

Subsidies: A nightmare

I HAD a dream. In it, the U.S. Bank Master General testified before Congress that he needed an additional \$27.5 trillion under the American Bank Revitalization and Reinvestment Act of 2009 to keep credit flowing in the United States for another year.

The request included \$3.9 trillion to celebrate the 50-year anniversary of the nationalization of the U.S. banking



On the Money

By JOHN OTTE

sector. Much of the \$3.9 trillion was targeted toward a public relations campaign aimed at U.S. taxpayers.

In 2007, early in President Bernardo Greenspandex's first term, he vowed to eliminate direct subsidy payments to large financial institutions over three years. The new president was responding to taxpayer backlash on giving financial institutions huge quantities of unrestricted cash.

Bank executives and their lobbyists mobilized a grassroots effort to get con-

A tool to assure financial security

I N March 2009, Discover launched an innovative debit card for teens that keeps them from overspending. The card allows parents to manage and control their teen's spending, such as limiting how and where the card can be used. It offers parents tools that help them track transactions as they happen.

Imagine how useful such a card could have been if it had been launched in 1999. It could have told high-risk borrowers when they were about to take on mortgages that were too big for them. It could have warned "no-money-down" lenders they were foisting off on unsuspecting borrowers loans that were certain to go bad. It could have alerted Wall Street that slicing, dicing and rebundling historically good loans with potentially worthless paper would cook off a concoction that no one would want to touch.

The technical capability to have prevented the world's economic meltdown existed. But the crucial missing link — the regulatory equivalent of sound parental oversight — would still have been missing.

stituents to contact their elected representatives. The message: Any reduction in subsidies would threaten national financial security and drive up borrowing costs for the nation's businesses, farms and families. Most importantly, subsidy cuts would threaten to push the nation and the world back into the 20-year era of economic darkness that began in 2009.

The well-coordinated lobbying effort forced President Greenspandex to restore full subsidization to the lending industry for the full five years covered by the 2009 ABRRRA.

In other legislation

Congress extended loan deficiency payment provisions to financially stressed homeowners for a 51st year. Homeowners can use LDPs to make up cash-flow shortages on loan payments.

LDPs came into existence in the 2009 American Recovery and Reinvestment Act. However, responding to abuses over the past 50 years, Congress tightened LDP eligibility rules:

■ Homeowners must have beneficial interest in their homes as of Dec. 31, 2008. That means they must not be in foreclosure.

■ Homeowners must be at risk. That means mortgage debt must be less than current appraised value of the home.

■ Taxpayers with adjusted gross incomes averaging \$5 billion or more over the preceding three years are ineligible for LDPs.

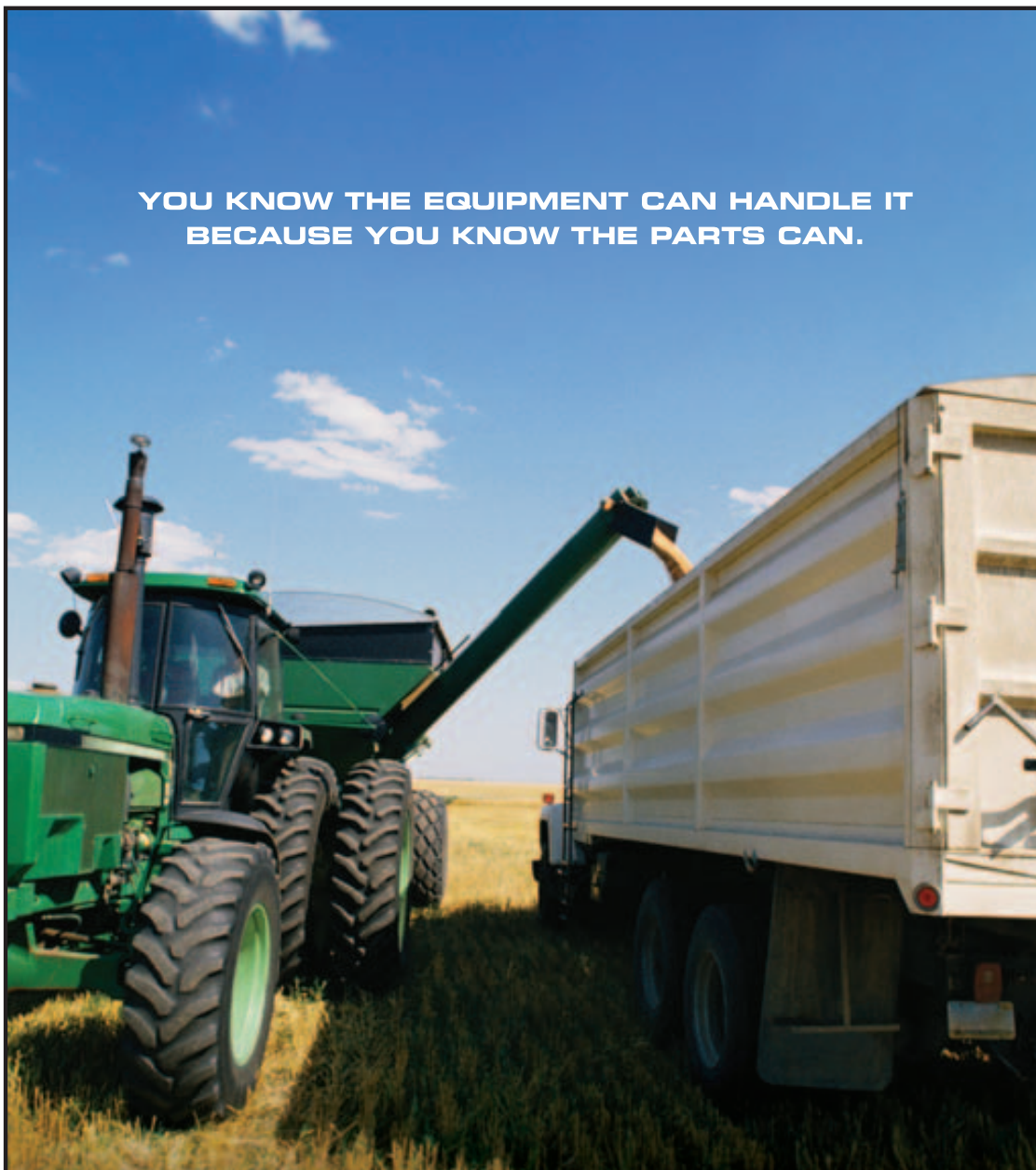
■ No taxpayer can claim LDPs on more than one permanent residence and two vacation homes.

■ The Treasury Department's Bank Service Agency will consider aggregate value and combined debt on all homes owned when figuring LDP eligibility.

I awoke in a cold sweat trying to calculate:

- ✓ how to get a higher handout
- ✓ how high my taxes would go to finance everybody else's handouts.

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