children. I will provide more financial support to fathers who make the responsible choice to help raise their children and crack down on the fathers who don't. And I'll help new mothers with their new responsibilities by expanding a pioneering program known as the Nurse-Family Partnership that offers home visits by trained registered nurses to low-income mothers and mothers-to-be. My plan will assist approximately 570,000 first-time mothers each year.

DO YOU AGREE OR DISAGREE WITH THE ARGUMENT THAT ONLY THE WEALTHIEST AMERICANS ARE BENEFITING FROM THE CURRENT ECONOMIC GROWTH? WHY OR WHY NOT?

JOHN MCCAIN:

I believe that we should relentlessly pursue a growth-oriented economic policy, because I believe all Americans share in the benefits of an expanding economy. Over the past year, Americans in the bottom income quartile experienced higher wage growth than those in the top income range, with gains nearly double the rate of inflation. I do however understand that this is not always the case. I understand that our increasingly globalized economy doesn't always or automatically translate into higher quality of life for every American. It is government's job to help displaced workers get education and training. And, most important, we must dramatically improve the quality of primary and secondary education to empower future workers to compete in the world market. Education must be a lifelong process. An educated worker is a worker who can adapt and can change. Instead we have an outmoded training system for displaced workers and an education system that fails to ensure our children can compete in an ever-changing economy. This

is unacceptable. We have an obligation to current and future generations to provide the opportunity for every American to prosper. I remain committed to pursuing the economic growth that we have enjoyed in the past. Fulfilling the promise of American prosperity in a global economy rests on our ability to provide a pro-growth, job-creating environment for working men and women, for innovators and entrepreneurs, and for our children on whom the world will soon depend.

BARACK OBAMA:

Today's economic growth and federal economic policies disproportionately benefit the wealthiest of Americans, many of whom have armies of lobbyists and political fundraisers at their disposal. Special interests that have spent billions of dollars lobbying Washington have received preferential tax treatment, scores of congressional earmarks and favorable regulatory decisions at the expense of low and middle-income Americans. My top priority in Washington is to put America's interests before the special interests and ensure that the benefits of globalization and economic growth are distributed more fairly in our society.

WHAT ARE THE THREE MOST IMPORTANT THINGS YOU WOULD DO TO PROMOTE ECONOMIC GROWTH AND PROSPERITY?

JOHN MCCAIN:

I am committed to pursuing a pro-growth economic agenda. First, we must minimize the burden of the federal government on entrepreneurs and the private sector by keeping spending under control and taxes low. We should keep income taxes low by making the tax cuts permanent, thus eliminating the threat of a crippling tax increase in 2011, by repealing the Alternative Minimum Tax, and also by making it more difficult for Congress to raise taxes by requiring a three-fifths, super-majority vote in order to pass a tax increase. But low taxes work best when accompanied by low spending. To limit spending, we must eliminate pork-barrel spending and reform entitlement programs. Opening markets for American goods and services is indispensable to our future prosperity. We can compete with anyone. American leadership on trade is critical to a vibrant world economy and to ensure access to new markets which will benefit our businesses, workers, farmers, and ranchers. Ninety-five percent of the world's customers are outside our borders, so it makes sense to try to reach more of them with our products and services by concluding more trade agreements tied to vigorous enforcement.

Over the past fifty years, efforts to reduce global barriers to trade have raised U.S. incomes by \$1 trillion every year - a \$3,500 'trade refund' for every man, woman, and child in the United States. We also benefit from direct investment in our nation. Americans do not shy away from the challenge of competition: they welcome it. Because of that, we attract foreign investment from across the world. Trade has also contributed to our low unemployment and inflation rates. But the benefits we enjoy today can easily be gone tomorrow if governments travel the road of protectionism to failure. We must stand firmly against such economic isolationism today to ensure America's prosperity tomorrow. America has succeeded because we've more willing to embrace and encourage economic change more than most of our competitors.

Additionally, a strong tech industry is critical to our continued prosperity. Maintaining our tech edge requires robust basic research, a highly skilled workforce, and a healthy investment climate. We must support our tech industry with smart policies that make basic research a priority, improve our schools to produce graduates with strong math and science skills, make our immigration system friendlier to the world's tech innovators, and make our tax system and patent laws innovation friendly.

BARACK OBAMA:

First, I will make strategic, long-term investments into American infrastructure to create more high-wage jobs. I will expand federal funding for basic research, make the tax credit for research and development permanent, and expand the deployment of broadband technology, so that businesses can invest in innovation and create high-paying, secure jobs. And I will make investments in education, training, and workforce development so that Americans can leverage our strengths -- our ingenuity and entrepreneurialism -- to create new high-wage jobs and prosper in a world economy. Second, I will fight against trade agreements that undermine American competitiveness and use trade as a tool to grow American jobs. I will use trade agreements to spread good labor and environmental standards around the world and stand firm against agreements like the Central American Free Trade Agreement (CAFTA) that fail to live up to those important benchmarks. Third, I will promote digital inclusion. Getting broadband Internet access into every home and business in urban America at an affordable rate could give low-income people increased opportunities to start businesses and engage actively in our communities.

INFORMATIONAL RESOURCES

CAMPAIGN WEBSITES

- <http://www.johnmccain.com>
- <http://www.barackobama.com>

ECONOMIC PLANS

- *Jobs for America: The McCain Economic Plan:*
<http://www.johnmccain.com/Images/Issues/JobsforAmerica/briefing.pdf>
- *Keeping America's Promise: Strengthening the Middle Class*
http://www.barackobama.com/issues/economy/Obama_Keeping_Americas_Promise.pdf

PARTY PLATFORMS

- 2008 Republican Platform
<http://www.gopplatform2008.com/thankyou.htm>
- Renewing America's Promise: Report of the Democratic Platform Committee
<http://www.demconvention.com/assets/downloads/2008-Democratic-Platform-final.pdf>

ADDITIONAL RESOURCES

- Committee for a Responsible Federal Budget. *Promises, Promises: A Fiscal Voter Guide to the 2008 Election.*
<http://www.usbudgetwatch.org/files/crfb/usbw082908promises.pdf>
- Tax Policy Center, A Joint Venture of the Urban Institute and the Brookings Institution
<http://www.taxpolicycenter.org>