

and Freddie MBS held by banks and financial funds, and of lenders of mortgages guaranteed by Fannie and Freddie, could not have been proclaimed. Paulson's announcement even extends the "secured lending credit facility" to the Federal Home Loan Banks as well, although no one had reported them to be "in crisis" like Fannie and Freddie; some of the Home Loan Banks have been throwing huge bailout loans at bankrupt subprime mortgage lenders like Countrywide Financial.

Here is the evidence of Paulson's announcement:

"The second step Treasury is taking today is the establishment of a new secured lending credit facility which will be available to Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. Given the combination of actions we are taking, including the Preferred Share Purchase Agreements, we expect the GSEs to be in a stronger position to fund their regular business activities in the capital markets. This facility is intended to serve as an ultimate liquidity backstop, in essence, implementing the temporary liquidity backstop authority granted by Congress in July, and will be available until those authorities expire in December 2009.

"Finally, to further support the availability of mortgage financing for millions of Americans, Treasury is initiating a temporary program to purchase GSE MBS. During this ongoing housing correction, the GSE portfolios have been constrained, both by their own capital situation and by regulatory efforts to address systemic risk. As the GSEs have grappled with their difficulties, we've seen mortgage rate spreads to Treasuries widen, making mortgages less affordable for homebuyers. While the GSEs are expected to moderately increase the size of their portfolios over the next 15 months through prudent mortgage purchases, complementary government efforts can aid mortgage affordability. Treasury will begin this new program later this month, investing in new GSE MBS."

Who Sold You Out?

Hank Paulson's Taxpayer Bailout of Speculators

1. What Is It?

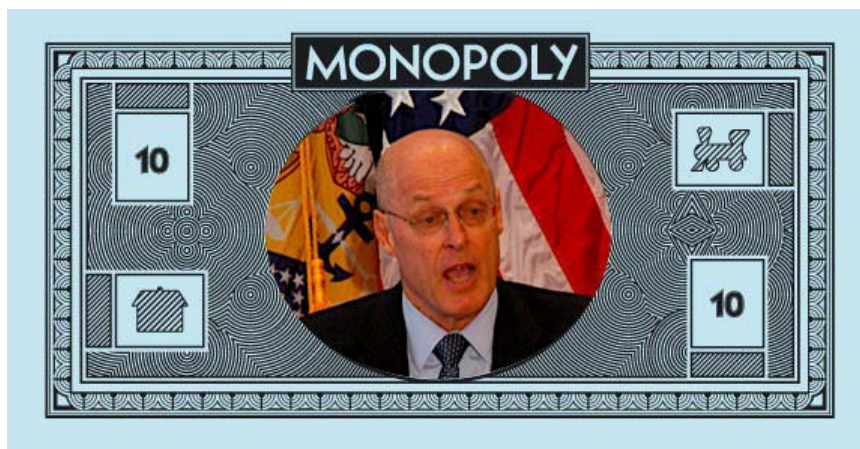
What Hank Paulson announced over the Sept. 6-7 weekend is an unlimited, Federal Treasury, taxpayer-funded credit line, to guarantee banks and financial funds all over the world 100% of the value of their

m o r t g a g e - backed securities. It is a Federal bailout promise which will completely dwarf the \$30 billion Federal Reserve bailout of the mortgage-backed securities of Bear Stearns in May. It will steal from American citi-

zens and taxpayers on a scale they have never seen before, to the benefit of financial firms. This makes the bailout unconstitutional, a direct violation of the leading "General Welfare" clause of the U.S. Constitution.

This taxpayer bailout of banks and hedge funds, is called by Paulson's Treasury, the "Secured Credit Lending Facility." It has been publicly presented as a takeover and rescue of Fannie Mae and Freddie Mac, the huge government-sponsored mortgage companies. But the bailout credit will *pass through* Fannie and Freddie to the holders of the mortgage-backed securities (MBS) they've issued—that is, to international banks, investment banks, hedge funds, foreign central banks, etc.

A clear tipoff that this bailout is not actually a rescue of Fannie and Freddie? The Treasury's "Secured Credit Lending Facility" will also go through the 12 Federal Home Loan Banks. Nobody's claiming the Home Loan Banks are being "rescued"; but they've been doling out



EIRNS/Will Mederski

big loans to bail out bankrupt subprime mortgage lenders like Countrywide Financial.

2. How Big Is It?

‘Unlimited’—the Treasury Department insisted on that.

The only limitation on the size of this bailout, temporarily, is the U.S. Federal debt ceiling. And at the Treasury’s frantic demand in July, the Congress raised the Federal debt ceiling, for this purpose, from \$9.6 trillion to \$10.4 trillion. So this bailout could rapidly use \$800 billion of Federal borrowing, raising Treasury interest rates (it’s already doing that) and piling on you, the taxpayer, another \$40-60 billion a year in Federal debt interest charges. To give one indication of how big it could get, a memo has been circulating among economists at the Federal Reserve, according to one source, that warns that the Federal debt could reach \$23 trillion by mid-2010, if the unchecked bailout goes forward. That is one warning of how big it could get, but that estimate presumes the rescue is of Fannie Mae and Freddie Mac, not a bailout of the far larger banking system, whose losses are growing by the day.

There are \$7 trillion in mortgage-backed securities held by banks, hedge funds, “investors,” etc. They are the means by which these investors bought collection rights on risky mortgages by the millions. *They could and should be frozen and written off for the duration of the financial crisis*; instead, Paulson’s Treasury is guaranteeing them at 100% face value. Fannie Mae and Freddie Mac, between them, issued about \$2 trillion of these, and bought another \$1 trillion from other financial firms.

3. Who Authorized This Bailout?

The answer is The Housing and Economic Recovery Act of 2008, or HR 3221, passed into law in July, and known as the Dodd-Frank bill—for Rep. ‘Bailout Barney’ Frank of Massachusetts, and Sen. Christopher Dodd of Connecticut, who was the chosen Presidential candidate of fascist New York banker Felix Rohatyn.

The bill was a Federal bailout of mortgage lenders to begin with. But in July, just before Congress was going to pass it, Treasury Secretary Hank Paulson insisted that the Congress *add to this bill, the “unlimited” authority to bail out Fannie Mae’s and Freddie Mac’s mortgage-backed securities*. Hank Paulson “delivered” the end of President Bush’s threat to veto the Dodd-Frank bill, in exchange for adding this unlimited bailout.

The Housing and Economic Recovery Act of 2008 doesn’t even go into effect until October 1; but *this* part went into effect immediately when the bill was signed into law in July.

Here are the primary sponsors:

- Rep. “Bailout Barney” Frank (D-Mass.)
- Rep. Nancy Pelosi, Speaker of the House—her economic policies are set by Felix Rohatyn, fascist New York banker, speculator and drug legalizer George Soros, and Al Gore.
- Rep. Steny Hoyer, House Majority Leader
- Rep. Rahm Emanuel, (D-Ill.)
- Sen. Christopher Dodd (D-Conn.), chairman of the Banking Committee, the “Senator from Wall Street”; his Presidential campaign was pushed by Felix Rohatyn.
- Sen. Charles Schumer (D-N.Y.) also participated, along with Sen. Richard Shelby (R-Ala.)

4. Who Designed and Backed This Bailout?

The idea for the Dodd-Frank bill was put in circulation through British-linked anti-FDR economists at the New York Council on Foreign Relations, including, “world currency” promoter Ben Steil.

The bill was specifically designed by Wall Street and London financiers—by Credit Suisse Bank in particular—working with the staffs of Barney Frank and Chris Dodd, and with Paulson’s Treasury. It was also pushed by Fannie Mae CEO Daniel Mudd—he lost his job in the big bailout push this weekend, but left with a “golden parachute.”

The direct bailout of mortgage-backed securities by the Federal government was also pushed by Morgan Stanley investment bank, and its CEO John Mack. Morgan Stanley became the Treasury Department’s advisor in the bailout. And it was pushed on the Congress by chief economist Mark Zandi of Moody’s Economy.com, run by Moody’s Investors Service—the rating agency which helped trigger the mortgage bubble blow-out by over-rating many billions in mortgage-backed securities.

Paulson’s Sept. 7 bailout announcement was backed completely by Presidential candidates Barack Obama and John McCain. Obama probably didn’t know when he voted for the Dodd-Frank bill in July, that it would lead to an “unlimited” bailout—now he does, and he says, “It had to be done.” McCain wasn’t present in the Senate when the Dodd-Frank bill was voted. Now he says of Paulson’s mega-bailout, “It had to be done.”