

December 2007

### **SAVING PROMISES:**

#### **A REVIEW OF PROPOSALS BY PRESIDENTIAL CANDIDATES TO PROMOTE SAVINGS AND ASSET BUILDING**

By Reid Cramer, Alejandra Lopez-Fernandini and Rourke O'Brien<sup>1</sup>

For the first time since 1952, the absence of incumbents vying for the nomination of each major party has created a wide open race, one where the stakes are remarkably high. This has contributed to an extended campaign process that will last almost two years by the time the presidential election is held in November of 2008. While some lament the length of this campaign cycle, it has generated a great deal of activity in the policy arena as each candidate has sought to articulate their vision for America's future and proposed policies that will help take us there.

In the field of savings and assets building, many insightful proposals have been made that are worth highlighting. Some of these proposals address issues of economic security, others focus directly on savings and access to financial services, and another set offer policies to promote homeownership and asset protection. This document represents our attempt to capture the major proposals and statements related to saving and asset building from the 2008 presidential campaign.

This paper will review and describe the set of proposals that have emerged from the candidates for president in both parties. 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 and policy briefs, others are outlined more generally on campaign websites, and others have been presented more rhetorically in speeches or on the campaign trail.

#### **Featured Topics and Policy Areas**

- Savings
- Retirement Security
- Affordable Homeownership
- Subprime Mortgage Crisis
- Financial Education
- Banking the Unbanked
- Asset Limits, Debt and Bankruptcy
- Children's Savings Accounts
- Asset Protection and Predatory Lending

<sup>1</sup> Reid Cramer is Research Director of the Asset Building Program; Alejandra Lopez-Fernandini and Rourke O'Brien are Policy Analysts in the Asset Building Program at the New America Foundation.

For the purposes of this paper, we present policies here by topic areas and feature proposals relating to savings, retirement security, homeownership, financial education, banking the unbanked, asset limits, debt and bankruptcy, children's savings accounts, asset protection and predatory lending. We have excluded, perhaps arbitrarily, proposals that focus on education, poverty reduction, and social security even though many are closely related to saving and asset building.

Our descriptions are not meant to signal support or endorsement of any particular proposal. Some of these policies would represent real progress in promoting targeted savings and asset building, while the impact of others may be less certain. Regardless, we believe there is value in understanding the substance of these campaign proposals, and expect some of them to receive greater scrutiny in the months ahead. Accordingly, we have strived to offer a short description of the relevant proposals and then a reference to sources and additional information that is available over the internet on each of the candidate's websites.<sup>2</sup>

## SAVINGS POLICIES

*Joe Biden* plans to incentivize savings by **expanding the Saver's Credit**, providing eligible families a 50% refundable tax credit for deposits up to \$2,000 in certain tax-preferred savings accounts, such as 401(k) plans or Individual Retirement Accounts. A family earning less than \$50,000 that deposits \$4,000 into savings products eligible for the credit would receive a \$2,000 matched refund from this plan.<sup>3</sup>

*Chris Dodd* proposes to assist individuals saving for a down payment on a home with the creation of **Tax-Deferred Individual Homeownership Savings Accounts**.<sup>4</sup> The federal government would match up to \$500 each year in the accounts of low-income and working families under this plan.

*John Edwards* proposes the creation of "**work bonds**" to match household savings.<sup>5</sup> Households earning up to \$75,000 would receive a state-provided bond valued at \$500 per year. Additionally, he proposes the "**Get Ahead**" **tax credit** to match up to \$500 in savings for retirement, college education, home purchase or investment in a small business or during a financial or medical emergency.<sup>6</sup> Edwards plans to allow families to deposit some or all of their child tax credit into a tax-free saving account, for withdrawal when the child turns 18.<sup>7</sup> To ease tax filing and encourage saving, Edwards plans to exempt taxes for the first \$250 invested in interest, capital gains, and dividends.

---

<sup>2</sup> Candidate websites are listed at the end of the paper. We expect to update this document as the campaign continues to unfold and invite feedback on additional proposals that should be included in subsequent editions.

<sup>3</sup> <http://www.joebiden.com/issues/?id=0026>.

<sup>4</sup> <http://chrisdodd.com/issues/homeownership/long>.

<sup>5</sup> <http://johnedwards.com/news/press-releases/20071202-abusive-lenders/>.

<sup>6</sup> <http://johnedwards.com/issues/tax-reform/>.

<sup>7</sup> <http://johnedwards.com/issues/tax-reform/tax-policy-4pg.pdf>.

*Rudy Giuliani* proposes to expand **tax-free savings accounts** to encourage Americans to save.<sup>8</sup> Giuliani also plans to eliminate the double taxation of individuals' current savings.

*Barack Obama* proposes to federally match savings by **expanding the Saver's Credit**.<sup>9</sup> 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.<sup>10</sup> The refundable tax credit and the savings match will be directly deposited into the filer's personal accounts.

*Mitt Romney* proposes to allow **tax-free savings** for all families with adjusted gross incomes under \$200,000. He would do this by eliminating all taxes on interest, dividends, and capital gains. This would allow these families to save and invest tax-free.<sup>11</sup>

"YOU CAN SAVE YOUR MONEY FOR A DOWN PAYMENT ON A HOUSE, FOR A CAR, FOR A BOAT, FOR COLLEGE FOR YOUR KIDS, WHATEVER THE HECK YOU WANT... GOVERNMENT SHOULDN'T BE TELLING YOU THEY'RE GOING TO TAX YOU ON YOUR SAVINGS."

-MITT ROMNEY

## RETIREMENT SECURITY

*Joe Biden* proposes that **employers provide retirement accounts** for their employees. These accounts can be easily rolled over so that they travel with an individual from job to job. Biden also calls for the expansion of auto-enrollment, or so-called "opt-out" default setting for 401(k)s, and greater transparency in fee disclosure.<sup>12</sup>

*Hillary Clinton* calls for the creation of **American Retirement Accounts**, portable, universal 401(k)s. Account holders would receive a matching refundable tax credit of up to \$500 or \$1000, depending on their annual household income. Families earning less than \$60,000 would receive a 100% match for their first \$1,000 savings and households earning between \$60,000 and \$100,000 would receive a 50% match on this initial savings amount. In addition, individuals would be able to contribute up to \$5,000 per year on a tax-deferred basis. Employers will be encouraged to automatically send a portion of the workers salary to be directly deposited in these accounts, unless the employee opts out. Account holders may have the option of withdrawing 10-15% of their account assets or take out a loan from their account. Clinton also seeks to freeze the estate tax at 2009 levels to pay for a tax cut for middle-class family saving.<sup>13</sup>

*Chris Dodd* calls for a **Universal 401(k)**, modeled on the Federal government's Thrift Savings Plan (TSP) for federal employees.<sup>14</sup> This low-cost, direct deposit plan would allow employers to easily match contributions and provide employees with a limited set of investment options.

<sup>8</sup> <http://www.joinrudy2008.com/commitment/indepth/5>.

<sup>9</sup> [http://www.barackobama.com/2007/11/07/remarks\\_of\\_senator\\_barack\\_obam\\_31.php](http://www.barackobama.com/2007/11/07/remarks_of_senator_barack_obam_31.php).

<sup>10</sup> <http://www.barackobama.com/pdf/retirementFactSheet.pdf>.

<sup>11</sup> <http://www.mittromney.com/Issues/global-economic-competition>.

<sup>12</sup> <http://www.joebiden.com/issues/?id=0026>.

<sup>13</sup> <http://www.hillaryclinton.com/news/release/view/?id=4204>.

<sup>14</sup> <http://chrisdodd.com/policy/seniors>.

*John Edwards* will offer taxpayers the option to directly deposit their **tax refunds** into a retirement account.<sup>15</sup>

*Barack Obama* calls for **universal, automatic Individual Retirement Accounts** to encourage worker retirement savings.<sup>16</sup> Under this plan, employers would be required to establish automatic direct deposit retirement accounts for their employees. With enrollment as the default option, employees who wish not to participate may opt-out by signing a written waiver. When an employee changes jobs, their account will automatically roll-over into their new employer's system. Self-employed workers will benefit from easy enrollment and accessibility features. The default investment plan will be modeled on the Federal Government's Thrift Savings Plan.<sup>17</sup> Obama will also increase disclosure requirements from private companies funding pensions.

"AMERICANS WHO WORK HARD THEIR ENTIRE LIVES HAVE EARNED A SECURE RETIREMENT. BUT RIGHT NOW, WE'VE GOT 75 MILLION WORKING PEOPLE IN THIS COUNTRY WHO DON'T HAVE EMPLOYER-BASED RETIREMENT PLANS. PERSONAL SAVING IS AT AN ALL-TIME LOW. A PART OF THE AMERICAN DREAM IS AT RISK."  
-BARACK OBAMA

*Ron Paul* proposes **cutting payroll taxes** to enable workers to save and invest in the private market.<sup>18</sup> Paul supports workers who seek a potentially more powerful return on their investment outside the Social Security system.

"WORKING AMERICANS LIKE LOWER TAXES. SO DO I. LOWER TAXES BENEFIT ALL OF US, CREATING JOBS AND ALLOWING US TO MAKE MORE DECISIONS FOR OURSELVES ABOUT OUR LIVES. WHETHER A TAX CUT REDUCES A SINGLE MOTHER'S PAYROLL TAXES BY \$40 A MONTH OR ALLOWS A BUSINESS OWNER TO SAVE THOUSANDS IN CAPITAL GAINS TAXES AND HIRE MORE EMPLOYEES, THAT TAX CUT IS A GOOD THING. LOWER TAXES ALLOW MORE SPENDING, SAVING, AND INVESTING WHICH HELPS THE ECONOMY — THAT MEANS ALL OF US."  
-RON PAUL

*Tom Tancredo* proposes to use a portion of payroll taxes to fund **private investment accounts** for young workers.<sup>19</sup>

*Fred Thompson* proposes the creation of voluntary **Personal Retirement Accounts** that would provide every American the opportunity to save for retirement. Each worker would automatically contribute 2% of his or her wages into the account. The employee's contribution would be matched at a rate of \$2.50 for every \$1 for the first \$1,000 in wages deposited every month and matched at a rate of \$0.50 for every dollar thereafter.<sup>20</sup>

<sup>15</sup> <http://johnedwards.com/issues/debt/>.

<sup>16</sup> [http://www.barackobama.com/2007/11/07/remarks\\_of\\_senator\\_barack\\_obam\\_31.php](http://www.barackobama.com/2007/11/07/remarks_of_senator_barack_obam_31.php).

<sup>17</sup> <http://www.barackobama.com/pdf/retirementFactSheet.pdf>.

<sup>18</sup> <http://www.ronpaul2008.com/issues/social-security/>.

<sup>19</sup> <http://teamtancredo.org/stands/>

<sup>20</sup> <http://www.fred08.com/virtual/socialsecurity.aspx>.

## EXPANDING LOW-INCOME HOUSING AND AFFORDABLE HOMEOWNERSHIP

*Joe Biden* advocates for lender renegotiations of mortgages, more federally-backed loans from the Federal Housing Administration, and the expansion of counseling services. Biden intends to eliminate abusive practices and calls for the full disclosure of taxes and insurance before mortgage closing.<sup>21</sup> Biden proposes to double funding for the **Community Development Block Grant** program, a major source of revenue for community and economic development projects.<sup>22</sup> Additionally, Biden would expand the Low Income Housing Tax Credit, increase funding for the Section 8 Voucher Program, fully restore funding for the HOPE VI Program, and break up concentrated neighborhoods of poverty.

“EVERY DAY WE SEE MORE EVIDENCE THIS ECONOMY IS NOT WORKING FOR MIDDLE-CLASS AMERICANS. IF WE HONOR WORK, WE HAVE TO REWARD IT”  
-JOE BIDEN

*Hillary Clinton* proposes the establishment of a \$1 billion fund to provide federal support to **housing trust funds** established by state, county, and municipal governments.<sup>23</sup>

*Chris Dodd* seeks to increase the impact of the Federal Housing Administration’s programs through modifications of loan limits, down payment criteria and refinancing options. Dodd intends to **increase the supply of affordable housing** for teachers and municipal employees, and also to provide tax incentives for landlords that keep rents from rising. He plans to dedicate \$1 billion to expand the supply of affordable senior housing; and increase HOPE VI and Section 8 vouchers funding.<sup>24</sup> To keep homes affordable for working families, Dodd proposes a **Shared Equity Trust**, which would provide homebuyers down payment assistance in exchange for a share of the home price appreciation upon future sale.<sup>25</sup>

*John Edwards* calls for the establishment of a national **Home Rescue Fund**. This fund would provide affordable and safe mortgages to 2.2 million families at-risk of foreclosure.<sup>26</sup> Borrowers working with lenders who violate good faith negotiations will reserve the right to halt foreclosure. Edwards calls for the prohibition of mortgage market abuses and the strengthening of underwriting standards for traditional and non-bank lenders and mortgages brokers. Outlawed practices would include: steep prepayment penalties, mandatory arbitration clauses, balloon loans, loan flipping, and excessive fees.<sup>27</sup>

Additionally, Edwards plans to create **1 million affordable housing vouchers** over five years to transition low-income families to better neighborhoods and phase out housing projects that tie families to fixed locations. Edwards calls for the reform and expansion of HOPE VI for the revitalization of devastated neighborhoods.<sup>28</sup>

<sup>21</sup> <http://www.joebiden.com/newscenter/pressreleases?id=0236>.

<sup>22</sup> <http://www.joebiden.com/newscenter/pressreleases?id=0236>.

<sup>23</sup> <http://www.hillaryclinton.com/feature/mortgage/>.

<sup>24</sup> <http://chrisdodd.com/issues/homeownership/long>.

<sup>25</sup> <http://chrisdodd.com/issues/homeownership/long>.

<sup>26</sup> <http://johnedwards.com/issues/debt/>.

<sup>27</sup> <http://johnedwards.com/issues/debt/>.

<sup>28</sup> <http://johnedwards.com/issues/poverty/>.

*Barack Obama* proposes to replace the mortgage interest deduction with a **homeownership credit** equal to 10% of mortgage interest.<sup>29</sup> Obama also 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.<sup>30</sup>

*Bill Richardson* calls for a rate freeze (at introductory rates) on adjustable rate mortgages<sup>31</sup> and the creation of a **National Housing Trust Fund** and a **Federal Home Loan Protection Act**.<sup>32</sup> These programs would improve homeownership opportunities by supplying affordable housing development and protecting homeowners from entering loan agreements that they cannot afford.<sup>33</sup> Richardson also calls for the Federal Housing Administration to raise its loan limits and relax down-payment requirement from 3 percent to 1 percent.

### THE SUBPRIME MORTGAGE CRISIS

*Joe Biden* proposes to freeze interest rates on subprime loans and encourages lenders to rework troubled mortgages.<sup>34</sup> Biden attributes much of the fallout in the subprime market to the lack of transparency in hedge fund investments.

*Hillary Clinton* proposes to freeze the monthly rate on subprime adjustable rate mortgages for five years or until the mortgages have been converted into affordable, fixed-rate loans.<sup>35</sup> Additionally, Clinton seeks to expand access to independent counseling; restrict prepayment penalties for subprime mortgages; require “plain-talk, no-fine-print disclosure”; and promote a “foreclosure timeout,” during which time at-risk borrowers and lenders work out alternatives to foreclosure.

Clinton hopes to strengthen the Federal Housing Administration in order to provide homebuyers with more alternatives than those currently offered in the subprime market.<sup>36</sup> She intends to direct \$5 billion to state programs for immediate foreclosure assistance and insist that Fannie Mae and Freddie Mac increase mortgage foreclosure mitigation efforts. Clinton seeks to double HUD’s Housing Counseling Assistance Program budget and make an additional \$100 million available for counseling to families at risk of foreclosure.<sup>37</sup>

Clinton has also proposed modifying the Mortgage Revenue Bond program to “permit the state housing finance agencies to issue an additional \$2.5 billion per year of tax-free bonds, and require that they use the proceeds to help families refinance unworkable mortgages.”<sup>38</sup>

*Chris Dodd* proposes a \$2 billion Foreclosure Prevention Fund for federal, state, local and non-profits agencies to transition homeowners out of predatory loans and into safe mortgages.<sup>39</sup>

---

<sup>29</sup><http://my.barackobama.com/page/HQpress/Fact%20Sheet%20Tax%20Fairness%20Speech%20091707%20FINAL%20IH.pdf>.

<sup>30</sup> <http://www.barackobama.com/issues/fightingpoverty/>.

<sup>31</sup> <http://www.richardsonforpresident.com/issues/credit>.

<sup>32</sup> <http://www.richardsonforpresident.com/issues/credit?id=0039>.

<sup>33</sup> <http://www.richardsonforpresident.com/issues/credit?id=0039>.

<sup>34</sup> *American Banker*, December 7, 2007.

<sup>35</sup> <http://www.hillaryclinton.com/news/speech/view/?id=4536>.

<sup>36</sup> <http://www.hillaryclinton.com/feature/mortgage/>.

<sup>37</sup> <http://www.hillaryclinton.com/news/release/view/?id=4283>.

<sup>38</sup> <http://www.hillaryclinton.com/news/release/view/?id=4283>.

Calling for the Office of Federal Housing Enterprise Oversight (OFHEO) to lift portfolio caps on Fannie Mae and Freddie Mac, Dodd hopes to add liquidity to the market and keep mortgage credit flowing for consumers seeking to refinance.<sup>40</sup>

*John Edwards* calls for freezing interest rates on adjustable rate mortgages for seven years-until both housing markets and consumer recover.<sup>41</sup>

*Bill Richardson* calls for freezing interest rates on subprime mortgages at risk of default.<sup>42</sup>

*Rudy Giuliani* favors limited lender renegotiations with borrowers and “constructive workouts” in the private sector.<sup>43</sup> Overall, Giuliani supports limited congressional intervention in response to the subprime crisis.<sup>44</sup>

*Mike Huckabee* endorses the Bush administration’s plan to prevent foreclosures by extending starter rates, expanding the FHA’s limits and reducing down payments.<sup>45</sup> Huckabee opposes bailing out borrowers who are capable of paying for their own mortgage through refinancing.

*Duncan Hunter* supports the expansion of FHA and the Bush administration’s policy decisions to renegotiate adjustable rate loans to fixed loans.<sup>46</sup>

“OWNING A HOME IS PART OF THE AMERICAN DREAM AND I SUPPORT POLICIES THAT MAKE HOME OWNERSHIP MORE ACCESSIBLE FOR FAMILIES OF ALL INCOME LEVELS.”

-DUNCAN HUNTER

*John McCain* supports reworking loans for select subprime borrowers, expanding the FHA, and developing “innovative mortgage loans.”<sup>47</sup>

*Barack Obama* calls for the creation of a Fund to Help Homeowners Avoid Foreclosure that would support mortgage refinancing and off-set the costs of selling a home.<sup>48</sup> Financial penalties on predatory lenders would finance the fund.

*Mitt Romney* supports the President’s actions expanding FHA refinancing to provide relief to borrowers, but opposes an out-right bailout. Romney supports the development of a mechanism to avoid foreclosures and allow people to stay in their homes.

---

<sup>39</sup> <http://chrisdodd.com/node/2447>.

<sup>40</sup> <http://chrisdodd.com/issues/homeownership/long>.

<sup>41</sup> <http://johnedwards.com/issues/working-families/20071205-homeownership/>

<sup>42</sup> <http://www.richardsonforpresident.com/issues/credit?id=0039>

<sup>43</sup> [http://www.pbs.org/nbr/site/onair/transcripts/071130\\_gharib/](http://www.pbs.org/nbr/site/onair/transcripts/071130_gharib/)

<sup>44</sup> American Banker, December 12, 2007.

<sup>45</sup> American Banker, December 12, 2007.

<sup>46</sup> American Banker, December 7, 2007.

<sup>47</sup> <http://www.nhbr.com/apps/pbcs.dll/article?AID=/20071207/POLITICS/71206001/0/contact>.

<sup>48</sup> <http://www.barackobama.com/pdf/UrbanPovertyOverview.pdf>.

*Fred Thompson* favors resolutions that make regulatory changes to the existing mortgage industry rules, rather than create new legislation.<sup>49</sup>

## FINANCIAL EDUCATION

*Chris Dodd* proposes to replace the Office of Financial Education at the U.S. Treasury with the **Office of Financial Empowerment**.<sup>50</sup> This Assistant Secretary-level office would create, monitor, and coordinate programs oriented towards saving, managing credit and debt, and avoiding predatory lenders. The initiative will include direct consumer counseling and physical outreach into local communities. Dodd's **Preserving Homeownership Initiative** would educate families on improving their credit score, selecting an appropriate, non-predatory mortgage product, and accessing resources for down payment and other assistance.<sup>51</sup>

"WE MUST ALSO ADDRESS WHAT I CALL THE 'OPPORTUNITY GAP' THAT KEEPS MILLIONS OF AMERICANS FROM FULLY AND FAIRLY PARTICIPATING IN OUR FREE-MARKET ECONOMY AND ACHIEVING THEIR GOD-GIVEN POTENTIAL. THAT GAP IS EVIDENT IN THE CONTINUING LACK OF ACCESS THAT MILLIONS OF AMERICANS HAVE TO MAINSTREAM FINANCIAL SERVICES, PRODUCTS, AND CAPITAL... WE MUST FIND A WAY TO BRING MORE AMERICANS INTO THE FINANCIAL MAINSTREAM."  
-CHRIS DODD

*Barack Obama* proposes to include **financial literacy and financial planning** in programs that combat the payday lending industry.<sup>52</sup>

*Bill Richardson* would require a lender to **finance independent financial counseling** for elderly homeowners seeking to purchase their company's mortgage product.<sup>53</sup>

## BANKING THE UNBANKED

*John Edwards* proposes to subsidize bank accounts for the 28 million low-income workers who lack access to mainstream financial services.<sup>54</sup> As part of a proposal to modernize the **Community Reinvestment Act**, Edwards calls for banks to invest in rural economies, and hopes to reward financial institutions who target underserved markets.<sup>55</sup>

"IT'S TIME FOR US TO PUT OUR ECONOMY BACK IN LINE WITH OUR VALUES AND STRENGTHEN THREE PILLARS OF AMERICA'S MIDDLE CLASS: SAVINGS, WORK AND FAMILY."  
-JOHN EDWARDS

<sup>49</sup> American Banker, December 12, 2007.

<sup>50</sup> <http://chrisdodd.com/node/2447>.

<sup>51</sup> <http://chrisdodd.com/issues/homeownership/long>.

<sup>52</sup> <http://my.barackobama.com/page/-/HQpress/110707%20FINAL%20national%20fact%20sheet%20American%20Dream.pdf>.

<sup>53</sup> <http://www.richardsonforpresident.com/issues/credit?id=0039>.

<sup>54</sup> <http://johnedwards.com/news/press-releases/20071202-abusive-lenders/>.

<sup>55</sup> <http://johnedwards.com/issues/plan-to-build-one-america.pdf>.



## ASSET LIMITS

*Joe Biden* calls for the **exclusion of retirement savings accounts** when determining eligibility for public assistance programs such as food stamps and TANF.<sup>56</sup> By ending rules that penalize savings, low-income families would be able to access government benefits without spending down their retirement savings.

*Hillary Clinton* calls for the **exclusion of retirement savings accounts** when determining eligibility for public assistance programs such as food stamps and TANF.<sup>57</sup> Clinton seeks to remove asset limits that would force working families to choose between receiving benefits and saving for retirement.

## BANKRUPTCY

*Joe Biden* calls for bankruptcy courts to **modify troubled mortgages** by making changes in repayment timeframes and interest rates.<sup>58</sup> Reforming the “Key Employee Retention Plans,” Biden aims to better protect worker pensions during company bankruptcy.<sup>59</sup>

*Chris Dodd* proposes to **reform the bankruptcy law** by: modifying the means test to account for the unique economic circumstances of individual families; protecting funds earmarked for child support; making all medical and student loan debt dischargeable; and allowing courts to modify mortgage repayment terms.<sup>60</sup>

*John Edwards* proposes to **modify the bankruptcy law** to permit restructuring of a primary residence mortgage during bankruptcy. Homeowners owing more than the worth of their home, because of abusive mortgage terms or declining home values, could shed the excessive, unsecured mortgage debt at the discretion of the bankruptcy judge.<sup>61</sup>

*Barack Obama* proposes a range of changes to **corporate bankruptcy laws** to protect workers and retirees from losing jobs, benefits and pensions in the case of company bankruptcy.<sup>62</sup>

*Bill Richardson* seeks to **reform the bankruptcy laws** so that primary residences would qualify for mortgage restructuring during bankruptcy.<sup>63</sup>

---

<sup>56</sup> <http://www.joebiden.com/issues/?id=0026>.

<sup>57</sup> <http://www.hillaryclinton.com/news/release/view/?id=4204>.

<sup>58</sup> <http://www.joebiden.com/newscenter/pressreleases?id=0236>.

<sup>59</sup> [http://www.joebiden.com/assets/pdfs/retirement\\_savings\\_plan.pdf](http://www.joebiden.com/assets/pdfs/retirement_savings_plan.pdf).

<sup>60</sup> <http://chrisdodd.com/issues/bankruptcy>.

<sup>61</sup> <http://johnedwards.com/issues/predatory-mortgages/>.

<sup>62</sup> <http://www.barackobama.com/pdf/retirementFactSheet.pdf>.

<sup>63</sup> <http://www.richardsonforpresident.com/issues/credit?id=0039>.

## CHILDREN'S SAVINGS ACCOUNTS

*Joe Biden* calls for the creation of **Children's Savings Accounts**, an account for every child a birth. The plan would seed accounts with \$500 and would utilize existing incentives for parents to make additional contributions. Upon turning 18 the child could use the money saved for qualified expenses related to higher education, homeownership and retirement.<sup>64</sup> At age 30, the account holder would repay the initial deposit. Families with low-income children would receive an additional incentive to contribute: a 100% match up to \$500 invested by the family to jumpstart saving.

*Hillary Clinton* proposes **Baby Bonds**, accounts opened at birth for every child with an initial investment of \$500.<sup>65</sup> First mentioned in a speech to the DLC in 2006, Clinton embraced the proposal in a speech delivered at the New America Foundation in Washington, where she asserted this proposal will give every child a stake in America and give parents the opportunity and incentive to save for their child's future.<sup>66</sup>

"I BELIEVE IT'S TIME FOR A NEW BARGAIN WITH THE AMERICAN PEOPLE—A BARGAIN THAT REFLECTS THE CHANGING GLOBAL ECONOMY AND THE NEW REALITIES OF AGING. I BELIEVE THAT IF YOU WORK HARD AND CONTRIBUTE TO OUR COUNTRY, YOU SHOULD HAVE THE OPPORTUNITY TO SAVE AND INVEST. AND THROUGH THE DISCIPLINE OF GOOD PLANNING AND THE MIRACLE OF COMPOUND INTEREST, YOU SHOULD BE ABLE TO BUILD WEALTH FOR YOURSELF, A BETTER FUTURE FOR YOUR FAMILY, AND A SECURE RETIREMENT."

-HILLARY CLINTON

## ASSET PROTECTION AND PREDATORY LENDING

*Hillary Clinton* intends to reform mortgage lending by eliminating prepayment penalties, requiring a full statement of taxes and insurance costs in the underwriting assessment, and demanding disclosure of fees being paid to brokers. The plan would call for stricter licensing standards and the creation of a **national mortgage broker registry**.<sup>67</sup>

*Chris Dodd* has put forward a comprehensive set of reforms to **strengthen consumer protections** with respect to predatory products that will include the prohibition of: prepayment penalties, balloon and exploding payments, and teaser rates and broker kickbacks (yield-spread premiums). Dodd will forbid steering borrowers into higher cost or lower quality mortgages and require the originator to conduct a more thorough analysis of a borrower's ability to repay, among other measures related to servicing. He intends to enforce the Federal Reserve's oversight responsibilities under the Home Ownership and Equity Protection Act (HOEPA), strictly penalize fraudulent lending behavior,<sup>68</sup> and hold services accountable for predatory products.<sup>69</sup> Dodd

<sup>64</sup> <http://www.joebiden.com/issues/?id=0026>.

<sup>65</sup> [http://www.dlc.org/ndol\\_ci.cfm?contentid=253996&kaid=137&subid=900111](http://www.dlc.org/ndol_ci.cfm?contentid=253996&kaid=137&subid=900111).

<sup>66</sup> New America Foundation, Ten Big Ideas for a New America. January 31, 2007. [http://www.newamerica.net/events/2007/ten\\_big\\_ideas\\_for\\_a\\_new\\_america](http://www.newamerica.net/events/2007/ten_big_ideas_for_a_new_america).

<sup>67</sup> <http://www.hillaryclinton.com/feature/mortgage/>.

<sup>68</sup> <http://chrisdodd.com/issues/homeownership/long>.

<sup>69</sup> American Banker, December 7, 2007.

intends to reform credit agencies by adding transparency and other measures to the rating systems process.<sup>70</sup>

*John Edwards* would create the **Family Savings and Credit Commission** to review all financial service products and protect consumers from abusive practices. In conjunction, Edwards would eliminate the Office of Thrift Supervision. Edwards plans to outlaw abusive practices in the mortgage, payday loan, and credit card industries. A **national law against predatory mortgages** would prohibit loan flipping, mandatory arbitration clauses, balloon loans, and prepayment penalties.<sup>71</sup> He also proposes to cap payday loan interest rates at 36%, the rate established for military families.

Edwards proposes a **Borrower's Security Act** that would limit abusive credit card practices. The act would “disclose the true cost of making only minimum payments, restore a ten-day grace period before imposing late fees and penalty rates, apply interest rate increases to future balances only, and end the practice of universal default, where a creditor can change borrowers' terms based on their debt and payments to other creditors.”<sup>72</sup> Establishing alternatives to high cost credit, Edwards proposes to aid non-profits and states in administering low-or no-interest emergency loans directly to taxpayers.<sup>73</sup> Further, Edwards calls for the establishment of community revolving loan funds.

*Dennis Kucinich* proposes to **expand the capacity of the Federal Trade Commission** to penalize predatory lenders.<sup>74</sup>

“WE MUST FIGHT TO STOP THE PREDATORY LENDING PRACTICES THAT HAVE VICTIMIZED SO MANY AMERICAN SENIORS. THESE LOAN SHARKS CAN DEVASTATE IN WEEKS THE FINANCIAL SECURITY THAT OLDER AMERICANS HAVE STRIVED TO BUILD FOR THEMSELVES OVER MANY YEARS OF CONSISTENT LABOR.”  
-DENNIS KUCINICH

*John McCain* calls 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.<sup>75</sup>

*Barack Obama* has introduced the **Stop Fraud Act** authorizing \$10 million in federal resources to combat mortgage fraud through stricter enforcement, harsher penalties for violators, and requirements to report suspicious activity. The act also includes foreclosure prevention counseling for homeowners and tenants.<sup>76</sup> Obama proposes to cap the interest rates on predatory loans at 36% and work with the Treasury Department and the FDIC to encourage the provision of small and short term affordable loans by banks, credit unions, and Community Development Financial Institutions, as an alternative to predatory products.<sup>77</sup>

<sup>70</sup> <http://chrisdodd.com/issues/homeownership/long>.

<sup>71</sup> <http://johnedwards.com/issues/predatory-mortgages/>.

<sup>72</sup> <http://johnedwards.com/issues/debt/>.

<sup>73</sup> <http://johnedwards.com/issues/debt/>.

<sup>74</sup> [http://www.kucinichonline.com/pdfs/Kucinich\\_Predatory\\_Lending.pdf](http://www.kucinichonline.com/pdfs/Kucinich_Predatory_Lending.pdf).

<sup>75</sup> <http://www.nhbr.com/apps/pbcs.dll/article?AID=/20071207/POLITICS/71206001/0/contact>.

<sup>76</sup> *American Banker*, December 7, 2007.

<sup>77</sup> <http://my.barackobama.com/page/-/HQpress/110707%20FINAL%20national%20fact%20sheet%20American%20Dream.pdf>.

Obama also intends to implement credit card reform, including a five-star rating system to inform consumers about the level of risk involved in every credit card.<sup>78</sup> Obama's proposed **Credit Card Bill of Rights** would prohibit unilateral changes to a credit card agreement, ban interest on late fees, forbid universal defaults, and outlaw rate changes to existing debt on to future debt.<sup>79</sup>

*Bill Richardson* proposes to create a **Financial Product Safety Commission** to protect consumers by reviewing new products with consumers' interests in mind, establishing guidelines for consumer disclosure, and modifying products that prevent consumers from safely building wealth.<sup>80</sup> Richardson will limit the interest rates on medical and student debt and block credit agencies from downgrading consumer credit scores as a result of these debts.<sup>81</sup> The reforms would mandate credit card companies to use 'plain English' in its contracts. Richardson also calls for increased transparency between the credit rating agencies and the companies they rate.

## CAMPAIGN WEBSITES

### Democratic Candidates

Senator Joseph Biden (DE)	<a href="http://www.joebiden.com/">www.joebiden.com/</a>
Senator Hillary Rodham Clinton (NY)	<a href="http://www.hillaryclinton.com/">www.hillaryclinton.com/</a>
Senator Chris Dodd (CT)	<a href="http://www.chrisdodd.com/">www.chrisdodd.com/</a>
Former Senator John Edwards (NC)	<a href="http://www.johnedwards.com/">www.johnedwards.com/</a>
Congressman Dennis Kucinich (OH)	<a href="http://www.dennis4president.com/">www.dennis4president.com/</a>
Senator Barack Obama (IL)	<a href="http://www.barackobama.com/">www.barackobama.com/</a>
Governor Bill Richardson (NM)	<a href="http://www.richardsonforpresident.com/">www.richardsonforpresident.com/</a>

### Republican Candidates

Former Mayor Rudy Giuliani (NY)	<a href="http://www.joinrudy2008.com/">www.joinrudy2008.com/</a>
Former Governor Mike Huckabee (AR)	<a href="http://www.mikehuckabee.com/">www.mikehuckabee.com/</a>
Congressman Duncan Hunter (CA)	<a href="http://www.gohunter08.com/">www.gohunter08.com/</a>
Senator John McCain (AZ)	<a href="http://www.johnmccain.com/">www.johnmccain.com/</a>
Congressman Ron Paul (TX)	<a href="http://www.ronpaul2008.com/">www.ronpaul2008.com/</a>
Former Governor Mitt Romney (MA)	<a href="http://www.mittromney.com/">www.mittromney.com/</a>
Congressman Tom Tancredo (CO)	<a href="http://www.teamtancredo.org/">www.teamtancredo.org/</a>
Former Senator Fred Thompson (TN)	<a href="http://www.fred08.com/">www.fred08.com/</a>

<sup>78</sup> <http://my.barackobama.com/page/-/HQpress/Fact%20Sheet%20Credit%20Cards%20FINAL.pdf>.

<sup>79</sup> <http://my.barackobama.com/page/-/HQpress/110707%20FINAL%20national%20fact%20sheet%20American%20Dream.pdf>.

<sup>80</sup> <http://www.richardsonforpresident.com/issues/credit?id=0039>.

<sup>81</sup> <http://www.richardsonforpresident.com/issues/credit?id=0039>.