DARRELL E. ISSA
49TH DISTRICT, CALIFORNIA

WASHINGTON OFFICE:
211 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-3906
FAX: (202) 225-3303

DISTRICT OFFICE:
1800 THIBODO ROAD, SUITE 310
VISTA, CA 92081
(760) 599-5000
FAX: (760) 599-1178

SOUTHWEST RIVERSIDE COUNTY
(951) 693-2447

www.issa.house.gov

Congress of the United States
House of Representatives
Washington, DC 20515–0549

PERMANENT SELECT COMMITTEE ON INTELLIGENCE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEES:
DOMESTIC POLICY—RANKING MEMBER
FEDERAL WORKFORCE, POSTAL SERVICE & THE DISTRICT OF COLUMBIA

COMMITTEE ON THE JUDICIARY
SUBCOMMITTEES:
COURTS, THE INTERNET & INTELLECTUAL PROPERTY
CONSTITUTION, CIVIL RIGHTS, & CIVIL LIBERTIES

REPUBLICAN POLICY COMMITTEE

Let Private Investors Fund Wall Street Rescue Fund

Through Guaranteed Recovery Bonds

- Congress authorizes the Treasury to issue up to $700 billion dollars in unique callable T-Bills (Guaranteed Recovery Bonds) to create a Rescue Fund managed by Treasury. Private investors who purchased the Recovery Bonds would provide the capital for the Rescue Fund. Financial institutions borrow from the fund at a rate that fully covers the interest paid to investors in the Recovery Bonds plus an insurance premium to protect taxpayers.

- Financial institutions holding at-risk mortgage-backed securities would be able to borrow from the Rescue Fund at the T-Bill rate plus 200 basis points (a 2% insurance premium). Treasury would retain the 2% premium to protect taxpayers against defaults.

- Treasury would set a borrowing limit for each institution based upon Secretary Paulson's mark-to-market to maturity valuation of the mortgage backed securities they hold.

- Financial institutions would continue to hold their pledged securities and be responsible for liquidating them over time, so taxpayers would not be saddled with the liability or cost of disposing of troubled assets.

- With Treasury approval, troubled securities and obligations to the Rescue Fund would be transferable to allow for the purchase and sale of the associated assets and liabilities.

- Financial institutions would have access to the cash they need and an incentive to pay the funds back as soon as possible.

- As financial institutions pay back their loans, Treasury will pay-off (call) the Guaranteed Recovery Bonds.

Issa Guaranteed Recovery Bonds vs. Paulson Bailout

The Benefits of Making Wall Street an Emergency Loan instead of Buying Troubled Mortgage Assets

Less Risk/Reward for Taxpayers:

- **Under the $700 billion Paulson plan, the Treasury buys at-risk mortgage assets and taxpayers own the investment – if taxpayers overpay for risky assets they lose money while Wall Street firms are free to profit after dumping bad investments on taxpayers.**

- **Under the Issa Guaranteed Recovery Bonds plan, Wall Street firms get liquidity from bonds but retain ownership of at-risk mortgage assets. Taxpayers can't get stuck holding the bill while Wall Street firms profit – taxpayers can only lose money if firms fail.**

Wall Street Can't Profit while Taxpayers take Huge Losses:

- **Under the Paulson plan, Wall Street firms get to wash their hands of business decisions and hand the risk to taxpayers. They're free to make enormous profits while taxpayers get stuck with results of bad investment.**

- **The Issa Bonds plan means that if Wall Street firms succeed, taxpayers make a profit. Wall Street can't make huge profits while taxpayers lose billions.**

Keeping the Federal Government from Owning Troubled Mortgages:

- **The Paulson plan makes the government the owners of $700 billion in mortgage assets. We're the landlord and the Federal government will be under constant pressure to cut special deals for tenants that cost taxpayers even more.**

- **The Issa plan means the government doesn't get itself into the mortgage management business. Wall Street firms are still in charge of business decisions and still have a financial stake.**